



RELIANCE COMMUNICATIONS LIMITED

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**Transcript of Earnings Conference Call
for the Quarter ended March 31, 2016**

Conducted at 2.30 pm IST on May 31, 2016

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. Gurdeep Singh (CEO – Consumer business), Mr. Bill Barney (CEO – GCX, India Enterprise and Carrier Business), Mr. Punit Garg (President – Corporate Strategy and Regulatory Affairs), Mr. Manikantan Iyer (CFO – RCOM), 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 2016 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 30, 2016, our Board of Directors adopted the results for the fourth quarter of the financial year 2015-16 ending March 31, 2016. 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:

- **Revenues, EBITDA and PAT** all showed good growth for the quarter. Total revenues were at Rs. 5,919 Cr., up 11.7% Q-o-Q, EBITDA at Rs 1,959 Cr., up 8.6% Q-o-Q and PAT at RS. 177 Cr., up 3.5% Q-o-Q
- **India operations** revenues are Rs 5,227 Cr. up 12.4% Q-o-Q and generated Rs 1,760 Cr. of EBITDA, up 8.6% Q-o-Q, while **Global operations** Revenue & EBITDA were at Rs. 1,242 Cr. and Rs 199 Cr., a growth of 12.3% and 8.7% Q-o-Q respectively.
- RCOM generated operational cash flow (EBITDA) of Rs. 1,959 Cr. in Q4, paid net finance charges of Rs. 773 Cr. and invested Rs. 1,040 Cr. on Capex during the quarter.
- **RPM & ARPU:** In Q4, overall RPM increased to 47.7 paisa; a Q-o-Q growth of 5.5%. ARPU for the quarter is Rs. 157 up by 10.6% Q-o-Q.
- **Data Subs & Traffic:** Total data traffic was 104.7 Billion MB in Q4, up 20.1% Y-o-Y. Our data growth has been robust - overall data customer base has grown by 15.4% Y-o-Y to 38.9m including 24.2 million 3G customers.

These results are very satisfactory with encouraging performance across the board. Our performance in data is particularly impressive, and this is where the future growth for us as well as the industry will come from. Our focus on paid & profitable minutes, successful migration of our subscribers in five circles to 3G, and continuing leadership in our B2B businesses has held us in good stead this quarter.

The future of the Indian Telecom lies along the twin axis of sector consolidation and ushering in the digital revolution led by 4G services

Over the last 2 quarters, RCOM had announced the first significant moves towards consolidation and rationalization in the industry. I would like to provide a brief update on the same.

In Q2, we had announced the merger of SSTL's Indian operations with RCOM to create an entity with the largest Sub GHz spectrum holding in the country marking the 1st major consolidation in the Indian Telecom Industry.

We signed the definitive documents for demerger of Sistema's Indian wireless business carried on by SSTL under the MTS brand into RCOM in Nov-15. This merger will provide RCOM with the highest pan India holding of 800 MHz spectrum, add 9 Mn customers and augment our annual top-line by nearly Rs.1500 Cr. As mentioned earlier there are notable synergies in terms of Capex & Opex deployment along with Network & Distribution reach.

We are currently awaiting Court and DoT approvals which are expected to materialize over the next few months. Post that, we will be in a position to announce the complete integration of SSTL's Indian operations with RCOM.

In Q3, taking the consolidation theme forward, we announced the potential combination of RCOM wireless business with Aircel

Reliance Communications entered into exclusive discussions with Maxis Communications Berhad (MCB) and Sindya Securities and Investments Private Limited, the shareholders of Aircel Limited, to consider the potential combination of the Indian wireless business of RCOM and Aircel to mutually derive the expected substantial benefits of in-country consolidation, including opex and capex synergies and revenue enhancement.

The discussions are well underway and based on the substantial progress made; the exclusivity period between RCOM and the shareholders of Aircel has mutually been extended, by 30 days to June 22, 2016.

With a keen eye on future 4G driven growth and profitability, we had announced the expansion of our strategic partnership with RJIL

On 18th Jan 2016 Reliance Communications entered into a strategic partnership with Reliance Jio Infocomm covering 4G LTE services. The agreement covers

- Change in spectrum allotment in the 800 MHz band across 9 circles (AP,DL,GJ,KO,MH, PJ,UPE,UPW,WB) from RCOM to RJIL for part spectrum.
- Sharing of spectrum in the 800 MHz band across 17 circles (AS,NE,BH,HR,HP,MP,MU, OR,UPE,UPW,WB,PJ,MH,KO,GJ,DL,AP)
- This partnership will enable the creation of a pool of 192.5 MHz of spectrum in the 800 MHz band (Including that of SSTL).
- **This will give RCOM access to 10 MHz of spectrum in 11 circles, 8.75 MHz of spectrum in 7 circles and a minimum of 5 MHz spectrum in the rest to**

offer 4G services. RCOM thus now has unmatched bandwidth to provide its customers the finest 4G experience.

- As part of enhanced strategic collaboration, both companies also intend to enter into reciprocal Intra Circle Roaming (ICR) arrangements giving RCOM's customers the benefit of being able to ride RJIL's world class nationwide 4G Network.

In conjunction with the unparalleled execution of our strategies around consolidation and strategic partnerships, we are making good progress in improving the health of our balance sheet through deleveraging measures involving stake sale in towers and monetization of our valuable real estate.

Let me now touch upon some key regulatory developments over the last few months

Spectrum Liberalization

In order to make its 800 MHz spectrum technology neutral and thus deployable for the launch of advanced 4G services, RCOM liberalized its entire administratively allocated spectrum in 800 MHz band

- I. The liberalization process took place in two phases.
- II. In phase one 68.75 MHz of spectrum was liberalized across 16 circles for a total sum of Rs. 5384 Cr. The letter was issued by DoT confirming this on 7th Apr 2016. The Liberalization is effective from 20th Jan 2016.
- III. In phase two 18.75 MHz of spectrum will be liberalized across 4 circles for a total sum of Rs. 1243 Cr. The demand note has been issued by DoT on 3rd May 2016.

Liberalization places RCOM in a pivotal position to launch advanced 4G services on superior 800 MHz spectrum.

On 11th February 2016, DoT issued amendment to License Agreement, permitting Sharing of Active Infrastructure upon mutual agreements entered amongst service providers.

Sharing of Active Telecom Infrastructure

Operators can now share the electronic infrastructure required for communication networks apart from sharing passive infrastructure like towers.

- Active Infrastructure sharing will be limited to antenna, feeder cable, Node B, Radio Access Network (RAN) and transmission system only.

This will benefit operators in terms of reduced capital expenditure on network deployments and help reduce Opex.

SC Judgment on the Call Drop Issue

On 16th Oct 15, regulations for Call Drop were issued by TRAI effective from Jan 01, 2016. The industry represented by AUSPI and COAI challenged these regulations. As a shot in the arm for the industry, on 11th May 2016, the Hon'ble Supreme Court struck down the Regulator's directive. RCOM welcomes this decision while reaffirming its commitment to provide its customers the best possible quality of voice services.

TRAI Regulation on Prohibition of discriminatory tariffs for data services

TRAI issued a Regulation on Prohibition of Discriminatory Tariff for Data Services on 08th February, 2016 which disallowed service providers to offer or charge discriminatory tariffs for data services on the basis of content being accessed by a consumer. Reduced tariff for accessing or providing emergency services at times of public emergency has been permitted. TRAI may undertake a review after two years or at an earlier date as it may deem fit.

Now let's dwell on the Digital Led growth of the sector and key developments in our Consumer business

The Mobile Internet base crossed 300 Mn in Dec-2015 and now looks all set to touch over 370 Mn Mid-2016 according to IAMAI. The growth has well and truly permeated beyond urban centers with Rural Internet Users doubling in a year to 87 Mn.

Device and Access affordability as key constraints are rapidly abating in India. The average cost of accessing data fell by over 18% last year. Similarly, the cheap availability of smartphones has been instrumental in pushing the number of Smartphone users in India to 239 Mn by the end of 2015 surpassing USA for the 1st time ever. And this is expected to triple over the next 4-5 years.

The effect of smartphone proliferation is being witnessed in the growth in mobile data traffic which is projected to reach 1.7 Exabytes a month in the next 4 years growing at over 56% CAGR by CISCO estimates; And much of this will be driven by the fact that 4G is finally poised to become mainstream this year with 50 Mn 4G enabled Smartphone

shipments and the number of subscribers exploding to over 239 Million in the next 4 years. 2016 shall be the tipping point for 4G with proliferation of networks, the critical device base necessary to ensure rapid adoption and the surge of digital consumerism propelling the hunger for content and services. This can only spell good tidings for the industry with the prospect of enhanced data usage and resultant ARPU uplift.

And RCOM is poised to ride the 4G-fuelled growth curve as an incumbent. We have been assiduously building the 850 MHz spectrum pool, spectrum that is gold standard at the 4G sweepstakes. Combined with the liberalization of our spectrum and our strategic partnership with RJIL, we are in an enviable position to offer an unparalleled 4G experience to our consumers. It gives me immense joy to share that the commercial launch of our services is imminent and we have kick-started the process of upgrading our existing CDMA customers to the 4G era in a seamless manner.

- We have launched an upgrade for our CDMA customers to upgrade their CDMA dongles to 4G WiPod at nominal rates. This device can connect upto 31 users simultaneously. Further bolstering our device play to support High Speed data adoption, RCOM has introduced a range of smartphones across brands with 4G, 3G & EVDO compatibility to enable our customers to experience best in class data speeds currently and ensure faster adoption of 4G services post launch. RCOM is continuously innovating through differentiated products and services with a focus on expanding data revenue base and enhancing user experience to develop an ecosystem for data services to flourish.
- RCOM rolled out Reliance Ultraband, a Fiber Optic Cable based Internet service providing speeds upto 1Gbps. This is about 50 X faster than the average Internet Speeds in India and about 10X faster than other ISPs. Ultraband primarily caters to the growing consumption of High Definition content. Currently the service is available in limited areas of Mumbai.
- RCOM launched a referral program, “Reliance NetBuddies”. Under this program GSM customers can refer their friends from other network and stand to earn data for themselves and their referred buddies. Retailers can also participate by driving this program through existing Reliance customers.
- Latching on to the popularity of Cricket and particularly the Premier ICC T20 World Cup, RCOM launched “Data Recharge Accelerator Campaign” contest

where the customer got 2MB extra data for every run scored by Team India & 4MB extra data if India wins. Dedicated data recharge MRPs were assigned to each circle & customers were asked to recharge with those MRPs to get extra data as per contest benefits.

- RCOM continued on its path of customer delight innovation last quarter. Similar to the super hit 'TalkLoan' facility that was launched in FY15; a unique 'DataLoan' facility for prepaid customers was introduced. This can be utilized when prepaid customers' data quota falls below 10 MB. A DataLoan of 60 MB can be availed at a time, at a nominal price of Rs. 10 and validity of 2 days. Data is instantly credited to customers' account. Customer is charged Rs.10 + Rs.2 convenience fee which is recovered post their next talk-time recharge. The 60 MB data is radio-agnostic and works on both 3G/2G.
- During the festive periods of the quarter that included Holi Maha Shivratri, Good Friday Valentine's Day. RCOM had offered a one stop IVR festival portal catering for all festivals named "Hamara Desh Hamara Tyohar" in which the customers can subscribe for services like Festival stories, Songs / Bhajans etc. Exclusive Festival themed Video content was also made available Exclusive Holi Movies were made live over Movie section of R World to further enhance consumer engagement around content.

All in all, we continue to make significant strides in maintaining our leadership in the data space, a journey that began a decade back and now poised to become even more exhilarating as we steer into the 4G arena with a focus on innovation and customer centricity.

Our concerted data focused consumer strategy execution across segments continues to show impressive results with 3G data subs having grown 39.1% YoY to touch 24.2 Million subscribers. Additionally, our data usage per customer, the highest in the industry, is now at 899 Mb/Sub.

Now, I hand it over to Bill for the Global Business Overview.

Bill Barney

Moving on to the Enterprise, Carrier & GCX segments

Our B2B businesses are progressively building momentum globally, and in the India enterprise space, as we continue to expand our infrastructure and enhance our strategic Cloud X portfolio. GCX & India Enterprise added 52 new logos to our customer base during the quarter.

We witnessed the green shoots from our transformational Cloud ecosystem deployed in India to bridge the gap between public Cloud services and Enterprise networks, enabling direct connectivity between RCOM and GCX's global MPLS network and the world's leading Cloud platforms.

We are aggressively moving forward in rebuilding our business for long term sustainable growth on the bedrock of our unique Cloud proposition.

I would want to share some key highlights for the quarter

- During the quarter, we were awarded the prestigious **MEF CE 2.0** certification for Carrier Ethernet. This is the highest standard for Carrier Ethernet in the market today. This certification applies to our Global Ethernet (point-to-point) and Global Ethernet VPLS (any-to-any) services, offering a seamless experience for customers on consistency, functionality and predictable performance. In its first major international recognition since launch, Global Cloud Xchange won the Judges Award at the Global Carrier Awards, held on 3 November 2015, alongside the Capacity Europe in Paris, France. The award recognizes GCX for strong presence and reputation in the emerging markets and for delivering one of the most advanced IP backbones in the market.
- We completed extension of our **Cloud X Fusion** ecosystem with a direct access to Amazon Web Services (AWS) in Singapore, London, Frankfurt and Tokyo, offering enterprise customers a robust cloud solution that will drive new business opportunities.
- Following significant upgrades of our Global Network across Australia and New Zealand with four new Points of Presence (PoPs) in Sydney, Melbourne, Perth and Auckland, we also launched our **Cloud X** platform in Sydney which will enable Enterprise customers across Australia to have on-net access to leading public cloud platforms. In addition, GCX further expanded the global footprint into Australia in partnership with NEXTDC. Our presence at NEXTDC's M1

Melbourne and S1 Sydney data centres enables customers across Australia and New Zealand (ANZ) have direct connection into GCX's scalable global IP and MPLS network.

- We also **expanded our reach across Europe** with TI Sparkle through a multiservice PoP at SICILY HUB in Palermo which is located closer than any other European peering point to North Africa, the Mediterranean and the Middle East. This further increases our ability to interconnect with major service providers across the regions that have presence in the facility.
- Our newly deployed **Customer Advocacy Team (CAT)** for RCOM Enterprise and GCX has significantly improved our KPIs on customer service for top global customers. Deep knowledge of customer's network design has helped resolve the incidents effectively with improved efficiency in operational manpower utilization within the CAT team.

In the next few quarters, we will continue to focus on product & service innovation, capability expansion, ecosystem collaboration, and drive our unique proposition in the cloud space.

In conclusion, let me reiterate the following:

- Our industry defining consolidation efforts are well underway. The 1st major consolidation in the Indian telecom sector b/w RCOM & SSSL awaits the final court and DoT approvals and we should be able to formally announce the integration in a few weeks.
- RCOM's exclusive discussions with the shareholders of Aircel Limited, to consider the potential combination of the Indian wireless business of RCOM and Aircel is progressing very well and the parties have agreed to extend the exclusivity period by a month to 22nd June, 2016. The amalgamation of RCOM, Aircel & MTS will create an entity that will be amongst the Top 3 by RMS in 13 out of 22 circles and hold nearly 20% of commercially allocated spectrum.
- The enhanced strategic partnership with RJIL provides RCOM with a formidable pool of 4G ready Sub GHz spectrum in 800 MHz band – by far India's largest. The reciprocal nature of the agreement also provides RCOM's customers access to RJIO's nationwide 4G network.

- The combination of our strategic initiatives around spectrum, consolidation and partnerships has placed RCOM in a good position for commercial launch of our 4G services, which is expected very shortly. The migration of our CDMA customers to 4G is being executed seamlessly.
- RCOM is actively pursuing its strategic goals around deleveraging and progressing well on various measures - including a controlling stake sale in the tower business and real estate monetization; with the ultimate objective of value enhancement for our stakeholders.

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

Operator

First in line we have question from Manish Adukia from Goldman Sachs. You may go ahead please.

Manish Adukia

Hi, good afternoon and thank you for taking my question. I have three questions. Firstly, just want to understand from you about your future spectrum needs and Capex investments. So what I'm trying to understand is will RCOM be looking to participate in the future spectrum auctions and will the focus now be on 4G or will you also look to fill your gaps in 3G? Also as far as the 4G rollout is concerned will the roll out continue to be on Jio's 4G equipment, thus reducing Capex or can we expect Capex to go up?

My second question is on Capex. I think you had guided to about Rs. 4,000 crore in Capex this year. I just want to understand where is most of this money being spent, whether it is spent for site roll out, but that still remains low? Or, is most of the Capex going towards fiberisation? Which areas are you spending that money on?

And lastly on your CDMA subscribers, I understand that for a lot of circles, today is the switch-off date for your CDMA network. So, what proportion of the CDMA subscribers have you been able to upgrade to your 4G network? Those are my questions, thank you.

Gurdeep Singh

Thanks Manish for your questions. First one on the issue of the future spectrum requirements, I think we have already bolstered our spectrum portfolio in the recently

held auction. We have also liberalized our 800 MHz spectrum and we have also entered into spectrum sharing and trading arrangements with Jio. You may also be aware that we are in the middle of completing the MTS transaction where we are awaiting the Court and DoT approvals. And the Aircel discussions are at an advanced stage.

So post these events we'll be able to, and will be in a better position, to take a call about the spectrum portfolio requirements for the future. So I think it will be a bit premature to comment at this stage as there are a lot of things undergoing, number one.

Number two, on the Capex requirement, the Capex spend in the last quarter was largely on setting up the LTE core, which is mandatory for us to make the sharing and trading of spectrum effective and also to service our customers. And going forward, it's only pertinent for us to look at the Capex guidance in-line with the current transactions that are underway. As soon as there is certainty and announcement of the Aircel transaction, we will also be able to give guidance on the Capex requirements for the future.

Thirdly, coming on to the CDMA customers, we are in the middle of the process of migrating or upgrading our customers to 4G. This process is well underway, it's happening in different stages, circle by circle. So it is little bit premature for me to conclude and comment on how it is and what percentage of it has been consummated. All I can say is that as the consumers are migrating or upgrading to the future of the technology, we have received over-enthusiastic response from the customers.

Operator

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

Srinivas Rao

Hi, and thank you very much for taking my question Sir. My first question is on the four circles which you said you have received the approvals on 3rd May. So have you further concluded any decision, or decided on sharing of the spectrum in those markets with Jio or that's not yet done with Jio? The second question actually pertains to the transition of CDMA. Is there any rule requiring that you need to take the consent from the subscribers before you switch-off your CDMA network? If someone doesn't actually move from

CDMA what happens? And thirdly, you did mention about the norms for sharing, but it does require some investments in the LTE core. I just want to understand what are the rules actually around the sharing of both spectrum and infrastructure, and active infrastructure, if you can help me on that? Thank you.

Punit Garg

Hi, Srini. Question number one, where you are enquiring about the remaining four circles. Number one, the liberalization money has been paid and the amount is Rs. 1,243 crore. DoT is now in the process of issuing the liberalization order for these four circles. Second, as the liberalization is done, we have already submitted the application for trading and sharing in these four circles and as per the guidelines, it will take 45 days. We believe that within these 45 days trading and sharing would be approved and with this, we would complete the process for all our 22 circles.

Now let me tell you what is included in sharing and what we are doing about the core. As per the guidelines, up to E-Node B is shared between us and Jio. And after E-Node B at the aggregation point, the traffic of both the Jio and RCOM are split. We have setup our own LTE 4G core. So we both have our independent core network and that is where we have invested in.

On your last question, as per the current UASL license under which we are operating, it requires us to give 30 day notice to customers about closing down of the service or whether we are moving on to another service. We have given notice to all our customers for more than 30 days, in fact for nearly 60 days notifying all our customers in April first week itself that we would be moving on to 4G. Those who do not want to upgrade to 4G or stay with Reliance, there is number portability option available. However, MNP is more applicable for voice customers. For data customers those who use just the data connectivity anyway they can get a new Reliance GSM dongle and move on. Those who do not want to move, once we stop radiating from the CDMA equipments, they would get switched off. So they are being notified that move on to the 4G or do MNP as on a specific date when the network will be switched off. Some of that is getting switched off now on 31st May. And progressively, by June end or so most of it would be switched off and so they all are getting notified for that. So they have option to move on to 4G, or 3G or 2G. And that is what most of the customers are opting out as well.

Operator

Thank you Mr. Srini. Next in line we have Mr. Gaurav Malhotra from Citigroup. You may go ahead please.

Gaurav Malhotra

Hi, I just have one question. If I just see your data traffic, and compare the non-voice within the India business to it, the realization seems to have shown a meaningful jump from almost 12 paisa to 15 paisa quarter-over-quarter. So does this include some other items as well? Could you just highlight that please?

Gurdeep Singh

Yes it does, it includes one-time fiber IRU sales.

Gaurav Malhotra

And could you quantify that please?

Manikantan Iyer

I'll not be able to quantify it, but all I can say is that our data growth on our 3G and 2G platform is in-line with the industry growth. And the rest of it is coming because of one time fiber-optic sales.

Operator

Thank you Mr. Gaurav. Next in line we have Mr. Harsh Agarwal from Deutsche Bank. You may go ahead, please.

Harsh Agarwal

Hi, couple of questions from me. One was on your tower sale, can you give us any update on where it stands post the last delay in the date for completion. The second question I had was to understand your accounting of cash flows. Can you tell us why your working capital has increased so much in the March quarter and also why your payment for purchase of PPE has gone up as well? Thank you.

Gurdeep Singh

Thanks, Harsh for your questions. On the tower sale, the way we look at things today is

that in the month of June, apart from any unseen uncertainties, we hope to make an announcement on the Aircel merger. These discussions are progressing well and are in the advanced stages. And it's only pertinent that we will take up the tower transaction post this announcement. So it's just a question of sequencing.

Manikantan Iyer

On your question on working capital there are two things, one, the advance received from the customer for spectrum trading has been shown under the liabilities and other constituents of working capital have decreased compared to the last quarter, for example, trade receivables are down from ~Rs. 5,000 crore to ~Rs. 3,800 crore. The short-term loans and advances have come down from Rs. 8,600 crore to Rs. 6,000 crore whereas the long-term advances have gone up from Rs. 4,000 crore to Rs. 9,800 crore. And the deferred spectrum liability is also included in the working capital. The net impact of these has resulted in decrease of the working capital, and not in increase of the working capital.

Purchase of PPE includes two things, one, during the quarter we have paid for the spectrum liberalization, second is the movement of capital creditors and the capital advances that have been impacted.

Operator

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

Amruta Pabalkar

Hi, thanks for the opportunity. I have a couple of questions. Firstly, on the IRU sale that you mentioned, is this IRU sale of fiber with Jio and do we expect anything to come here in the coming quarters? Secondly there is a significant jump in 'others' business unit in India business. Does this include tower money from Reliance Jio? On the EBITDA front, we see significant increase in your access charges but voice and data revenues have not really significantly moved up. So, what's the reason for high increase in cost in this line item which is impacting EBITDA?

Manikantan Iyer

Indian operations' other income includes sale of flats in Seawoods for ~Rs. 220 crore. If you take out this amount then the other income will be in line with the earlier quarters. On IRU, it includes certain portion of amounts from Jio and we cannot make any further disclosures. The business will have continual IRU sales because of the business model of our Global business and Indian fiber business. As per our accounting policy the IRUs are recognized upon completion and delivery, and receipt of full amount of advance from the customer.

Regarding increase in the access charges, it is on account of ICR arrangements in the five circles. ICR access charges are more than the normal charges and hence the impact.

Amruta Pabalkar

Can you just share some more light on the depreciation and tax credits?

Manikantan Iyer

Depreciation includes one-time replacement of certain assets. Excluding that, the depreciation will be in line with the other quarters, and normally our depreciation is around Rs. 980 crore per quarter. Second on the tax credit, deferred tax assets and deferred tax liabilities is assessed for various subsidiaries of the Company once in a year at the time of preparation of accounting statements. So deferred tax assets and liabilities have been ascertained by the Company and the net impact of certain tax refunds in our global business has led to tax credit.

Amruta Pabalkar

Understood. One last question, do you have Capex guidance for fiscal 2017?

Gurdeep Singh

Only post the Aircel announcement it's pertinent for us to make the Capex guidance because there are a lot of synergies and other things to be looked into on a going forward basis.

Operator

Thank you, ma'am. Next in line we have Pranav Kshatriya from Edelweiss. You may go ahead please.

Pranav Kshatriya

Thanks for the opportunity. Most of my questions have been answered. I just have a few follow up questions. Firstly on CDMA migration date you said that by end of June most of the subscribers would be migrated from CDMA to 4G network. So I just wanted to confirm that. The second part of the same question is how exactly a customer would receive the services in that case, would only data be going on to the shared network with the Reliance Jio or even the voice calling would be routed through Reliance Jio's network? And please provide some colour on how we should see the cost structure in that case?

Secondly, you alluded to fiber sale being the driver of the revenue and most of the growth was in-line with the industry for the mobile business. So can you give some colour on the cost side also how should we look at it? And my last question is on this migration to Ind-AS. So how should we see the impact of that and where all will we see the changes? Thank you.

Gurdeep Singh

Well, the CDMA migration is happening in phases, circle by circle. So there is no one end date for India overall, but yes, in the next two months, we hope to conclude the entire exercise, free up the spectrum, and upgrade our customers to 4G. When they are upgraded to 4G they can potentially access the 4G data services, post all the regulatory approvals alluded to earlier. And the voice will be on our own network.

Our focus is by priority of the customer, looking at their data usage, ARPU, age on network, potential to use 4G services or to remain on 2G, 3G. So they're all being migrated to the 4G technology. But we eventually leave it to the customer whether they want to use voice which is our own and the data that comes on our own network and 4G data as part of the network sharing arrangements. And this is being done by migration of the most profitable and value accretive customers on our network. As I alluded to a little while ago, the whole process is going on very smoothly and we are over enthused with

the response that we have received from our customers.

Secondly, in terms of our relationship and how this mechanism of the pricing works between us and Jio, well, we'll wait for the Jio's commercial launch and our commercial launch. Currently our efforts are only limited to our captive CDMA users and their migration and upgrade thereof. The track is not even opened to our own GSM customers at this moment. Does that answer your questions?

Pranav Kshatriya

Yes. If I can just follow-up, if you are expecting this migration to be completed in next two months, should we expect the commercial launch of 4G from Reliance Communications after that?

Gurdeep Singh

I will not be able to comment on our commercial launch as this will depend on Jio's launch date.

Bill Barney

The fiber sales are going to be a common thread through our business for the next couple of years. And we continue to sell at both onshore in India and offshore and we'll continue to do that as regular products. It will be lumpy though and it depends on the time of the year, on the routes. But generally we can say that the numbers would be pretty consistent over the next couple of years. But it will be quarter-to-quarter where you'll see some variations in our fiber sales and that should be expected not only in the Indian enterprise, domestic business, but also in the GCX business as well.

Manikantan Iyer

We are evaluating the options on first time adoption of Ind-AS. Ind-AS is compulsory effective April 1, 2016. So only after the first quarter results we will be in a better position to state that.

Operator

Thank you. Next in line we have Mr. Justin from Barclays. You may go ahead.

Justin

Sure. Thanks for the call. I was trying to understand your liquidity position, looking at your balance sheet. At the end of March 2016 you have about Rs. 23 billion in cash and equivalent. And I understand that there are some debt payments due in June. And you just mentioned that tower sales will be completed after June. So in the interim, what are your thoughts about refinancing some of the short-term debt, pending the completion of tower sales? Would these be some new facilities?

Anil Ladha

Justin, thanks for your question. We have been refinancing our facilities with the existing and new lenders, and this has been successfully getting done since the last couple of quarters. In this quarter also there are some facilities which are coming up for redemption. We are actually refinancing them at more optimal terms than what they were at. And for any upcoming maturities during this financial year also, there will be a mix of refinancing and repayments depending on the cash flows from the deleveraging initiatives.

Justin

Sure, I see. And any covenant waivers or things like that.

Anil Ladha

On covenants, when we did the bond issue last year, at that time also we had made relevant disclosure about the covenant status. And going forward after that, during last one year as well, we have received requisite covenant waivers quite comfortably from our lenders. We also have an ongoing as well as in the medium-term, comfort from our lenders that as far as the covenant waivers are required on account of intermittent covenant issues due to any quarterly aspects, then given the fact that they continue to have confidence in our business model and the business performance, the waivers would be provided, in case needed.

Operator

Thank you, Mr. Justin.

Gurdeep Singh

Okay. Thank you for being on the call and I just want to make a few conclusions and make a few observations on some key and strategic issues. First on MTS, the matter is now in the court for the final hearings. We hope to get through that and hopefully start integrating MTS's Indian operations into RCOM soon. So the transaction is well on its course and possibly it's a matter of another few months, that's one.

Second, as we made the official announcement to the Stock Exchange, our discussions with Aircel are going on well. They are in an advanced stage of consummation and we expect to make the announcement with respect to Aircel merger in the month of June barring any unforeseen circumstances. Then we expect to conclude the tower transaction which is well on its course and it was only pertinent that we changed the sequencing. The way I would want you to see this that, once the Aircel and the tower transaction both go through, we will be able to reduce 75% of the debt.

Lastly, we've been over enthused with the current CDMA migrations for upgrade to 4G. We are very hopeful that we will be able to migrate our profitable customers and later on, after the commercial launch by Jio, we will come back and share with you our plans on the larger upgrade of our current GSM and in general, market sale of our 4G as an ongoing business proposition.

Operator

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