



## **RELIANCE COMMUNICATIONS LIMITED**

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**Transcript of Earnings Conference Call  
for the Quarter ended March 31, 2015**

**Conducted at 2.30 pm IST on June 1, 2015**

## **Moderator**

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

This is Mamta, 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 namely Mr. Vinod Sawhny (CEO – Reliance Communications), Mr. Gurdeep Singh (CEO – Consumer business), Mr. Bill Barney (CEO – GCX, India Enterprise and Carrier Business), Mr. Deepak Khanna (CEO – India Enterprise), Mr. Punit Garg (President – Corporate Strategy and Regulatory Affairs), Mr. Manikantan Iyer (CFO – Reliance Communications), Mr. Rory Cole (CFO – GCX) and Mr. Anil Ladha (Head – Investor Relations).

The call will begin with some key observations by the management 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. Gurdeep Singh. Thank you.

## **Gurdeep Singh**

Thanks, Mamta. Good Afternoon and welcome to our Fourth quarter 2015 earnings conference call. I have with me the senior management team of Reliance Communications. On behalf of us all, Thank you for joining the call.

On May 29, 2015, our Board of Directors adopted the results for the fourth quarter of the financial year 2014-15 ending March 31st, 2015. The Media Statement, Quarterly Report and the Results have been uploaded on our web site and I trust you have had a chance to go through the same.

To begin with, let me take you through the key financial & operational highlights for the quarter:

- **PAT:** Profit After Tax for the quarter stands at Rs. 228 Cr, a robust sequential increase of 13.1% & 45.9% YoY. Our profitability has been bolstered with improvement in our business performance, especially in data, lower interest costs combined with our ongoing cost optimization efforts
- **Revenue & EBITDA:** Overall, Q4 revenues are at Rs. 5,703 Cr, a sequential increase of 4.3 % & 1% YoY. Q4 EBITDA is at Rs. 1,976 Cr, a sequential increase of 6.8% & YoY increase of 6.7%. India operations revenues are 4,907 Cr., a sequential increase of 2.2% and 5.5% YoY. Global operations revenues are 1,294 Cr, a sequential increase of 4.7% and 2.7% YoY
- **EBITDA margin:** In Q4, our EBITDA margin further grew to 34.7 % from an already very healthy 33.8% in the previous quarter
- **RPM & ARPU:** In Q4, overall RPM has increased to 44.4 paisa; a YoY growth of 2.8%. ARPU for the quarter is Rs. 147 up by 14.8 % YoY. We have improved RPM with tariff hikes, strong focus on paid & profitable minutes, and increase in data usage.
- **Data Subs & Traffic:** Total data traffic was 87.2 Billion MB in Q4, up 73.6% Y-o-Y. Our data growth has been robust - overall data customer base has grown by 26.2% YoY to 33.7 million; and 3G customers have increased 45% YoY to 17.4 million.
- **RCOM got rated by two internationally renowned Credit Rating agencies:**  
During the quarter RCOM got itself rated from two renowned global credit rating agencies, Moody's and Fitch Ratings. The Company was rated Ba3 (Stable Outlook) by Moody's and BB- (Stable Outlook) by Fitch Ratings. A stable outlook signifies that the Company is in a better position to manage its balance sheet and sustain as a long-term player in the telecommunications industry.
- **RCOM raised USD 300 Mn through an offshore bond offering**  
RCOM raised USD300 million by issuing offshore bonds at 6.5% p.a. with a maturity of five-and-a-half years. The bonds were rated at the same level as Issuer ratings given by Moody's and Fitch.

***These numbers are the result of our ongoing strategic initiatives around data, our continuous innovation and leadership in the B2B segment and our laser sharp focus on operational & financial efficiencies.***

***I would now want to take this opportunity to share our viewpoints on the recently concluded spectrum auction.***

The spectrum auctions, as you are aware, concluded on 25<sup>th</sup> March after 19 days and 115 rounds of bidding raising over 1,09,874 Cr. from the sale of 418.05 MHz of spectrum

Post auctions, the key highlights for RCOM are:

- 1. We are the only operator with a sub 1 GHz pan India footprint with our contiguous 800/850 MHz spectrum.** As you are aware, in terms of both propagation characteristics and network economics, the sub GHz band is by far the most valuable.
- 2. The best future proof 4G Spectrum.** We have future proofed our spectrum from a long term perspective. We have 5MHz or more spectrum in the 800/850 MHz band on a nationwide basis up from 12 circles earlier. Globally, this band has been found to be one of the best-suited for commercial 4G deployments with a very healthy supporting ecosystem. The 800/850 ecosystem is fast developing, accounting for over 23% of all global LTE deployments with wide range of compatible devices available in these bands worldwide. **RCOM is the only Indian operator with a pan national presence in this band. This clearly is an edge as we usher in the 4G led data growth phase.**
- 3. Utmost financial prudence vis-à-vis renewal.** RCOM had 7 circles (2 Category B and 5 Category C) that came up for renewal in the 900 MHz band.
  - We successfully renewed 900 MHz spectrum in Madhya Pradesh & Himachal Pradesh

- We successfully renewed spectrum in the 800 MHz band in Assam & North East by increasing our holding to 5MHz with contiguity
- We acquired spectrum in the 1800 MHz band in North East & Odisha, as from a financial viability perspective, 1800 MHz was by far more value accretive in these circles for us. With our existing infrastructure, incremental Capex needed to continue our coverage in 1800 MHz would be minimal
- In Assam, Bihar & West Bengal, we will ensure business continuity and growth through ICR arrangements which are already in place; and transitioning a portion of our 2G subs to 3G. Currently in India, 50% of the devices sold are 3G capable and 90% of all device upgrades are 3G. 3G revenues are on significant upswing and we shall increasingly see further migration to 3G services. From a downside perspective, the 2G revenues from these circles contribute less than 5% to our overall consolidated revenues.

**Our auction strategy was based on the pillars of future proofing and utmost financial prudence. The outcome of the auction is that we have the necessary wherewithal for service continuity in each of our renewal circles and the best nationwide 4G ready spectrum assets of all operators. The auctions therefore have been a huge positive for RCOM**

**I would now want to highlight RCOM's initiatives in data, a space whose importance for the overall industry is on an explosive upswing**

A major chunk of incremental industry revenues are attributable to data with nearly 50% or more incremental revenues for operators being driven solely by data. We are right in the midst of the data led revolution. This data growth is being fuelled by broad based smartphone adoption and consequent spurt in demand

71% of smartphone shipments last quarter were < USD 200 underlining device affordability as one of the key strategic drivers of mass adoption. The overall smartphone base in the country stands at nearly 150 Million and with this number

slated to rise to over 650 Mn in the next 4-5 years, the data potential is enormous. The Indian market is on the cusp of the next phase of data enabled growth with 4G penetration likely to rise to 12% of the overall subscriber base in the next 2-3 years fuelling demand for data intensive services

***RCOM is well poised to participate and lead in this future growth with all key enabling elements in place – future ready spectrum portfolio, excellent data network, strong device proposition, & strong ongoing traction in the data ecosystem supported by superior customer propositions & experience***

### **Strengthening of our network proposition**

RCOM continues to invest in bringing superior network experience to all its customers. We are currently offering Rev B services in many cities, including key data-growth centres, with our own as well as through ICR arrangements. These services cover 80%-90% of our data revenue footprint. Rev B services enable our customers to access data speeds up to 14.7 Mbps. This service on the 800 MHz spectrum band provides the best indoor coverage, and is carried on our 100 Mbps backhaul ensuring the lowest latency and superior customer experience.

**Going forward RCOM shall increasingly focus on WiFi & Indoor coverage solutions in the top 200 cities to boost its data marketshare along-with select deployment of the best Sub GHz 4G network.**

### **Strengthening of our device & content proposition**

The pillars of our data strategy revolve around acquiring more smartphone customers, getting non-data users into the data fold and moving existing data users up the consumption value chain.

- During the course of the quarter, RCOM joined hands with Facebook in a ground breaking partnership for Internet.org, an initiative to bring basic internet services for free to the masses. Available as an application as well as a freely accessible website on a feature phone, RCOM customers can now access basic internet services related to healthcare, employment, local

information and a host of others, without being charged for data connectivity. To start with, these services have been made available for Reliance customers in the telecom Circles of Mumbai, Maharashtra, Gujarat, Andhra Pradesh, Chennai, Tamil Nadu and Kerala. The goal is to extend the services to the rest of the country in a phased manner, and gradually add more services and websites. The launch of these services aims to bring the power of the Internet to a billion Indians. These set of services also come with free Facebook access. This ground breaking initiative shall spur internet adoption and further bolster RCOM's leadership in the data arena.

Recently there have been a lot of discussions around Net Neutrality issues. RCOM supports net neutrality. We are committed to cooperate and contribute in development of a suitable framework which balances the interests of all involved stakeholders and achieves the broader common objective of digital inclusion.

#### Moving on to other key initiatives in Data

- In our effort to address every segment of the market, Reliance has now partnered with DataWind, makers of Akash tablets, to launch a range of Smartphones with 12 months of Unlimited Free Internet on Reliance GSM network.
- We are pleased to announce yet another launch partnership with Samsung for its Galaxy J1, with the objective to garner more entry level data customers, who are looking to upgrade to Smartphones for the first time.
- We have launched innovative device offering such as WiPods, MiFi and WiFi routers and dongles, which have been received very well among our customers. These devices work on both 3G as well as Rev B. This is helping us in realizing better annuity-like revenue streams with long-term contracts.
- RCOM partnered with Twitter to provide its customers with the most comprehensive platform to follow the excitement and the global buzz as the world's best 14 cricketing nations competed for the coveted ICC Cricket

World Cup. By allowing its users new ways to connect and engage on Twitter and follow the six-week tournament, Reliance Communications took to drive Internet adoption and usage during this iconic event, and help drive greater recharges and create stickiness around data usage.

**Our concerted data strategy execution across consumer segments has shown heartening results with 3G data subs having grown 45% YoY to touch 17.4 Million subscribers. Additionally, our data usage per customer, already the highest in the industry, has further grown by 37.8% YoY to touch 893 Mb/Sub**

***Now, I would like to handover the call to my colleague Bill Barney to take you through our Enterprise and GCX businesses.***

***Our Enterprise Business:***

Our India Enterprise business caters to over 39,000 large, medium and small businesses across the country, including 850 of India's top 1,000 enterprises. RCOM enjoys clear leadership in the enterprise space across voice & data solutions and is one of the largest IDC players in the country with 10 data centers and 1.1 Million Sq. Ft of data center space, including under construction projects.

**The key themes that are strongly driving our innovation and leadership in the enterprise space are:**

**1. The Rapid Digitization of the Enterprise**

The large Enterprise segments in India, primarily led by the agility imperative, are embarking on comprehensive 'Digital Transformation' journeys. Social, Mobility, Analytics and Cloud, or the SMAC stack, is playing a pivotal role in this journey. Virtually every business process, whether internal or customer-facing, is starting to become digitally enabled. In this backdrop, ICT technologies are at the core of critical business decisions. Thanks to a wide bouquet of end-to-end solutions including Network connectivity, Voice Services, Enterprise Mobility,



Collaboration, Data Center, Cloud & Managed services, we are in a uniquely advantageous position to partner Enterprises in their digitization initiatives.

## **2. The Massive Expansion in Cloud Adoption**

This year has seen Enterprises in India make a significant move into the Cloud. According to a recent survey, more than half of India Inc. are active users of cloud based services. The rapidly evolving e-commerce and startup environment is immensely contributing to the growing cloud adoption. The public cloud services market alone is expected to cross Rs. 5,200 Crore this year. At RCOM, we believe that the Cloud play is a natural extension of our leading presence in the third party data center market. We have a strong portfolio of Cloud services and will continue to bring homegrown solutions as well as those from global leaders to the doorsteps of Indian Enterprises of all sizes.

- In this regard, RCOM and Panasonic joined hands to introduce Cloud Video Intelli-Surveillance - an end-to-end video surveillance solution with advanced analytics for the Enterprise segment in India. RCOM's Enterprise Business arm will take this solution to the market, leveraging its deep relationship with over 39,000 businesses across the country. Cloud Video Intelli-Surveillance is packed with a host of offerings, such as easy scheduling, managing IP cameras fully in the cloud and advanced cloud video analytics like Human Detection, Tripwire and many more. This solution also offers various advantages such as Alerts, API usage, User Management and HD-like image quality. With apps available for iOS & Android devices, one can easily access their cameras on-the-go. This allows for seamless checking of live streams and footage or receiving push notifications during the course of an event.
- Additionally, RCOM paved the way for the collaborative expansion of its cloud portfolio with tie-ups with IBM & Hitachi

**Looking ahead, we shall continue to focus on enhancing our market share in MPLS, and Internet through product & service innovation, geography**

**expansion & ecosystem collaboration, and drive our metamorphosis in the cloud space.**

**Here, I would like to touch upon the Government's Digital India vision and what it potentially spells for RCOM**

**Government's Digital India Initiative**

The Government's 'Digital India' vision is centered on three key areas: Digital infrastructure as a utility to every citizen, Governance & services on demand, and digital empowerment of citizens. These translate into the expansion of Broadband connectivity at village level, improved access to services through IT & Mobile enabled platforms, and greater transparency in Government processes.

We expect this to manifest into sizeable opportunities for the sector in areas such as high speed internet connectivity, hosting & cloud services , mobile commerce & smart applications to name a few.

RCOM, with its convergent digital network covering over 21,000 towns & over 400,000 villages, data center footprint of over 1 million sq ft, and proven expertise in large-scale communications projects, is uniquely positioned to play the key role of 'Solutions Integrator' in bringing the 'Digital India' vision alive. Some areas that RCOM can particularly collaborate on are digital wallet, digital certification, Single Sign-On (SSO), smart cities, national infrastructure backbone and centralised cloud for state data centers (SDCs).

**Now, moving on to the Carrier & GCX businesses**

***Strong performance in the Carrier business***

4Q FY15 was witness to another period of high performance by the Carrier Business

- Q4 FY15 Global voice revenue showed an upward trend driven by revision of IUC charges. The Hubbing and transit services in our global voice business maintained their growth trajectories in Q4.

- In the National Long Distance business, we maintained our winning streak by re-winning key deals. During the course of Q4, our special focus was on monetization of the infra deals signed with leading Telcos earlier in FY'14.
- The international calling card service is on track for India launch in FY16. Interconnection agreements with 3 new carriers were signed in Q4 FY'15. So far we have signed agreements with 8 major carriers

The future outlook remains fairly positive with continued focus on Infra sales monetization & the imminent launch of International Calling Card services in India.

***Let us take a look at important developments in our GCX operations:***

GCX ended FY15 on a high, with higher amount of activated and billed IRU contracts, significantly exceeding all of FY14.

- During Q4 FY'15, we established GCX as a cloud services enabler and continued to make investments for long term sustainable growth through infrastructure enhancements. We launched Cloud X Fusion with direct enterprise grade connectivity into Google Cloud Interconnect and plans are underway for connectivity into other major third party cloud hubs in the coming months.
- We also continued to expand our presence across the emerging markets corridor through direct interconnection with UAE-IX, a carrier neutral Internet exchange platform in Dubai. In addition, we further enhanced growth momentum in the Middle East region with new PoP at DataMena in Dubai.
- In Q4, GCX significantly enhanced its global infrastructure for long term sustainable growth. We added more than 500G capacity on Trans-Atlantic and also upgraded IP PoPs with latest Juniper gears in Dubai and Thailand.

**All in all, GCX expects sustained growth in the coming quarters as we broaden our suite of existing products and services to align with new opportunities across our new Cloud ecosystem.**

***Some of other Key Developments:***

**1. Consolidation of India Enterprise , Carrier & GCX under a single leadership umbrella**

In a key development aimed at consolidation of our operations and better serving our customers in India & Abroad , the India Enterprise , Carrier & GCX businesses have been brought together to function under a unified structure. This is envisioned to bring better alignment with respect to customer requirements, a focused approach towards revenue enhancement & cost optimization while driving significant cross-synergies between the business units

**2. RCOM continues to pursue avenues for deleveraging**

A host of targeted initiatives around monetization of core and non-core assets (GCX, DTH & Real Estate) are actively in progress. Our initiatives have already helped lower our net debt over the year by nearly 3,500 Cr on a YoY basis and interest outgo by 26.5% YoY.

**The strengthening of our balance sheet is well underway and we can expect significant improvements to flow from planned initiatives quarter on quarter.**

***In conclusion, let me reiterate the following:***

- RCOM participated in the auctions with the objective of creating the best spectrum portfolio for future value creation in the most financially prudent manner to maximize returns for our shareholders
- RCOM is well positioned post the auctions as the only operator in India with national footprint of efficient and valuable sub GHz spectrum in the 800/850 MHz band which is eminently suitable for 4G
- RCOM holds adequate spectrum across bands and also has ICR arrangements in place to ensure service continuity for all subscribers in the 7 renewal circles

- RCOM is progressively innovating through differentiated products and services with a focus on expanding data revenue base and enhancing user experience for both voice & data customers
- RCOM is focused on sustaining and extending its established leadership in the Indian enterprise space across IDC, Internet & MPLS
- RCOM has taken significant strides in its evolution to a pre-eminent cloud player in the Indian enterprise segment with investments in solution development and strategic partnerships
- RCOM maintains its market leadership in the NLD & ILD segments and is focused on sweating its extensive infrastructure assets on the ground
- RCOM continues to invest in partnerships & infrastructure growth in its global operations to emerge as a leading global cloud infrastructure player
- RCOM got rated by 2 major international rating agencies- Moody's and Fitch Ratings and both of them rated RCOM's outlook as stable indicating the ability to maintain balance sheet health
- In yet another indicator of Investor confidence, RCOM raised USD 300 Mn through an offshore bond offering.
- RCOM is actively working on various initiatives to improve operating metrics, to de-leverage the balance sheet to achieve continuous enhancement of shareholders' value

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

**Operator:**

First in line we have Mr. Piyush Choudhary from CIMB. You may go ahead.

**Piyush Choudhary**

Thanks a lot for the call. I have a couple of questions, on the initiatives which you have undertaken for reduction of debt, could you update us on your land de-merger initiatives, securitization of Reliance Jio and the sale of GCX? And secondly on the Reliance Infratel; could you help us understand what's your external tenancy excluding RCOM's GSM and CDMA?

**Gurdeep Singh**

Okay. Piyush, thanks for your question. On the deleveraging front as stated earlier, currently we are pursuing multiple options - mostly around our non-core assets. One is on the sale of GCX, second is on the real estate monetization including the DAKC campus and the marquee properties in and around the major cities of India. And third one is the hive-off of our DTH business. All of these are concurrently being followed-up, and I'm sure as and when something materializes we will be able to share this with you.

However, having said that the current annualized net debt to EBITDA ratio is at 4.64, the management and the team, all of us are completely committed that by March 2017 we want to get this down to the ratio of around 3.5 through all of these initiatives i.e. GCX, DTH, Real Estate monetization and going forward including potential of RITL monetization, part monetization through tower and the fiber is all in the bouquet of things to address for lowering the debt and we are confident of achieving this ratio of around 3.5 by March 2017. So that's one.

**Piyush Choudhary**

What would be that number of the total external tenancies?

**Anil Ladha**

Piyush, the number of external tenancies would be around 35,000 and if we take both RCom's, as well as the external tenancies, our tenancy factor would be anywhere about 2.5.

**Piyush Choudhary**

Sir, 35,000 are external tenancies excluding RCom?

**Gurdeep Singh**

Yeah, current tenancy ratio is 2.54, and external tenancies are around 35,000.

**Piyush Choudhary**

Okay. And if I may ask one more question on loans and advances trend, we have been witnessing a rising trend over there, somewhere year-over-year it has increased by Rs. 35 billion and it is around \$2 billion now. So why are such increases happening and what is the nature of these loans and advances,

because it's almost like 16% of your Balance Sheet, so if you can share some highlights on this. Thanks a lot.

**Manikantan Iyer**

Piyush this is Manikantan. The increase in loans and advances include the following effects - earlier ESOP accounting was on a consolidated basis as per SEBI regulations, in the current year, this has been changed and is to be shown separately. So there is an increase of around Rs400 crore because of the ESOP advances being regrouped. It is not a new outflow. Second is the increase in capital advances which we have already committed and is around Rs. 350-400 crore. Thirdly, due to year-end TDS receivable have gone up. These three are the major elements accounting for the increase in the loans and advances.

**Piyush Choudhary**

How much would be the capital advances Sir? Sorry, I didn't get.

**Manikantan Iyer**

It would be around Rs. 350 crore to Rs. 400 crore.

**Piyush Choudhary**

Okay, and what's the CapEx outlook for the next year?

**Gurdeep Singh**

Yeah, our CapEx guidance largely around quality and capacity upgrade, and partly 3G rollout remains in the range of Rs. 1,500 crore to Rs. 2,000 crore.

**Piyush Choudhary**

Okay, thanks a lot and good luck.

**Gurdeep Singh**

Thank you,Piyush.

**Operator**

Thank you Sir. Next in line we have Mr. Rajiv Sharma from HSBC. You may go ahead.

**Rajiv Sharma**

Thanks for the opportunity. I just have a few questions; your minutes have bounced back on the mobile business very significantly this quarter, so what is driving that? Second is; your EBITDA has improved in the Global business by

20% QoQ, so what is the one-off there if any? And your CapEx has also gone up in the Global business significantly, so where is this investment going? The 35,000 tenancies which are external are they contributing to revenue as of now or they are work in progress? And when is your 1800 spectrum coming up for renewal in the circles which you were given in 2003?

**Gurdeep Singh**

Thanks Rajiv, thanks for your questions. I'll answer two and then my colleague Bill will answer other questions. On the minutes, the bounce back in the minutes growth is coming largely because of the subscriber additions. We've added 3.2 million net customers in the previous quarter. And I've also been emphasizing since the last several quarters that we have been pursuing good quality customers and thus value customers are coming on board. I think we have been meeting a lot of success in the corporates & SME on the postpaid segment and that is also helping us grow besides our new introduction of the WiPods, which I will talk to you about a little later.

Secondly on Jio, tower handover is work-in-progress, and it is fair to assume that partly some of the rental proceeds have started to trickle in. But, this year should be the full year of accounting of the overall tenancies and the proceeds there off. And we are very hopeful that in the next couple of months we'll be closing the entire handover process and then we will begin to reflect that.

Thirdly, on the 1800 MHz spectrum, our earliest next possible spectrum coming up for renewal is in the year 2021. In 2017, one circle, Gujarat for 800 CDMA and rest of our entire 1800 portfolio is coming up for renewal in 2021. So from an operating perspective we are insulated from any spectrum or go-to-market led strategies around that, at least for the next six years. Thus we can focus on enhancing the cause and interest of the business in the mean time.

Now I'll hand it over to my colleague Bill for your other questions.

**Bill Barney**

The main reason for the expansion in the margins has been the focus both on the Enterprise side domestically in India and on the Global side, on selling, on-net services. So I think one of the key things for us, if you look at GCX alone, is



that, we have increased our on-net sales by almost 15% in the year. That was largely across four or five fairly large deals which were completely a 100% on our network. Typically on our network we'll generate between 75% and 90% gross margins. The more services we can put on that the better it is. So that's where we saw most of margin improvement. We also saw some margin improvement in the United States where we put a lot of focus on selling our network capacities there.

In terms of CapEx, we did do a high yield bonds 12 months ago and we announced that we would be expanding in four key areas, one would be our Trans-Pacific and India-Asia Pacific Cable. We started some work on those two projects with some CapEx spend. We are also in the process of rolling out our Cloud Notes around the world. We have done six deployments and we're in the process of deploying another 21 Cloud Notes. So that's actually been a large portion of our CapEx spend.

And we've also shored up our network that we could as we mentioned before by almost 500G of backhaul capacity both across the Atlantic and then also in the Middle-East and in Asia. So we've actually done a significant upgrade of our network and we will continue to do that as we're seeing pretty substantial growth. And actually as we focus much more of our services on-net we think that we will actually continue to spend sort of in the ranges of US\$20 million to US\$30 million on capex going forward.

**Rajiv Sharma**

So Bill if I understand you correctly this is all organic and there is no onetime adjustment and this is the run-rate which we should assume going forward, of Rs.260 crore?

**Bill Barney**

We got some projects, but it's going to be a little bit bouncy. So you're going to see in this year we'll have a bit of CapEx on the cable side and we'll have some on the Cloud Nodes. So some of these, just as background, some of these cloud nodes are going into heavily regulated places. So they take time to either deploy

or not deploy. So you'll see that our CapEx will tend to be lumpy year-on-year, but this is sort of the range that you'll see, probably.

**Rajiv Sharma**

Bill my question was on EBITDA, is this the run rate which we achieved in the last quarter? Is that the steady run rate going forward?

**Bill Barney**

I think there is a bit of upside on that. I think it's going to be steady or up a bit after Q4.

**Rajiv Sharma**

Okay. Just a couple of follow-up questions for Gurdeep.

**Gurdeep Singh**

Yes.

**Rajiv Sharma**

You have given your 3G base, but then there is good amount of pure data subscribers which you have because of your CDMA business. I was just trying to understand what is the difference in the usage behavior and what is the difference between the realized rates? And it will be great if you can quantify something around there?

**Gurdeep Singh**

Okay. Rajiv, before I proceed to answer your question, I also want to add back to the first question on the voice volume growth. I forgot to mention that for several quarters, in fact for 17 quarters, it was first time that we saw a CDMA voice revenue growth, by 0.3%. I've been saying this for last two quarters that we were coming to a near end of depletion of the CDMA voice revenue, which was static for last previous two quarters. So that is also adding to our overall voice volume and the minutes' growth, that's one.

Second, our telecom revenue actually grew 2.7% quarter-on-quarter. If you consider the fact that 76% of our business comes from the growth engine of GSM and Data, that part of the business grew 3.5% and the balance 24% contributed 0.3% to our business. So I think we are now beginning to move towards mark-to-market led performance..

Coming to the question on the data usage, I think, we recently launched a series of WiPod devices, MiFi and WiFi routers, the average consumption of a customer on that, because its coming on the back of Rev B largely and 3G in other cities, is about 2GB. So that is helping us grow our data consumption disproportionately and that's why you see our average usages in the range of 892 MB per subscriber. Does that answer your question Rajiv?

**Rajiv Sharma**

Yes, it does answer. You mentioned in your disclosures your 3G subscriber as anyone who uses, either one call or 1 MB of data, but what will be a pure 3G data customer, who are not or who are using both data and voice, but not a smartphone for a voice, because that may not be a 3G customer?

**Gurdeep Singh**

Our 3G users are the ones who have actually used 3G data as a 1 MB or above. Now to reclassify this definition in line with some of the other operators who have made certain changes for that, we will have to take a hard look at this quarter and maybe come up with a little more quantitative data from next quarter.

**Rajiv Sharma**

Okay.

**Bill Barney**

Hi, this is Bill. I just want to finish up on the EBITDA side. The one thing that you should think about GCX is that, in the fourth quarter, as per Indian GAAP our EBITDA will tend to be \$10 million bucks higher. And we think this is a trend that will continue. But, we typically close the large portion of our IRUs in the fourth quarter of the year. So that tends to drive up that.

**Rajiv Sharma**

Great. If I can just ask one last question Gurdeep.

**Gurdeep Singh**

Go ahead, please.

**Rajiv Sharma**

On the 4G; you have a great spectrum bank on the CDMA. But what's the plan going ahead, like, your CapEx is Rs. 1,500 crore to Rs. 2,000 crore which means

there is no LTE rollout in the next one year. Maybe, we can see one market like Gujarat going for LTE. So what's the plan, are you looking for a partnership kind of model where you'll get a strategic investor? And the other question which worries me is that, this whole spectrum will come for renewal, not the one you added, one block, but the rest of the spectrum comes for renewal in 2021. So you just have five to six years and then you have to pay a spectrum fee as Rs. 7,000 crore. So for anyone to look at this, it means investment of Rs. 15,000-20,000 crore in LTE and then five years post that there is renewal where there can be aggressive bidding. Am I thinking it correctly, can you help me understand this better?

**Gurdeep Singh**

I'll try and contribute to your thought process. First is on the CapEx side. The CapEx guidance that we said is, only for the current business and a business as-usual in terms of capacity and quality upgrade. This certainly does not include the LTE related CapEx. Having said that we did discuss a couple of weeks ago, on a separate call, while we apprised everyone about our LTE plan. The plan is currently underway. We are putting our plans together for a rollout in this fiscal year. Having said that as and when we finalise some of those plans, we will be happy to share that with you.

Thirdly, on the spectrum coming up for auction, I think, there are six years to go before next round of auction. Currently we are focused on making good use of the spectrum that we have, looking at our LTE rollout and the portfolio of the LTE we will have one and many ways in the future to look at how do we keep augmenting our spectrum and keep getting ourselves future ready going forward.

**Rajiv Sharma**

Okay, that's helpful. Thanks a lot and good luck for the next call.

**Operator**

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

**Srinivas Rao**

Hi, thank you very much, Srinu here. I have a couple of questions on the reported financials. Could you help us understand what was this massive minority interest reversal or negative number this quarter which is the reason why the PAT is quite high?

Second, looking at your standalone financials, again there seems to be quite a lot of volatility in that. Can someone please explain exactly what is contained in the current standalone financials of the company that would really be useful? And finally, on the strategic aspect, I just wanted to clarify while RCOM does have a very high amount of sub-1 gigahertz spectrum, would it be fair to assume that there would be some kind of fee to be paid for it to be used for LTE and here I mean the legacy sub gigahertz spectrum not the one which has been purchased in the recent auction. Thanks.

**Gurdeep Singh**

Thanks, Srinu. I will answer the third one first and then I will hand over to my colleague. Yes, if you look at it, what we did in this auction is that earlier we had 12 circles, which had 5 MHz contiguous spectrum and in the other circles where either they were coming for expiry like Assam, North East and the others where we held either 2.5 MHz or 3.75 MHz spectrum. What we have done is we have ensured that all over India except Rajasthan, which didn't come up for auction, we now have 5 MHz spectrum, which is LTE capable.

Now, when we say LTE capable means the legacy spectrum that we hold, and if we want to use and deploy the LTE services, we will naturally have to liberalize by paying the auction discovered price. So we will cross that process as we begin to sum-up our rollout plans. I now hand over to my colleague for the first question that you asked.

**Manikantan Iyer**

Yeah, Srinu, Mani here. Let me take the first one, the minority interest, and I request you to refer to standalone financial note 5A and B if you have it ready otherwise, I can read it for the benefit of all. During the quarter ended March 31, 2015, the Company has revised existing terms of lease of optic fibre cable

availed from its subsidiary, as required in line with arm's length pricing, with effect from April 1, 2014. Accordingly, liabilities for lease rent and Deferred Tax Assets have been reversed by the Company in the books of accounts. If you remember, last year we created deferred tax assets which has been fully reversed in the current financial year.

And further, the agreed reduction, in the yield of preference shares issued by a subsidiary has also been considered in the books of accounts. So when you have this affected in the balance sheet, you will see the variation is on account of revision of the intercompany lease of OFC assets between the Company and its subsidiary. It will not affect any of the consolidated financials. Have I answered you on the minority interest?

**Srinivas Rao**

Yes, so essentially what you are saying is that the minority interest reversal is an account of the arm's length pricing between the subsidiary and Reliance Communications.

**Manikantan Iyer**

Yes, the minority interest is impacted due to the said revision of existing terms of lease. However, at the consolidated level, the increase in PAT is mainly because of improved operational EBITDA. The minority interest impact largely gets nullified by the tax provisions.

**Srinivas Rao**

Right.

**Manikantan Iyer**

I would like to clarify that PAT for the financial year has increased on account of interest reduction and the operational EBITDA. Third one on the standalone financials, if there is anything specific I'll answer otherwise standalone financials do reflect only the standalone position.

**Srinivas Rao**

No, sir, my basic question is if I look at the EBITDA run rate compared to run rate of anywhere between Rs.12 to Rs.17 crore for the last three quarters, it's now

almost 10x, that's almost Rs.112 crore. So what happened here actually? And I can see there is a massive reduction in other expenses as well.

**Manikantan Iyer**

Once again, you can go to the notes to accounts in standalone financials, and refer to note number six.

**Srinivas Rao**

Yes, okay.

**Manikantan Iyer**

We have restructured certain expenses within the group. It will not impact in the consolidation.

**Srinivas Rao**

Okay.

**Srinivas Rao**

Yes, understood. Sir, if I may just ask one more question on the mobile business, we haven't seen any addition of overall sites or 3G sites over the last one year, if I'm not wrong. Is that something which is likely to continue for another one year?

**Gurdeep Singh**

No, I think with the smartphone penetration now reaching a certain level, which may warrant a 3G expansion into the Tier 2 towns, we will be looking at 3G expansion. Having said that, we continue to follow the philosophy of being asset light by enhancing the interests of the Company for coverage and capacity purposes through meaningful ICR partnerships.

**Srinivas Rao**

Thanks, thanks Gurdeep. It's really helpful. Thank you, so much.

**Gurdeep Singh**

Thank you. Pleasure talking to you Srin.

**Operator**

Thank you, Sir. Next in line we have Mr. Pranav Kshatriya from Edelweiss Securities. You may go ahead.

**Pranav Kshatriya**

Hi. Thank you for taking my question. Sir my first question is regarding your 3G sites. You have around 11,000 sites. If you look at competition it is somewhere between three to four times your sites and they have been adding sites quite aggressively. So would you be looking to match them in terms of 3G site additions. I just want to highlight one thing that if you look at the pricing, Reliance pricing on 3G is lesser than its competition. So since you offer at a lower price I think you should be able to fill up your 3G at much faster rate as compared to others. So just wanted to know your thoughts on that?

My second question is on the Global business. We've seen a good traction in the data revenue. Can you highlight a couple of products or services which have led to this growth in data? And consequently, there has been some decline in the voice revenue on sequential basis. So what is the reason for that and how should we see it going ahead? Thank you.

**Gurdeep Singh**

Okay. Let me answer the first question on 3G site. Well, if you look at our 3G portfolio of our own markets it is largely Metro centric where we have got Mumbai, Delhi and Kolkata. And then we have the B and C circles largely in our kitty where you will agree with me that the smartphone penetration varies by huge margin versus the other category A circles. So if you look at our 3G footprint in Mumbai, Delhi and Kolkata and if you look at it in MP-CG as well as in Punjab, we have a mark-to-market 3G coverage. And in the other areas we will take up the 3G expansion as the smartphone penetration begins to come to a certain level which will warrant investments.

I don't think it's a fair comparison with the competitive numbers because many of our competitors are driven by the compulsion that they have a congestion on their 2G network and they want to offload the congestion on 3G. So they have expanded the 3G footprint. I think the fair point is that are you well represented, are you in-line with the smartphone penetration because this business is purely, squarely and directly depended on the 3G device penetration in the market. That's one.



Second to answer your question on 3G or 2G rates, our proposition which we started one and a half years ago, has helped us fill capacity, going to the disproportionate share. I think the proof-of-the-pudding is that we have nearly 50% of our mobile internet subscribers that are 3G, which is way beyond the competition and the level that we are in the market, as a number four player. So I will say that in certain terms, in the data space, we reflect or exhibit an incumbent like behavior coming from our strong challenger position and a very innovative pricing and positioning.

We will continue to do that because we believe it's working on the ground and with bouquet of our initiatives around Facebook, Twitter, and packaging of social networking along with our mobile internet packages, it's helping us become a popular operator amongst the urban India. I don't think it's out of the place to mention that recently published AC Nielsen survey in the brand equity in the Economic Times, under the most 20 exciting brands that urban India relates to, we were ranked the 14th. So I think it's a testimony of some of the work that we've been doing around the data space.

**Bill Barney**

The question on Global Business' Data margins, it's largely coming from the last two quarters that has seen pretty good expansion in the OTT space. So it's largely due to the technology companies. And then coming onto our network, in fact, more than 60% of our growth has been in that space. But it's also just an expansion of our Enterprise capabilities and also our focus on sales in some of the key markets.

In terms of the Voice business, I think you can expect it to be cyclical. There were times where a number of regulatory changes happened in the quarter and this is not unusual too, and hence you'll see that all tend to go up and down. That should be sort of the norm unfortunately and it will be like that, it will move a bit from time to time. But the outlook seems pretty stable throughout this year as far as we can see coming in at this point. I hope that answers your questions?

**Pranav Kshatriya**

Yes. That's it. Thank you so much.

**Operator**

Thank you, Sir. Next in line we have Mr. Kunal Vora from BNP Paribas. You may go ahead.

**Kunal Vora**

Yeah, thanks for the opportunity sir. I just wanted to get your thoughts on Reliance Jio, which is the other operator having 850 MHz holdings now. Do you see it as the potential partner once you can liberalize your spectrum and spectrum sharing is allowed or do you see it as just another competitor?

**Gurdeep Singh**

Well. As far as we're concerned currently we have looked at all the possible areas for our infrastructure sharing with them. We will continue to explore whatever is possible between the two of us on the basis of needs or requirements to continue to share because we want to follow the philosophy of CapEx light and OpEx light regime. Having said that, certainly we view Jio as the competitor in the market and we will deal with it when they launch their services in the market.

**Kunal Vora**

Once you liberalize the spectrum you can potentially even share spectrum with them, is that a thought which you have or are you looking to liberalize the spectrum in a short while or will you wait for the spectrum renewal and only then think of going for 4G after 2021?

**Gurdeep Singh**

As I just said a couple of minutes ago that we are currently focused on designing our LTE roll out blueprint. We're in the thick and thin of it right now and we should be done with it in the next one or two months. Having said that, our current focus is on 850 LTE roll-out and we have not thought beyond that at this point in time..

**Kunal Vora**

Okay, thank you, sir.

**Operator**

Thank you, Sir. Next in line we have Mr. Aditya Soman from Goldman Sachs. You may go ahead please.

**Aditya Soman**

Hi, good afternoon. I think most of my questions have been answered, just a couple from my end. Firstly, you mentioned you have 17.4 million 3G users. Of that, what proportion would be dongle users? And the second question is on the DTH business. At present what will be the sort of market share of the DTH business and what will it be as a proportion of your total India business sales?

**Gurdeep Singh**

Okay. Coming to first one on the 3G where we have 17.4 million subscribers. I will not be able to share the exact details as I don't have them right now. On the dongle subscribers, they are largely mobile internet users on 3G.

And we have a decent share of dongle users in our non-Rev B market, wherever we don't have Rev B. So I think you'll have to view the data, circle by circle rather than looking at it overall because, in the areas where we have Rev B we've been aggressively pushing the WiPod as our business category because of the sheer stronger in-wall propagation and a greater throughput that you can experience in-wall. Coming to the DTH side, we have nearly 7% of the DTH industry market share and we continue to hold our market share in the DTH business.

**Aditya Soman**

Just a follow-up actually on both of them, on the DTH market share, the 7% is on the subscriber market share, and is it on the active subscribers?

**Gurdeep Singh**

Yeah, that's right, it's on the subscriber base and on the revenue side, our market share is similar as our ARPUs which are similar to the average of the industry.

**Aditya Soman**

Understand. And just on the 3G base, you said majority of them are in the mobile internet base, but what are the smartphone prices you see in terms of incremental smartphones that have been picked up and, do a large proportion of subscriber pick-up smartphone directly from you or are they buying it externally?

**Gurdeep Singh**

Okay. The reason I said that the large part of our 3G users are mobile internet users is because, unlike the CDMA, in the 3G, the dongle usage is dependent on inserting a SIM card. Beyond a point, it is very difficult to track whether the SIM card is in a phone or is it in a dongle. So that's why, you will have to at times take a very fair amount of the estimation to arrive at those numbers, right. And SIMs keep moving. Secondly, smartphone pricing is already down to little above Rs.3,000. And we see that price point to get broken and maybe we get lower to about Rs.2,600. And we believe that it's already reached a threshold where the smartphone take off can actually begin in a big way and I think we're at the cusp of it.

**Aditya Soman**

Understand. Thank you very much

**Gurdeep Singh**

Yeah.

**Operator**

Thank you. Next in line we have Varun Ahuja from JPMorgan. You may go ahead please.

**Varun Ahuja**

Hello, thanks a lot for taking my questions. Just three things, you did touch base on working capital, the loans and advances there. But, I'm just curious looking at the last several years, three to four years, working capital on cash flows has generally been an outflow, and it's been a drag. So just curious, what's the main reason for that? And how should we look at it going forward? That's my first question. Secondly, I notice that the consolidated level deferred tax assets, they went from Rs.15 billion to zero. So just if you could throw some color on that. And lastly on the GCX sale, could you guide any progress there, whether the talks are going on with the same potential bidder? Or are you at this stage looking at seeking different opportunities with more bidders in the market? If you could just give some color on that as well. That's all from me.

**Manikantan Iyer**

Okay. Manikantan here. Varun, let's first review the deferred tax. Last year it was Rs.15 billion that was related to deferred tax assets which has now been fully written off in the current financial year to zero. We have explained that in our standalone financial statement that we published. Please refer to the note number 5A and B that, this deferred tax asset has arisen due to the intercompany arrangements between the Company and the subsidiary, which are on arm's length pricing that has been amended during the year, which has resulted in the reversal of the deferred tax assets. As well as there is a corresponding reversal of deferred tax liability in the subsidiary book, thereby in the consolidated financials, the net impact has been taken into account. I hope on deferred tax assets you got the point. Secondly, your question was on working capital, as a part of cash flow. If you go through the working capital for the last couple of years, our growth in working capital basically is on two fronts, one from the advances to the vendors for the working capital. And also in the year-end, the year end provisions that we typically have on account of the year-end billing, as well as the closure of major contracts that we had in the Enterprise segment which increased the debtors' position in the year end. These are all the major reasons for working capital to be at the same level year-on-year just to be in-line with our growth in the last two years. Your third question on Global business will be taken up by Bill.

**Bill Barney**

Yes. On the GCX sale we continue to be in talks with initial party. They have not called off the talks but we have actually in the last 45 days added-in three additional suitors for the business that are in the various stages of looking at the data room. So, very likely we will not go to an exclusive arrangement like we did the last time just because we are looking to monetize and our view is that it will probably take two of these suitors about three months to four months. But we are still optimistic and we do have a pretty active engagement at this time from multiple players.

**Varun Ahuja**

Thank you, just have a follow-up. So on working capital we can say that this is the new norm or do you think things will reverse?

**Manikantan Iyer**

See as we close the year end, it will improve. Normally it is cyclic in nature and as the year end comes up, all the big contracts and other things closure will happen. In the next few quarters it will come down, but it may once again, based on operational requirements, may go up.

**Varun Ahuja**

All right. Thank you so much.

**Operator**

Thank you, sir. Next in line, we have Mr. Shobhit Khare from Motilal Oswal. You may go ahead please.

**Shobhit Khare**

Good afternoon, Sir and thanks for the opportunity. My first question is on 4G. So you did mention about the smartphone penetration driving the usage. So I just wanted to check what is the current status of handset availability of 4G among your subscribers especially for the 850 MHz? And how do you think it will change over the next one to two years. So that is my first question. Second question is on the wireless margins. We have seen good traffic growth as well as revenue growth in India Telecom, but the EBITDA growth is still a little muted. So what is the outlook on the wireless margins?

**Gurdeep Singh**

Shobhit, thanks for your question. First one on the 4G, if I remember correctly, I think we took a dip stick last month. Nearly 1.8% of our customers today own a 4G device of 850 capability. 1.8% of our subscribers own a phone which is 850 LTE capable without having a single BTS on 850 LTE on the ground. So that is one. Secondly, there are more than 38 devices currently available in India that supports the 850 LTE. And these come from all known brands Apple, Samsung, HTC, Nokia, Blackberry and so on and so forth. So that is second. Third, coming to your question on wireless margin, as you remember we entered into a long-

term contract with ICC to sponsor the international cricket events around the world, and that partnership ended with this World Cup. So we had a one-off charge on the ICC payments to be made in the last quarter that could have softened the wireless margin versus our operating indices. And we see the margins remaining healthy and steady as we go forward. So please discount that as a one-off.

**Shobhit Khare**

Okay. Got it, sir. Sir, just if I just could have a follow-up, so you said 1.8% of the customers have LTE handset. How do you think it will move? I mean, what are the underlying trends here? And what kind of growth can we see over the next one to two years?

**Gurdeep Singh**

Okay. I'll take about a minute but share the overall perspective. The moment the auction got over we've seen a frenzy of interest from the device makers around the world to bring 850 LTE devices into India because not only we completed a Pan India footprint but a couple of our competitors also picked up the LTE capability. We are now assured by the device community that by the end of this calendar year, they will try and make it as the one of the baseband of LTE products and services in India. So we believe that even if we discount their earliest aggression from ending this December to maybe the March of the early next year, we should see every other device coming into India being more or less capable of supporting 850 LTE.

So if you ask me today, I think I'm not too concerned about the growth and the development of the 850 LTE ecosystem and I think we are well ready and that makes us to focus our energies on deploying a world class network, and designing some attractive go-to-market strategies.

**Shobhit Khare**

Sure, sir. That's very helpful and all the best.

**Gurdeep Singh**

Yeah. If you require I can give you the names of those 38 models which are currently available in India.

**Shobhit Khare**

That would help, sir.

**Operator**

Thank you, sir. Next in line we have Mr. Jitendra Tokas from Citi Group. You may go ahead please.

**Jitendra Tokas**

Hi, thank you for taking my question. You do not have either 900 MHz or 1,800 MHz spectrum in the circles of Assam, West Bengal and Bihar. Could you share with me what is your plan to continue your business in these circles? And as far as my understanding goes, I think if you do not own a spectrum in a particular band, you are not allowed to share spectrum in that band, is that correct?

**Gurdeep Singh**

Okay. Just to answer your question, firstly, as I read out in our speech, these three circles contribute less than 5% to our overall revenue. And we are currently seeing 1% to 1.2% of our customer base every month migrate from 2G to 3G. So in that sense 3G becomes an important protocol. Having said that we will be making necessary arrangements in these three circles, or I would say that we will be accelerating the journey of taking a 3G leadership not only on footprint but also working exactly with the device makers to create a new norm, the 3G being a new norm in these markets, which will help migrate our customers.

Thirdly, between now and December, there could be many other regulatory interventions, as you are aware, there are many other consultation papers up there inviting opinion, and would possibly enable us to have multiple options to provide a continuity of services to our consumers, but for now, our basic trust is on making them 3G and LTE circles as we go forward.

**Jitendra Tokas**

So does that mean that even without 1,800 you can offer both voice and data on just 2100 MHz band?

**Gurdeep Singh**

Yes. 2100 is a spectrum band that we had bought in the auction, and 850 as well.



**Jitendra Tokas**

So 2100 can be used for both voice and data?

**Gurdeep Singh**

Yeah, it's voice and data. The only issue is that, between 2G and 3G, the 2100 requires the 2100 capable devices which all of the devices coming in the market are now 2100 capable. Generally, every 18 months consumers upgrade their handsets in India, and these prices are now fallen to Rs. 3,000. So I think given the fact that over 25% of the base is already moved into the 3G devices in most of the circles and particularly in the top cities which account for normally even in a telecom revenue circle, you will have the top ten cities contributing to 70%-80% of your revenue and 100% of profitability.

If you can manage that sort of consumers to migrate to 3G with your innovative device strategy and a migrant strategy, you are able to protect your profit-line and top-line of the revenues, which is what we are doing right now. If you look at our partnership with DataWind and Samsung, we will soon be launching lot many aggressive device bundling offers in the coming weeks to let the consumers know that the new norm of telecom is 3G and not the 2G.

**Jitendra Tokas**

Got it, thank you.

**Operator**

Thank you, Sir; next in line we have Mr. Sanjay Chawla from JM Financial. You may go ahead, please.

**Sanjay Chawla**

Hi good afternoon, thank you for the call. Just one clarification question I don't know whether you mentioned it earlier, in your 3G customer base, have you also included EVDO or Rev B or Rev A customers?

**Gurdeep Singh**

Yes.

**Sanjay Chawla**

Okay. That is great. Thank you, so much, all the best.

**Operator**

Thank you, Sir. Next in line we have follow up question from Mr. Piyush Choudhary from CIMB. You may go ahead please.

**Piyush Choudhary**

Hi, thanks for the opportunity again. I want to understand in terms of your B2B operations will it be fair to say that Global Operation is primarily B2B, that would be around 20% of the portfolio? Or would there be anything else in the Indian Operation which is also B2B?

**Bill Barney**

Unfortunately we can't disclose that.

**Piyush Choudhary**

The reason I'm asking is if I look at your Debtors trend it has increased by 25% year-on-year and your average collection days are now 80 days, as of the year end. So I'm just concerned that why such high collection days considering your portfolio of revenue is only 20% from the wholesale business or from B2B. Any clarification over there would be really helpful, because this is just rising, last year it was 64 days, it has increased to 80 days. Thanks.

**Manikantan Iyer**

Piyush, when you look at the last year and current year, especially the year ends, we had IRU deals, and the closure of a major contract. So that will be an increase as I explained earlier on working capital. This would have gone down in the first two quarters. Second is the cyclical effect. So at the yearend it will be there.

**Piyush Choudhary**

I'm comparing year-to-year, so what has changed, sorry, year-to-year, your voice is not clear, could you please repeat?

**Manikantan Iyer**

Year-to-year, composition of the IRU deals and the corporate billing could go for a change..

**Piyush Choudhary**

Okay.

**Piyush Choudhary**

Probably I will understand it later a bit more.

**Manikantan Iyer**

No problem.

**Piyush Choudhary**

All right. Yeah, okay. Thanks a lot.

**Operator**

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

**Srinivas Rao**

Yeah. Hi, just one more clarification, the EBITDA number which has been disclosed for the Global operations in the segment results and in the EBITDA number in the quarterly report, which is about Rs. 2.65 billion and the EBIT number for the same business in the consolidated financials are almost same. So does that mean there is no depreciation in this business, this quarter?

**Manikantan Iyer**

No. That is a good question there, Srinivas. See the company re-assesses provisions including the depreciation and amortization at the year-end. In this line, the company has brought up the year-end review process, re-assessed the asset retirement obligation (ARO) associated with fixed assets in the Global business. This ARO liability consisting of Rs. 776 crore and corresponding depreciation, reduction of Rs.188 crore and reduction in the value of carry assets of Rs. 588 crore has gone in the net composite effect in the EBIT. The consequence of this ARO, asset retirement obligation re-assessment in depreciation has impacted the Global business' EBIT, if you compare this quarter. However, if you compare Global business on a year-on-year basis the EBIT of the Global business for the year will be Rs. 376 crore, against EBITDA of Rs. 744 crore. Since the ARO reversal for the entire year has been taken in Q4, you will have the one-off impact in the quarter. But if you see the whole year you will see EBITDA of Rs. 744 crore with EBIT of the Rs. 376 crore.

**Srinivas Rao**

Understood, this is helpful. Thanks. Just one more final question, the large reversal of the minority interest would suggest that the subsidiary company which you are talking in which this particular transaction happened, there is a very large proportion of the shareholding not owned by the Reliance shareholders.

**Manikantan Iyer**

No, it is below 10%.

**Srinivas Rao**

Okay. But it's clearly below 10%

**Manikantan Iyer**

Yes.

**Srinivas Rao**

Okay.

**Manikantan Iyer**

In none of our companies we have external minority interest more than 10% if you have noticed.

**Srinivas Rao**

Yes, of course, that is why I was trying to clarify it, okay.

**Manikantan Iyer**

Because of this one transaction which has to be set on an arm's length basis, all these effects have come, which have been mentioned in the notes to accounts.

**Srinivas Rao**

Okay, understood.

**Operator**

Thank you, Sir. Once again, participants who wish to ask question may please press \*1 on your telephone keypad and wait for your name to be announced. At this time there are no further questions from the participants, I would like to hand the floor back to Mr. Gurdeep Singh, over to you, Sir.

**Gurdeep Singh**

Thank you, Mamta. Thank you everyone for being on the call. Just to sum up, I would like to share that RCom has recently won certain awards and recognitions.

First we have been ranked amongst the top 10 most reputed companies in India, according to Nielsen's Corporate Image Monitor. Second, Reliance is also ranked 14<sup>th</sup> amongst the top 20 most exciting brands, according to Nielsen Survey for brand equity, amongst the urban Indians. Thank you very much for your support and blessings and look forward to talking to you during the next quarter results. Thanks.

**Operator**

Thank you, sir. That does conclude our conference for today. Thank you for participating on Reliance Conference Bridge. You may all disconnect now.