Idea Cellular Conference Call

April 29, 2016

Moderator: Good Afternoon, Ladies and Gentlemen. This is Karuna, the moderator for your conference call. Welcome to the Idea Cellular Conference. For the duration of this presentation, all participant lines will be in the listen-only mode. After the presentation a question-and-answer session will be conducted. We have with us today Mr. Himanshu Kapania – Managing Director of Idea Cellular and Mr. Akshaya Moondra – Chief Financial Officer of Idea Cellular, along with other key members of the senior management on this call. I want to thank management team on behalf of all the participants for taking valuable time to be with us.

Given that the senior management is on this conference call, participants are requested to focus on the key strategic and important questions to make sure that we make good use of the senior management's time. I must remind you that the discussions on today's call may include certain forward-looking statements and must be viewed therefore in conjunction with the risk that the company faces. With this, I hand the conference call over to Mr. Himanshu Kapania. Thank you and over to you, sir.

Himanshu Kapania: Thank you Karuna, On behalf of Idea, I welcome all participants to this Earnings Call. Yesterday, our Board of Directors adopted the audited results for the fourth quarter and full Financial Year 2015-16. The detailed Press Release, Quarterly Report and Company Results have been uploaded on our website and I assume you had a chance to go through the same.

The Financial Year 2015-16 is amongst the slowest revenue growth year ever for the Mobile Industry. Besides, higher intensity of competition activity including extensive Network rollout by top 3 operators and Reliance Jio with focus on monetization of newly acquired 3G & 4G spectrum, this financial year also witnessed full year impact of TRAI Interconnect Settlement Charge fall which brought the previous year FY 15 v/s FY14 double digit industry revenue growth down to low single digit growth levels estimated at 5.5% to 6% in FY16 v/s FY15. The regulatory changes impacting revenue growth include

a. Reduction in IUC settlement charges for mobile incoming calls between operators from 20 paise to 14 paisa per minute effective 1st March 2015;
b. Sharp drop in ceiling for Roaming charges and SMS outgoing rates by 20 to 75%;
c. Inability of operators to fully pass on hike in Service Tax from 12.36 to 14.0% and introduction of Swaach Bharat Cess 0.5%.

But, the market factors also pulled the industry revenue growth down in FY16 v/s FY15 including -

a. Intense battle for new subscribers in Voice segment among 8 Mobile Operators and
b. Slower than anticipated new customer uptake for Wireless Broadband Services on 3G or 4G platform against a colossal supply increase of Mobile Broadband Services as MBB population under coverage exponentially expands by aggressive rollout both by existing 3G & 4G operators with Year 2010 vintage spectrum and new Telecom Licensees who acquired fresh 3G or 4G Spectrum in Auction of Year 2014 & 2015.

In comparison to slow revenue growth of Indian Mobile industry, Idea continues its enviable track record of being amongst the fastest growing large operator for 8 straight years with 14% annual gross revenue growth at Rs 359.7 billion against Rs 315.5 billion in FY15. On normalizing FY16 revenue after adjusting for the IUC settlement rate changes, the revenue growth rises to 17.8% in FY16 v/s FY15 at near similar levels of 19.1% in FY15 v/s FY14. Based on TRAI reporting, Idea revenue grew 2.4 times the pace of industry growth rate in Calendar Year 2015.

On consolidated basis, including 16% contribution from Indus, Idea annual EBITDA growth is robust at 20.5% with 200 basis points improvement in EBITDA margin to 36.2%, an absolute EBITDA value of Rs 130.3 billion. The 'Profit After Tax' at Rs 30.8 billion nearly at last year levels, inspite significant cost increase below EBITDA as Gross Block for the Company increased by Rs 375.3 billion in FY16 to Rs 989.1 billion including -

a. Spectrum purchase commitment of Rs 301.4 billion in March 2015 and
b. Capex FY16 spends of Rs 77.4 billion.

The Net Debt as on 31st March stands at Rs 387.5 billion including all Deferred Payment Liabilities from Auctions. The Net Debt to annualized Q4FY16 EBITDA stands at 2.92 times.

The Board of Directors are pleased with Idea's consistent performance and have recommended a 6% dividend payout an overall cash distribution of Rs 2,600 million i.e. nearly 10% payout percentage of Net Profit. The company wishes to thank each one of their 150,000+ retail and institutional investors for having reposed confidence in Idea Management through the difficult times, displaying remarkable patience and encouraging us to stay on course long term profitable growth journey.

Our last 8-year success can be attributed to the Company's transformed mindset. During this period, we could have gone around like a timid bit player, but we at Idea held our head high and had the courage and conviction to act like a leader. Our strength can be credited to the 'sustained sprint of capability building'. We have learnt to think big, act fast but with integrity and transparency, imbibed culture of meritocracy, nurtured an army of leaders and scaled the company with legendary operational discipline. Speed is our currency.

One of the fastest launch of 4G Services, again demonstrates Idea's entrepreneurial, nimble, collaborative and agile Leadership style. On 23rd December 2015, company took the historic giant leap in its telecom journey with launch of its 4G LTE Services just 4 months after company decision to go ahead with introduction of this new technology. Since the 4G launch in last 100 days, Idea engineers has moved fast, introducing 4G Services across 1,327 census towns and 2,619 adjoining villages covering 116 million Indians and 21% of overall population in 10 Telecom Service Areas of Maharashtra & Goa, Andhra Pradesh & Telegana, Madhya Pradesh & Chattisgarh, Kerala, Haryana, Punjab, Karnataka, Orissa, North Eastern States and Tamil Nadu including Chennai. The company intends to continue expanding 4G coverage in Financial Year 2016-17 and estimate to offer Idea 4G Services so as to reach 45–50 % of Indian population in these 10 Telecom Service Areas. As of 31st March, 2016, over 680,000 customers are actively using the Idea 4G Services, but the journey has just begun.

As 4G era dawns on us, Department of Telecommunication is gearing itself for another round of Spectrum Auction. This Auction will be different, as pressure for renewal of licenses will be limited only to CDMA operators licenses expiring in Year 2017 for Service Areas of Andhra Pradesh, Mumbai, Maharashtra, Gujarat, Rajasthan & Punjab, etc., most operators including Idea's Auction spectrum purchase will be discretionary, linked to internal business model at individual Circle level. Based on TRAI Spectrum Supply and information available from Media on harmonization of 800 & 1800 MHz spectrum there may be more than 2000 MHz spectrum quantum available for FY17 Auction across 22 circles the highest ever supply across the Bands of 700, 800 & 900 MHz in the sub 1GHz range and in Bands of 1800, 2100, 2300 and 2500 MHz in the higher spectrum band range.

If we plot the current spectrum allocation per Telecom Service Area in India, the average allocation per Circle is 117.5 MHz spread over 8 to 10 operators in that Circle. With declared additional available spectrum quantum supply by government both across FDD and TDD Spectrum Band, the total supply available in individual Telecom Service Areas increases from current allocation of 117.5 MHz to nearly upto 310 MHz per Circle covering full range of bands across 700 to 2500 MHz. As per our estimates, the additional supply is more than sufficient for 5 to 6 operators to meet their future next 5-7 years Mobile Voice & Broadband Demand needs while Indian Operators build over next 4 to 5 years a Global scale 500 Mbps to 1Gbps, capable Mobile Broadband infrastructure likely by Year 2019-2021 using emerging 4G LTE Advanced or 5G technology to be introduced around Year 2018 - 2020.

As spectrum supply for Commercial Mobility Use increases, each Telecom operator can plan their incremental spectrum requirement based on Consumer Demand and its own market status instead of blocking upfront capital in anticipation for future use. Idea will be selective in additional Spectrum purchase procuring only that much quantum of additional blocks which justify near term business returns and defer requirement of Capacity Spectrum only when volume of Mobile Data Demand justifies its procurement.

Also, the trends emerging from Spectrum Trading & Sharing deals as well as action by low market share operators during spectrum renewal, indicate strong possibility of Mobility industry intensity of competition to recede specially in Voice segment and industry to consolidate as number of Mobile Operators decline from existing 8 to 10 to 4 to 5 in near term.

Leadership today needs ability to predict future with conviction and courage, display dogged determination and human emotional resilience to stand by its own prediction. Our future goal is not to be complacent about Idea's current growth leadership position. The company will constantly challenge itself and ensure we lead both on thought & practice.

Moving on to Business Performance

Based on latest TRAI gross revenue release for the period 'October to December 2015', Idea has improved its 'Revenue Market Share' (RMS) to 18.9% in Q3FY16, an improvement of 140 basis points over the last year same quarter.

On a separate analysis for Calendar Year, the Mobile Industry revenue growth in Calendar Year 2015 declined to 6.6% v/s last year against 10.6% growth between Calendar Years 2014 & 2013. The Telecom industry absolute annual revenue reached Rs. 1,905 billion in Calendar Year 2015. Idea in the same Calendar Year grew by 15.7%, 2.4 times the industry growth. The company improved its Revenue Market Share from 17.1% in Calendar Year 2014 to 18.6% in the Calendar Year 2015, an improvement of 1.5% in RMS over last year. Idea captured 40.6% of incremental revenue generated by the industry in CY15, reminding the RMS growth story for the company is fully intact.

The performance of Idea on four standard parameters for the period January to March 2016 and Financial Year 2015-16 is presented first for the quarter and then full financial year as follows:

1. **<u>Gross Revenue</u>:** Idea Q4FY16 sequential revenue growth rate is robust @ 5.2% recovering from a previous weaker Q3FY16 v/s Q2FY16 growth rate of 3.8%. After 6 quarters of steep fall in Voice and Mobile Data realized rate, Idea in Q4FY16 modified its aggressive volume growth strategy, clamped down on promotional offers for new and existing customers and is pleased to share

   a. Mobile Voice Realised Rate improved by 4.4% from 31.8 paisa /minute in Q3FY16 to 33.3 paisa /minute this quarter.
   b. Mobile Data Realised Rate improves from 22.3 paisa /Megabytes to 22.9 paisa/MB, Q-o-Q increase of 2.9%.

With reduced consumer promotions this quarter, the subscriber & volume growth was slower as only

a. 1.9 million Net quarterly VLR subscriber Addition
b. Slow Q-o-Q voice minutes growth @ 1.2% as quarterly volume reached 201.6 billion minutes.
c. Only 1.5% Net Mobile Data Volume growth, the quarterly Mobile Data volume reaches 82.2 billion MB.

For the Financial Year 2015-16, Idea annual gross revenue grew by 14% over FY15 to Rs.359.7 billion. The factors driving Idea revenue growth far ahead of industry revenue growth trends remain classical volume led including –

a. 22.4 million VLR subscribers' addition in the year. Idea Consumer EOP base has reached 183.8 million as of 31st March 2016 with estimated gap with No.2 operator of only 6 – 8 million customers on VLR
b. Voice Minutes annual growth @ 15% to 786 billion minutes volume in the year.
c. Mobile Data yearly volume expansion @ 72.7% used either on 2G, 3G & 4G platforms delivering 298 billion Megabytes annual volume.

However, inspite Q4 v/s Q3 FY16 realised rate improvement, FY16 overall price realization v/s FY15 declined steeply as follows –

a. Mobile Voice realized rate fell @ 8.3% including impact of IUC settlement rate drop and
b. Mobile Data Realised Rate per Megabytes declined @ 11.8%, thereby depressing overall annual revenue growth.

The Value Added Services contribution has increased to 28.3% in Q4FY16 v/s 24.5% in Q4FY15.

2. **Cash Profit & EBITDA:** The improved 5.2% Q4FY16 sequential quarterly revenue growth led by better rate realization helped Idea deliver strong 16.4% sequential quarterly EBITDA growth at Rs 33.2 billion and Q-o-Q EBITDA margin improvement of 3.4% from 31.6% in Q3FY16 to 35% on standalone basis.

For the full Financial Year 2015-16, inspite higher network expansion and multiple inflationary and regulatory pressures, Idea FY16 standalone EBITDA grew by 21.9% and stands at Rs 119.1 billion, helping EBITDA margin improve by 2.2% from 31% in FY15 to 33.1% in FY16. 48.5% of incremental annual gross revenue of Rs 44.1 billion in FY16 v/s FY15 translated into incremental EBITDA growth of Rs 21.4 billion.

The increase in 'Depreciation & Amortisation" charge to Rs 62.3 billion and 'Interest & Finance" net cost of Rs15.8 billion during FY16 reflects additional charges on account of –

a. Renewal of existing licenses in 7 established Circles with effect from December 2015. The pending two licenses renewal of Punjab and Karnataka is effective April 2016.
b. Launch of 4G Services in 10 Circles from December 2015
c. Introduction of 3G 2nd carrier on 900 MHz from Q4FY16 in Circles of Maharashtra & Madhya Pradesh.
d. Launch of 3G Services in Kolkata Metro during Q3FY16.

Therefore, inspite strong EBITDA growth, Idea standalone 'PAT' for FY16 is lower at Rs 26.8 billion against Rs 28.5 billion in FY15 excluding Indus Dividend.

On consolidated basis, including 16% Indus contribution, Idea EBITDA for the fourth quarter is Rs.36.2 billion at 38.1% margin – improvement of 1.7% v/s Q4FY15 and full year EBITDA of Rs.130.3 billion at 36.2% margin, the company delivering annual EBITDA growth of 20.5% and margin improvement by 2.0%.

In the '15 Established Service Areas', Idea blended 'Revenue Market Share' has improved to 22% in Q3FY16, against National Revenue Market share at 18.9% for the same period. The standalone EBITDA for these 15 Established Circles is improving every year and is at its highest level of 39%, at similar levels to India's 'Mobile Leader' EBITDA Margin inspite the Leader, overall Market share being much higher than Idea's 15 Established Circles' Revenue Market Share at 22% – a testimony to the Cost Consciousness of Company's Operations.

The '7 New Service Areas' revenue growth is at 11% on sequential quarterly basis while FY16 v/s FY15 annual growth for these New Circles is 32.7%. The losses for the New Circles are falling and this quarter is at lower level of Rs 1.17 billion, a drop of Rs 612 million over previous quarter, primarily due to improved price realization. The New Circle's Revenue Market Share @ 6.4% is showing steady YoY upward trend with incremental Revenue Market Share between Q3FY16 v/s Q3FY15 at 56.5% of the industry. The overall company Annual Cash Profit at Rs 101.2 billion for FY16 grew at steady pace of 19.3% v/s FY15 .

3. **Active Subscribers:** Idea clocked 22.4 million Net VLR addition in FY16 against 23.5 million Net VLR subscriber addition in FY15. The company is now servicing a strong 183.8 million quality consumers in India. Competitively, Idea improved its Customer Market Share on VLR to 19.7% in February 2016 against 18.6% in February 2015, an improvement of 1.1% in CMS.

In the last 12 months between March 2015 to February 2016, Mobile industry subscriber growth is 73 million, at similar levels of FY15. 'One out of every three' Indians buying fresh SIMs during last one year joined Idea on its Network, as company clocked incremental annual subscriber VLR share of 32%.

Inspite of strong 14% annual subscriber addition to its consumer EOP, the quality of Idea overall consumers was steady as 'Average Revenue Spends per User' – ARPU was at similar levels of Rs 179 in FY15 and FY16 fourth quarter.

4. Minutes of Use: On sequential quarterly basis, the voice minutes growth was slow at 1.2%, as company abandoned its pure volume growth strategy and focused on improving profitability from operations.

On full year basis, Idea carried 786 billion minutes in FY16 against 683 billion in FY15, highest ever Voice minutes increase of 103 billion minutes @ 15% primarily driven by elasticity of demand in a falling rate environment. Over the year, the voice realized rate fell by 8%.

Based on TRAI industry minutes and voice revenues of the industry information release, Idea gained 1.4% in Industry Voice minutes share in Calendar Year 2015, maintained 37% of incremental minutes share and cornered whopping 96% of incremental Industry Voice Revenue growth as most Indian Telecom Operators reported negative Voice Revenue growth in CY15 over CY14.

With exponential Network Coverage and capacity expansion in FY16, Idea GSM coverage has reached nearly 1 billion Indians spread over more than 390,000+ towns and villages, reminding us of the successful journey the company has travelled since its IPO in 2007, when Idea was a regional player offering services to less than 100 million Indians. During the financial year 2015-16, the company integrated 14,466 additional 2G sites expanding the GSM BTS count to 126,833 sites, now at comparable levels to No.2 Indian Telecom Operator.

Idea also expanded its Fibre coverage by doubling its annual rollout to 22,100 km in FY16 v/s 11,400 km in FY15, reaching overall 115,500 km of OFC presence. The company now has over 7,200 OFC PoPs pan India. We have identified 525 towns across the 22 Circles with greater than 20 – 25 Idea Network GSM sites and company engineers are working overtime to get all the key towns ready with Fibre on Tower for future expansion of its 3G & 4G Broadband Services.

Moving on to Wireless Data Business: The new consumer demand for Wireless Broadband lags behind the colossal expansion of Mobile Broadband Services supply by Indian Operators both by existing 3G & 4G Telecom operators using vintage spectrum acquired in the Year 2010 and launch of new 3G & 4G Services from Spectrum acquired by Telecom licensees in the Auction of Year 2014 and 2015. While adoption of Mobile Data Services has not grown to desirable levels, the country is witnessing an explosion of existing Mobile owners replacing their old 2G feature phones with latest 3G – 4G or only 3G smartphones. In FY16, 23.9 million of Idea subscribers upgraded their existing phones to 4G and /or 3G capabilities. Presently, 60.4 million of Idea's strong 175 million reported EOP subscribers have upgraded their phones. The smartphone penetration of 34.5% levels to Idea consumer base includes 11.1 million 4G smartphone owners – 6.3% of the Idea EOP base, now on high growth trajectory.

44 million mobile data subscribers i.e. 25% of the Idea EOP are currently accessing Mobile Internet either on 2G or 3G or 4G platform but over 20 million of these Data Users still prefer to access Internet only on 2G GSM Edge Network. We are hopeful these consumers will at the earliest adopt latest high speed fast Wireless Broadband Services. The blended Mobile Data ARPU is at Rs.147 in Q4FY16 v/s Rs.150 in Q4FY15. The Mobile Data revenue is now contributing 20.1% of service revenue, an increase of 3.3% over the year.

The Mobile Internet Data Volume grew to 82.2 billion Megabytes, sequential quarterly slow growth of 1.5%, as company focused on rate improvement. Mobile Data realized rate improved from 22.3 paisa per Megabytes in Q3FY16 to 22.9 paisa/ Megabytes, Q-o-Q increase of 2.9%.

In comparison, on annual basis, the total Mobile Data Volume in FY16 was 298 billion Megabytes, a yearly expansion @ 72.7% of 125 billion Megabytes from 172.5 billion Megabytes in FY15 driven by elasticity as Mobile Data realized rate fell by 11.8% from 26.3 paisa per MB in FY15 to 23.2 paisa per Megabytes in FY16. The Mobile Data Usage per subscriber has improved from 586 Megabytes per User in Q4FY15 to 641 MB per User but the Data ARPU from these subscribers has declined by Rs.3 to Rs.147 in Q4FY16 due to near 12% rate fall. We expect the rate fall trend in Mobile Data to continue until the equation between new consumer adoption and broadband supply gap bridges.

Moving on to 3G & 4G business: The Company added 8.4 million new 3G Users in last one year, now serving overall 22.9 million 3G Data customers, though still a low penetration of 13.1% of Idea overall EOP subscribers. The company also added 680,000 4G Users, most of these customers joined us in March 2016.

As mentioned earlier, in last 100 days of the Financial Year 2015-16, Idea moved fast, introducing 4G Services for 3,946 towns and villages integrating 14,643 4G sites, covering 116 million Indians and 21% of overall population in the 10 Idea 4G Telecom Service Areas including 6 out of its 8 Idea Leadership Markets and important Telecom Circles of Tamil Nadu & Karnataka.

Besides 4G, during the year Idea continued its 3G expansion and its 3G data volume exploded by nearly 2.1 times from 91.2 billion Megabytes in FY15 to 188.8 billion Megabytes in FY16. In addition to launch of new 3G services in Kolkatta Metro in Q3FY16, Idea introduced 3G 2nd carrier on 900 MHz in Maharashtra & Madhya Pradesh & Chattisgarh in Q4FY16, extending the company's 3G 900 MHz services to 3 Circles including Delhi Metro.

During the year, Idea integrated 19,769 3G sites either on 900 or 2100 MHz, exponentially expanding 3G footprint by 65% to 50,060 sites. Idea's own 3G spectrum in 13 Service Areas now covers 50% of these Circles' population. In the next Financial Year, the company intends to ensure over 70% of existing GSM sites is upgraded with Mobile Broadband Services in the existing 17 Circles where Idea own Data Spectrum with 3G and/ or 4G technology. Idea Wireless broadband coverage has expanded to 388 million Indian across 17 circles covering 61,975 towns and village and the company estimates to cross 550 million Indians being offered Idea Wireless Broadband Services in FY17 on its existing spectrum portfolio.

With this aggressive expansion of Wireless Broadband Services by integrating 34,412 fresh 3G and 4G sites to 1st April 2015, Idea opening 3G site count of 30,291, the company has expanded its Broadband network by 114% in one year. With aggressive coverage and capacity expansion, the current Idea Broadband Capacity utilization is at low levels of 15-25%. In next year the company intends to integrate a similar level of sites and based on internal projections, its capacity utilization will be low, giving Idea sufficient headroom to convert high percentage of its existing Mobile Voice Users and start accessing Internet and enjoying Digital Content & Applications on Idea Wireless Broadband Infrastructure.

The blended usage of a Wireless Broadband Customers using either 3G or 4G is at 857 Megabytes per Broadband User in Q4FY16, an improvement of 10% from 777 Megabytes earlier only on 3G platform in Q4FY15. The blended 3G & 4G Data ARPU of a broadband user is Rs.191 in Q4FY16 falling from earlier levels of Rs.209 in Q4FY15 as Broadband Data realized rate fell by nearly 12% during the year.

In FY16, Idea has more than doubled its past three years average capex spends with Network investment of Rs.77.7 billion. During FY16, the company integrated highest ever 48,878 sites reaching a total of 191,536 sites fully funded from Cash Profit of Rs.101.2 billion. The company intends to continue the momentum of Wireless Broadband expansion in FY17 and Capex guidance of Rs 65 to 70 billion on Current Spectrum portfolio will be used primarily to strengthen its 3G and 4G Coverage in existing towns as well as expand Idea Wireless Broadband Services to new population centers. The company expects to integrate additional 40 to 45,000 new sites across all technology in FY17.

To conclude, FY16 results once again demonstrates idea is on course of its stated mission of consistent, competitive, responsible and profitable growth. The ever improving brand affinity, accelerated pan India infrastructure expansion and strong cash flows are lead indicators of Idea's ability to meet all volatile, uncertain, complex and ambiguous developments. Company remains nimble, agile, adaptable and confident to capitalize all emerging opportunities in Mobile Voice and Data Market.

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

Akshaya Moondra: Thanks, Himanshu. A very Good Afternoon to participants from India and Good Morning or Evening as applicable to overseas participants.

The standalone revenue for the quarter showed a robust growth of 5.2% to Rs.94.8 billion compared to last quarter mainly driven by improvement in the realization for both voice and data. The voice realization improved by 4.4% from 31.8 paisa to 33.3 paisa while the data realization improved by 2.9% from 22.3 paisa to 22.9 paisa.

The EBITDA for the quarter improved from Rs.28.5 billion in Q3 to Rs.33.2 billion, a growth of 16.4% compared to last quarter. Also, the EBITDA losses in the new circles have reduced from Rs.1.78 billion in Q3FY16 to Rs.1.17 billion in Q4FY16, mainly due to improved realizations and better cost management.

The depreciation and amortization charges as well as interest and finance cost are higher during the quarter due to:

A) Full quarter impact of renewal of spectrum in seven established circles with effect from December 2015.
B) Launch of 4G service in 10 circles from December 2015 to March 2016.
C) Introduction of 3G second carrier in 900 MHz band in two circles during Q4FY16.
D) Launch of 3G services in Kolkata during Q3FY16.

Some spectrum which has been put to use during the last quarter will have a full quarter impact during Q1FY17. Also the spectrum for Karnataka and Punjab won in the March 2015 auction has been put to use in Q1FY17. The interest accrued on the deferred payment obligation for March 2015 auction will also be added to the principle debt amount in April 2017. Consequently, the amortization cost for a full quarter will further increase by about Rs.800 million and interest cost by about Rs.1,750 million on account of these factors.

The net profit for the quarter stands at Rs.4.65 million and cash profit stands at Rs.26.9 billion.

On full financial year basis' the reported annual revenue of Rs.359.7 billion grew by 14% which post normalization for change in IUC charges is actually a growth of 17.8%. The EBITDA at Rs.119.1 billion grew by 21.9% year-on-year, the cash profit for the year stands at Rs.101.2 billion in comparison to Rs.78.6 billion excluding Indus dividend of Rs.6.3 billion in FY15, a growth of 28.8%. The Capex for the year was Rs.77.7 billion. The total interest capitalized in this financial year stands at Rs.18.8 billion.

The entire Deferred Payment Liability related to spectrum acquired in the auction has now been recorded in the balance sheet with the last allocation of 1MHz in 1800 MHz band won for Karnataka in March 2015 auction. The net debt at the end of Q4FY16 stands at Rs. 387.5 billion, a net debt to annualized EBITDA for the quarter at 2.92x. Based on the full financial year EBITDA, the net debt-to-EBITDA ratio stands at 3.25.

The contribution of Indus to consolidated quarterly EBITDA and PAT is Rs. 2.96 billion and Rs. 1.11 billion respectively.

With this, I will hand over the call back to Karuna and open the floor for questions.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Sachin Salgaonkar from Bank of America. Please go ahead.

Sachin Salgaonkar: I have three questions. First of all, congrats for taking a bold call of curtailing voice freebees, it's pretty evident in the numbers. Question now is, how sustainable are these? Is there a risk of this trend getting reversed if Bharti, Vodafone tomorrow do not follow or let us say if Jio in future starts offering free Voice OTT? Second point, Himanshu you clearly mentioned the extensive 3G/4G network rollout which Idea is doing, but when we look at the YoY data revenue growth it appears to be slowing down and obviously a high base effect is out there but the growth rate keeps on declining. So what could we look as a sustainable steady state data growth rate? And lastly, there were some news flow in the quarter about providences Indus stake buy back by Idea, wanted to know how management things about it and is there a possibility of such kind of an event in future?

Himanshu Kapania: Thank you, Sachin. I will respond in the same order as you asked the questions. Number one, how sustainable are voice rates? I will not comment on what happens when Jio launch, I limit myself to what happens with the current competition. If you were to study how we went about improving our voice rate and it should be very evident to the market that we have primarily improved rate in the seven new circles and that is a reason why Idea's final realized rate is almost similar, in fact, it is ditto to that of Bharti. Now the number one operator in the country and the number three operator in the country has the same rates. If you look at our 15 established circles our EBITDA margin is ditto that of Bharti, even though our RMS is at 22% and that is only possible that we run almost a same rate as that of Bharti. Last quarter we took the bold move of increasing our rates in the seven new circles and it was a bold move not because what Bharti and Vodafone are doing but because we were competing with a different sets of operators in the seven circles. Earlier we were new and our coverage, our footprint was much smaller. However, this has all changed over the last two years, you have been seeing that company has been consistently making investments in GSM and a large percentage of our GSM investments have gone to the new circles. Our coverage has improved extensively and we believe now it is possible for us to offer, quality customers in these markets, a similar experience as the leaders in these markets. That is why we have tested this in Quarter4. Its natural that in short-term impact will be on volume of minutes' growth and lower subscriber growth, but that is built into our strategy. The substantial point we are making that the rate improvement that we have done is not at all dependent of what Bharti and Vodafone does. We are making a basic assumption that they will not bring down the rates and they will sustain at current level. We are not looking at them for making any changes, we have cut down our promotional rates in new circle and brought it to normal rates level, that is why the rate of number three operator and number one operator is same. This gives us confidence that these rates are very much sustainable, we will not like to comment on what happens when a new operator like Jio come to the market.

Sachin Salgaonkar: Sir this is very clear. One small follow-up on this point is, when I look at your net adds I think there was a bit more pronounce impact on metros and category A, any reason why I think metro subscriber additions could get impacted because of this?

Himanshu Kapania: I think looking at subscriber addition on a Q-on-Q basis is not the right way. We have added 22.9 million subscribers, more than what we had internally budgeted and we are happy with the overall subscriber addition for the year. We have 184 million subscribers and our gap both with number one and number two is receding. One out of three SIM cards that get sold in India continue to come to us and we are able to sustain this level of incremental subscriber addition. We are not worried about the change you are looking at.

Sachin Salgaonkar: Okay, sir. Clear on question one, thanks.

Himanshu Kapania: Question number two was about data revenue. The data revenue growth is dependent on subscriber growth and we see a lot of worry that the market is having on overall data growth. I would agree that there has been a massive supply increase for wireless broadband. However, last year around 24 million subscribers of Idea upgraded their phones from a normal feature phone to a 3G or a 4G phone. But only about 11 million of these 24 million people entered into the mobile data category. We are now hopeful of getting better growth going forward, as coverage expands and experience improves, as word of mouth spreads and as well as the efforts, not only mobile industry but related digital industry is making to improve literacy of customers who are predominantly voice customers.

Growth of data revenue is going to be dependent on subscriber growth. I would urge all of you to keep a focus on subscriber growth on data subscribers and not to worry about revenue growth, because ARPU of data subscriber which is at current blended level of Rs.147 to Rs.150 is unlikely to improve dramatically. What is going to make a difference is the number of customers added. In FY15 we added about 8 million, FY16 we have added about 11 million and we are very hopeful going forward this number will be much higher because around 35% of our overall subscriber who own smartphones are currently using our internet services and we are fairly confident this will change going forward.

As regards, there are media reports on tower, we will come to the market when we are ready to share our decision. What we are doing with our towers is, as you must have seen our announcement, that we had towers in Idea Cellular Limited which is Mobility Company and we move that to a company which is pure infrastructure company and 100% subsidiary. We are currently consolidating all our towers into a single place. Besides that, there is nothing incremental we would like to add on that point.

Moderator: Thank you. Our next question is from the line of Manish Adukia from Goldman Sachs. Please go ahead.

Manish Adukia: I have three questions. Firstly, if you can comment on why your agreement for spectrum trading with Videocon got terminated and how are you now thinking about LTE spectrum given limited supply of 1800 MHz band? Secondly, the DoT recently allowed active infra sharing, so is this something that Idea Cellular can engage into save on capex and maybe accelerate rollout? And thirdly, just an extension of the question that Sachin asked earlier on your data, so the data volume growth this quarter on an absolute level slowed significantly, would you say that this was a one-off trend or do you believe that data penetration and usage is now plateauing to some extent? Those are my questions, thank.

Himanshu Kapania: Thank you, Manish. I will follow the order of your questions. First, I think it should be very evident to the market why Idea decided to not pursue the trading deal with Videocon. Post our deal announcement the TRAI announced the total quantum of spectrum that will be available and prices of the spectrum. We realized that it is better for the company to go through the spectrum auction rather than to do the trading as it had been earlier envisaged.

As regards the second part of your question on auction, on supply of 1800 MHz, that is not our information. We have read in the media and all available information indicates that there is going to be a large supply of 1800 MHz coming in as the government is intending to complete the harmonization of spectrum. I would also like to remind you that Idea Cellular has already own broadband spectrum in 17 circles, which covers 87% of overall revenue. There are only two leadership markets of Gujarat and UP West where we do not have a 4G which is critical from our business model point of view, others are very discretionary. We will take a call on these circles as I mentioned in my opening remark. In fact the total volume or the quantum of that has been recommended by TRAI for the current spectrum auction could be very large. It could be at order of 2000 MHz plus. Never before in the history of Indian telecom this quantum of spectrum has been released. For all operators, spectrum purchase can be very discretionary. They can decide how much quantum they would like to procure. There is no hurry to be able to buy spectrum upfront. We will rather buy spectrum in tranches as and when we have need to buy. If you are okay with this I will move to second part?

Manish Adukia: Yes please, thank you.

Himanshu Kapania: So you are right, besides spectrum sharing, spectrum trading and passive infrastructure sharing, the government has come out with an active infrastructure sharing announcement. Yes, it is possible to share active infrastructure and reduce overall capital. However, it requires to match with our rollout strategy with some other like-minded operators. We are evaluating this, beyond this there is nothing to report at this point of time. Yes, in the long run it should help reduce overall capex outflow and expand coverage that is essential at this point of time.

As regards data volume, you are absolutely right. The first and foremost reason why Idea is investing aggressively in to mobile data is our firm belief that India will be among the top two, three countries in the world for overall consumption of mobile data. As of now based on last TRAI report there are only about 110 to 120 million users who are accessing internet from their 3G or 4G smartphones. All this is slated to change going forward, our own internal estimates as well as all estimates that are available from consultants, from all analysts', state anywhere between 400 to 600 million mobile data users on 3G and 4G platform by 2019 to 2020. We are all gearing up for that. Specifically, as far as last quarter is concerned, we wanted to test the water of increasing price, you have seen on a quarter-on-quarter basis we increase price by 2.8% and we want to operate at a price levels that are equivalent to the market leaders because we believe our quality network is at a similar level. It had one-off effect as far as volume growth is concerned, but we are not losing sleep over that. Our confidence is high, we have been this market for last 20 years, we have also seen the slow growth period of voice during 2000 to 2004- 2005 when the infrastructure was getting built. We are witnessing the same thing, it is only a matter of time that Indian consumers, especially the middle class will rise to the occasion and start adopting, and they started to buy phones. The ecosystem is evolving very fast, new applications and content is all arriving. It is only a matter of time and the consumers will also come. We have to be a little patient on that.

Moderator: Thank you. Our next question is from the line of GV Giri from IIFL Capital. Please go ahead.

GV Giri: Number one, your Access charges have fallen, is it because of ICR arrangement unwinding? And secondly, did the ICR unwinding by you and your other counter parties in the opposite direction result in a net traffic decline on your network in data? And thirdly on pricing, Himanshu you have mentioned that you have drawn level with Bharti, but in the previous call you had said that RPMs had bottomed out and from this point onwards it should rise whereas today you have said that your increase was primarily in the new circle. So moving forward do you still hold on to the position that from this point onwards the pricing can still go up or do you think that the competitive dynamics permit you to have only that much price increase as you have already done?

Himanshu Kapania: Thank you, GV Giri. I will answer the third part of the question and leave the first two to Akshaya to answer. There are two element in price increase, one element is what is internally controlled and the second element what is controlled by the market. In the last quarter I had mentioned that the company will make every effort to improve its realisation, so we have taken all actions which were in the control of the company by increasing our realisation in the new circles. Now it is for the market to take the next step. This quarter I am not making commitment as I did in last quarter. If you remember we had made commitments that we will follow a price improvement strategy because we knew where we were making changes. In this quarter we now wait for the market to make changes and if the market does make changes I can assure you that we will follow the same going forward.

GV Giri: Sure Himanshu, but couple of competitors have withdrawn from the market and there is a little bit of lightening of footprint by some of the smaller players and in yesterday's call Bharti also mentioned that they got some minutes from that source, so all of that do you think adds up to a slightly easier environment in the next six months to have a more positive outlook on RPM in the voice?

Himanshu Kapania: You are absolutely right, the voice market is witnessing consolidation as separately we were discussing mobile data market is witnessing intense competition. So the earlier levels of competition in voice is on a decline and that is also what I had mentioned in my opening speech. Idea has been continuously improving its voice market share and that is why it has taken the bold step of increasing its overall price realization in number of markets. Now as the next step the leaders in the market to decide and reduce the consumer promotions that they are currently offering. We will be happy to follow the same.

Akshaya Moondra: Giri, on the Access charges there are two points. Firstly, there has been some change in the mix of minutes, that has helped partially, but this is largely coming from reduction in intra circle roaming cost, both across 2G and 3G. As Himanshu had mentioned earlier we have expanded our footprints in the circles where we had 2G ICR arrangements and hence the traffic on that side is reducing, that enables us to reduce cost. Also in Delhi and Kolkata, as we are rolling out our own network, gradually that also creates an impact and plus there are some other benefits on the 3G ICR cost side. There is no closure of any arrangement but yes the traffic is moving down on the ICR arrangement.

GV Giri: So in your network the data traffic report did that show a smaller growth for this season also or that is independent to the ICR toning down?

Akshaya Moondra: No. What we report as data consumption is only subscriber data consumption. What is on the ICR is not reported as data usage.

GV Giri: So that means the report data volume is the data consumed by your subscribers on your network plus the network resource that you borrow from others?

Akshaya Moondra: Yes, that is right.

Moderator: Thank you. Our next question is from the line of Piyush Choudhary from CIMB. Please go ahead.

Piyush Choudhary: Two questions, firstly in your seven new circle portfolio where losses have contracted, could we reach an EBITDA breakeven faster or at lower RMS level of less than 10%

considering your new voice pricing strategy in these markets, so any thoughts over there? Secondly, capex guidance of 70 billion on higher end, I know it is a discretionary in terms of spectrum auction but based on your internal assessment you go though and participate in the auction, what could be the increase in capex considering it could be just the rollout could be in the second half, any kind of a broad color over there? Thanks.

Himanshu Kapania: As regards new circles, on overall basis we are very bullish, given the fact that now it is two years and especially last year our incremental revenue market share is over 30% and increasing on a quarter-on-quarter basis, we are overall bullish. We are very hopeful to be able to deliver anywhere between 1.5% to 2% RMS improvement in these seven circles, currently we are 6.4%. But if you notice there are markets like West Bengal which are coming closer to 9% and hopefully by the end of this financial year they will reach 10%. Few of these circles we are expecting will turn EBITDA breakeven by the end of this financial year and remaining circles are likely to turn positive in the next financial year that is how we see it. We have taken the bold step of improving realized rate, the first most important thing for us is to ensure that we are able to sustain these rates. Rather than focusing only on improvement we have to maintain confidence of our retail partners as well as employees that our company can compete at similar prices given that footprint is large now. Our efforts are more on operational front but we are very confident that we will sustain this for next three to four quarters and we will see number of these circles start delivering EBITDA positive for the company. You have any more follow-up on the same?

Piyush Choudhary: No, this understood properly.

Himanshu Kapania: So as regards capex guidance, it is very difficult to be able to talk about what will happen post auction. You have to remember that in the auction that is coming up there is going to be spectrum that is going to come up from licenses which are expiring and that spectrum will be available only in 2017. There is also a lot of spectrum coming up on the account of harmonization, most of that spectrum is unlikely to be allocated in this calendar year. It is very difficult to be able to make any predictions as to how much of the spectrum will be available to the company for sufficient enough time to be able to rollout in this financial year. I would not make change in our estimates for any further increase, but we will keep you posted if there are any changes.

Piyush Choudhary: Sure. Just to follow-up like so harmonized spectrum which is going to come through harmonization would not be available till the calendar year 2017?

Himanshu Kapania: Yes, so it will not be available immediately, that is for sure. It is going to take time before it's available and to our understanding NIA is going to give us tentative timeline as to when it will be available.

Moderator: Thank you. Our next question is from the line of Kartik Chellappa from Buena Vista Fund Management. Please go ahead.

Kartik Chellappa: Sir, my first question is going back to our voice rates and essentially the price volume equation, if we notice this quarter Bharti just reported a day before yours, they had a minute's growth of around 10% to 11%. I think this probably the first time in many-many quarters that their minute's growth has been higher than Idea's. Given that you have now put the ball effectively in Bharti's court, is minutes' growth going to be the key variable to determine voice tariffs? And what I mean by that is if the incumbents are able to get a certain level of minutes' growth, subject to that they will be open to raising tariff, else that may not happen. I would love to hear your thoughts on that. And secondly on the spectrum auction, while you have highlighted at multiple forum that the availability of spectrum this time is going to be really good, given that the spectrum even assuming we win it is going to take maybe FY17 for us to actually get it and given the swiftness with which say Bharti has moved in acquiring spectrum, say from Videocon or Aircel and Jio having tied up with RCom for a pan-India spectrum, is there a risk that in circles where we do not have 4G we may miss the first leg of growth? Would love to hear your thoughts on that.

And third question is a housekeeping question, if I just look at our December 2015 balance sheet under the current liability, if I just look at short-term borrowing and current maturity of long-term debt, that amount was somewhere close to Rs.18 billion and if I look at our balance sheet in March 2016 that amount has actually ballooned to about say Rs.50 billion. Now given that we were largely free cash flow positive and all the deferred liability has already come in, I am just curious to understand where the increase of this 32 billion in short-term debt came from? Thank you very much.

Himanshu Kapania: I will follow the order of your questions. First and foremost, Idea Cellular is very focused on voice revenue, even in FY16 out of Rs. 4,400 crores of incremental revenue over Rs. 2,000 crores of revenue came from voice. We do not have the Quarter 4 industry position but if you look at calendar year 2015 Idea won 95% plus, including the negative revenue of a number of operators reducing their presence in mobility voice segment of overall incremental market share in voice revenue as per the TRAI release. We have been gaining share on voice revenue front at a rate of 1%

to 1.5% year-on-year basis. Our focus will remain voice revenue growth and means to be able to achieve that is subscribers, minutes and rate and we will play among them to be able to achieve the end objectives. We have to keep reminding everybody that we are amongst the only operators who have been expanding its coverage, we have covered a large number of population which was not covered earlier and has been covered by Idea during last year. We will get the benefit of this going forward in the coming years. We are not actually worried about somebody else's volume, we will remain focused on revenue. If you are fine I will move to second part?

Kartik Chellappa: Sure sir, thank you.

Himanshu Kapania: As regards spectrum, Idea's focus is not so much on 3G and 4G, Idea's focus is to make sure that we get mobile broadband spectrum. We have 17 circles where we have our own mobile broadband spectrum, it covers 87% of revenues. The remaining five circles, none of them, are the leadership market and most of them are either under 10% revenue market share or slightly above 10%. So competitively there is no hurry to be able to rollout in next month or in one quarter, we just want to complete our footprint as and when spectrum is available at cost which we believe will give us return in the long run. We are not in some sort of hurry to be able to complete this. You are okay?

Kartik Chellappa: Yes sir, and the question on the debt.

Akshaya Moondra: I may not have the complete details but one of the reasons for increase in debt is that the DoT debt of February 2014 auction which be due in March 2017 has been classified as current maturity. That is the largest chunk of this differential, plus there have been some short-term borrowing for a specific reason. You would see that our cash and cash equivalent is also high to some extent and there is some short-term borrowing which is reflected in short-term deployment of funds that depending on our need may get squared off. But the largest differential from a balance sheet perspective is that as and when these DoT deferred payment obligations start becoming due in the next 12 months they will get reclassified to current maturity.

Kartik Chellappa: Okay, got it. Sir just one follow-up on data where there has been a lot of comments made that there is a lot more promotion, customer education and network rollout that is needed, but I am surprised that the incumbents generally have kept pricing which I define as data per MB pretty static. I mean given the kind of elasticity that is there and given that we are still in the nascent stage and given that we have a well-capitalized entrant coming in just six months away, would it not actually be prudent to cut tariffs aggressively and try to drive up usage as much as possible, would it not be more defensive strategy?

Himanshu Kapania: I think you probably not noticed, I had mentioned in my opening remark that mobile data tariffs went down between FY15 to FY16 by nearly 12% and I had also mentioned that next year also we expect the mobile data rates to fall at a similar levels. For the last three years the rate has been falling between 8% to 10% on a year-on-year basis. But rate drop alone is not going to be the driver to be able to attract consumers where we are now looking at a tsunami of consumers to join. The way now consumers are upgrading their handsets from their old feature phone Which cost anywhere between Rs.1,000 to Rs.2,000 and increase their purchase spends and buying smartphones between Rs.4,000 to Rs.8,000, these consumers will have to start increasing their outlay of telecom spends because their voice spend range remains steady. They will need to spend between Rs.135 to Rs.150 on voice and they have to start participating in internet space. The most important growth factor is number of new consumers entering the category and just a rate drop is not going to change, it only will make the existing consumers use more or spend less which is not that most desirable technique. There has to be rate drop, we have seen in the telecom industry even in the case of voice the rate drop should take place at the pace at which the consumer could absorb, there was a period of disruption when 1 paisa per second came in and then we had a higher rate drop, after that there have been steady drop of 8% to 12% year-on-year and data is following the same pattern.

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

Kunal Vohra: Sir a few questions, first is you add almost 14,000 2G cell sites in FY16 which is almost two times the number you did in FY15, how do we look at that number going forward like is 2G cell coverage is already done now or is there more to come, you have almost caught up with Vodafone as you mentioned. So your just thoughts on 2G cell site additions for next year. Second is, you mentioned that the 20 million 2G Edge data customers, why are they not upgrading to 3G, is it because they do not have smartphones or is it because they are finding 3G too expensive? That is number two. And third is, while the churn levels have come down sequentially to 4.7 which is almost 50% per annum which is still very high, do you see a potential to lower churn going forward as industry is consolidated with few strong players and can that help you improve margin further? That is it.

Himanshu Kapania: Thank you, Kunal. I will follow the order of your questions. Yes, we had the highest rollout of GSM, one of the reasons of high rollout was most of our 4G rollout last year was on a single RAN and we replaced the old equipment and installed a 4G equipment and then the replaced equipment became available and has been used to be able to expand our coverage, the new population centers primarily in the new circles and emerging circles. This year we will continue to pursue that strategy, however the volume of 2G rollout will be significantly less than what we had installed in FY16. We are not making any capital investment in 2G equipment at all, all the 2G equipment is being deployed from older equipments as we modernize the equipment for 3G rollout on 900 or 4G rollout on 1800, and those old equipments they are getting redeployed. But I think we are almost coming to end of our 2G rollout that is the reason why we took the big call of increasing rates in the new circles because we have started to now get inputs that our coverage in most of the markets, even new circles have become fairly competitive. If you are okay, I can move to second part?

Kunal Vohra: Yes, sure.

Himanshu Kapania: You are absolutely right, the biggest opportunity for telecom operators is to be able to upgrade their existing mobile data users who are using it on slow speeds of GSM EDGE into 3G and 4G. If you noticed in the last two years most of the upgrades that is happening in 3G, 4G is just about launched, have come from customers who were earlier using EDGE and then they finally upgraded to 3G. We do not find too many customers directly jump on to start using a broadband services, they prefer to be on the same network they are on voice, most of the consumers are on voice on 2G and they will first use data then they will get hooked on to data and then they upgrade themselves. This is process for data adoption, these consumers are a little laggard and we have to push forward, give them trial offers and that is the reason why the rate falls. This effort is on, very large marketing effort as well as sales and distribution effort to reach to the customers on a daily basis and make them try high speed broadband services, make them try move from their current usage which does not require higher bandwidth but give them opportunities to experience video which requires higher bandwidth that is the reason why they go to 3G and 4G and that is a massive effort which is going on within the company. We remain optimistic that once the customer joins us on GSM EDGE network over a period of time he will upgrade and we are also confident that this year the pace of growth will be much faster than what it was last year.

The third area is churn, why is the churn so high? Whenever we become aggressive on subscriber acquisition we offer consumer promotion especially to the new customers. These rates are lower than existing customers and whenever that happens the multi SIM environment increases. You are right that this quarter churn rate has fallen but it has also had a lag factor, going forward if we sustain the current voice rates which we are very confident it should, then the churn rates natural corollary will happen, the churn rate will fall and its impact is to both schemes, spends on schemes will reduce as well as because of lower cost of management of loyalty programs and all definitely lower churn will have impact on the margins for the company.

Kunal Vohra: Just one last question if I can, are there any plans to enter into 4G ICR agreements as 4G networks are currently almost like empty, so is that something which you would consider, 3G you had ICR agreements but 4G we have not heard much about.

Himanshu Kapania: We are in the process of doing technology and regulatory reviews of that and once we are ready with a clear answer we will definitely come back to you.

Moderator: Thank you. Our next question is from the line of Sanjay Chawla from JM Financial. Please go ahead.

Sanjay Chawla: My question is, coming back to this issue of churn we have seen a decline in this quarter, I was wondering we have seen some reduction in promotional offers and some tariff hikes, particularly in new circles, the churn should have gone up or is that we could see that effect from the first quarter FY17 like churn rate going up because of reduced number of promotions? That is one. Secondly, you have 60 million subscribers who are have smartphones and only 23 million are using 3G or 4G let's say, so of the remaining 37 million smartphone users who are not on 3G or 4G how many of them could be on 2G and how many would be like non-data users, if you could share that data?

Himanshu Kapania: We have a very different opinion about churn, the way you painted the picture is very different. When the promotions for new customers reduces the gross additions to the company falls and most of the churn in prepaid category are customers who join first to the third month, so if you are doing aggressive promotions for customers who join the category and it is cheaper than to be able to use their existing numbers, there are a set of consumers who do not have propensity for their individual number and would rather prefer to be able to get the benefits that is available in the new customer promotions. As we cut down the new customer promotions the gross addition for the company comes down, the spends on channel comes down as well as because there are lesser customers in the one to three months category the overall churn comes down. I would just like to remind you that company like ours does anywhere between 9 million to 12 million gross additions in a month so yearly we do anywhere between 100 million to 125 million gross adds. Even if there is a 10% to 20% gross addition is impact on churn, it is very large and its impact on margins is extremely positive. So whenever consumer promotions are reduced you can go back about 1.5 to 2 years, these trends are available, churn is one positive factor besides the benefit that you will get on interconnect and other positives of margin improvement.

Sanjay Chawla: I guess you are saying that the intake of customer itself has come down in terms of leading to lower gross adds, maybe that is stage one which reflects in lower churn rate. But could there be a stage two when some of the existing customers not getting any benefits would want to leave, some of the deal seekers?

Himanshu Kapania: Once the customer becomes loyal and stays for a longer period of time, let us assume the customers have stayed for more than one year in the company, the churn of those customers are much lower levels, they are anywhere between 1% to 3% churn levels against an overall churn of the company which is between 4.5% to 5%. So very few of those customers, having lived through with the company for a long period of time he is used to that network, the propensity to churn, unless there is any form of disruption, is much lower. Can we move to second part?

Sanjay Chawla: Yes.

Himanshu Kapania: You are absolutely right, out of the 60 million consumers that are currently having smartphones only 23 million are accessing our 3G and 4G and there are 37 million consumers who are not using 3G or 4G but have got smartphones. As I mentioned separately to Kunal there are 20 million overall additional data users who are on GSM Edge usage, a large percentage of them are from the smartphone category, I would not have the exact numbers but I can tell you most of the customers that are accessing GSM 2G are also smartphone owners. But as I said they have entered the category, their expenditures are not yet reached a level of Rs.190. Their spend is much lower because when they are in 2G environment because of slower speeds and lower consumptions their ARPUs are at a level of between Rs.50 to Rs.75 per month. As they become hooked on to internet they will upgrade themselves to videos and that is the time they will upgrade themselves to 3G or 4G networks.

Sanjay Chawla: And just one question on the 3G metrics that you reported, you have more than 20 million customers on 3G now active data users .My question is, in terms of total consumption, their ARPU has been falling primarily of rate erosion and the underlying consumption is also increasing although this quarter it fell. My question is, is this going to be the steady state profile of a 3G data user in terms of less than 1GB of consumption or do you think there could be improvement down the road and what practice would drive that? And a related question is, how you see this metrics change when the customer migrates from 3G to 4G because in six of your 10 circles you already have 3G where you now have 4G also. So when the customer migrates how you do expect the behavior pattern to change reflecting in consumption and ARPU metrics?

Himanshu Kapania: Our study shows as follows: 1) As time passes by, as consumer becomes comfortable of using 3G/4G his usage goes up rather than going down, as he consumes more and more videos his usage goes up. This is the trend that we have been noticing. However, we have a combination, as a very large percentage of consumers i.e. almost 35% - 40% of consumers have first time entered into 3G.Last year almost 10 million incremental consumers came on to 3G. The new consumers usage is less that is why the currently per Subscriber data usage has been slower than anticipated but in the long run our assessment is a 3G consumer usage will cross 1GB and even more. Now moving on as far as 4G is concerned, we have limited experience about one to two months, so we would not be able to give you with great level of certainty but we definitely find when the consumer who is a steady 3G user upgrades himself to 4G, his usage increases anywhere between 1.5 to 1.8 times. That is what has been observed over the 45 to 60 day period when we have run this network. I think going forward, next quarter we will be able to give you even better view on the nature of usage by consumers who move from 3G to 4G. But definitely with higher speeds, for the same amount of time spend on network the consumer tend to consume more..

Sanjay Chawla: Himanshu, staying on the 3G point, obviously you are saying that there is ARPU and consumption metrics are getting diluted because of new users who are tentative in early days, so if you let's say take only let's say 15 million odd users that you had in March 2015, how has their consumption in ARPU evolved in this fiscal year?

Himanshu Kapania: So as far as volume is concerned it is growing, so I can tell you that but because the rate is declining that is why the ARPU at similar or slightly improved level, but their consumption has been growing.

Sanjay Chawla: So are we basically saying that there is no elasticity for this mature or evolved user with respect to price?

Himanshu Kapania: I think it is a very strong statement. You have to keep remembering that we are talking of very large number of consumers, we are discussing 23 million consumers at this point of time and next year we will be discussing almost a double the number of consumers. I think because it is a blend of new consumers and rural and urban consumers, to make a firm statement on elasticity it is premature.

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

Rajiv Sharma: I have just a couple of questions, first is, Himanshu you said that bending the volume strategy on voice but on the other hand there has been significant 2G cell site additions and then you also highlighted that you expect some of them to EBITDA breakeven. But now that you have taken rate hikes how do you plan to fill up these new sites which have come in because I assume incumbents will still have higher coverage in these markets, and will that mean that you may have to lower tariff at some point of time or the breakeven will be longer? And the second question is, not on the VLR but on the overall subscriber because we do not have the VLR for other players. I am just comparing on the normal subscriber numbers. There is a 21% decline in your additions versus last year whereas there has been a 23% increase in one of the competitors' net addition for this year, does this worry you, do you think that there was an opportunity, you would have addressed it and incrementally if the strength continues will this meant that you will align your strategy, change your strategy? And lastly, competition started investing or making investments in some kind of fixed line content, would love to hear how is Idea thinking on these two lines. Thank you.

Himanshu Kapania: Let me address this question on subscribers, VLR information is available from TRAI on a month-by-month basis, so that is the only metrics that is relevant. The reporting pattern of individual operators has different basis and it is difficult to be able to compare two different reporting standards. We always follow a common parameter because TRAI has one standard reporting pattern and benchmarks everybody on the same principle. On these terms Idea Cellular last year added 22.3 million subscribers as per report available between March of 2015 to February of 2016 and this number is highest in the industry, or just about the highest. Idea and one more operator both are doing almost similar levels. 32% of the total net adds of 72.3 million came to idea and we are very happy with the volumes that we are getting as far as subscriber growth is concerned and there is nothing to worry about as far as subscriber growth is concerned.

That takes us to the first question that you had asked us, having abandoned volume strategy have you abandoned subscriber strategy? Definitely not, we have not at all abandoned the subscriber strategy, we are adding subscriber at a rate which is competitive, and this will be the means to be able to get our growth. I will like to again remind you, with the 2G investment that we have done in FY14 and FY15 and now in FY16, in the last three years, this volume of investment that we have done has made us extremely competitive on coverage in most of the new circles. In the areas that we are currently covering, other than the population centers we do not feel we need to cover, consumer experience on our network will be similar to that of networks which are legacy.

I have to just keep reminding all on the call that even as we speak on voice about 28% of the voice revenue still is outside the top three operators and lot of these other operators are currently in the exit mode or have not expanded their network for the last two to three years. We are entering a lot of these markets, even in new circles where there is one or two operators only and we are the third one who is going to challenge them. From our perspective, given the brand affinity, given the quality of our distribution, we are confident that we will be able to compete. Subscribers' growth has been very steady for us for the last two to three years and we are not at all concerned about that. If this is fine, any follow-up from your side on this?

Rajiv Sharma: Just one small follow-up, in your established circles there is a decent growth as well of 4.8% revenue growth this quarter, though there is a 11% QoQ revenue growth in your new circles, but this 4.8 which is 5% growth on back of hardly overall minutes growth, so I am just trying to tally both. So is there some kind of rate hike in the established markets even if it is marginal?

Himanshu Kapania: Naturally there is a rate hike. Actually, rate hike is absolutely wrong word. The consumer promotion have been reduced in 15 established markets also but most of the improvement has come from the new circles. As far as blended minutes' growth, the minutes subscriber growth in leadership markets has more or less remains at past pace, the major change is in the new circles.

As regards content, we have mentioned that in the previous quarters that Idea Cellular is in the process of introducing its own digital content which includes Idea Games, Idea Music, Idea Movies as well as being able to offer our APIs to third parties to be able to use the benefit of our SMS, our USSD, benefit of our locations. The work on this is happening at a fast pace, partnerships have been signed, technologies getting integrated and rollouts expected in FY17 as somewhere in the second half. We would have our own partnerships, however we do not see a need for us to enter into the content space at all.

Moderator: Thank you. Ladies and Gentlemen, due to time constraints that was our last question. I would now like to hand over the floor to Mr. Kapania for his closing comments. Over to you, sir.

Himanshu Kapania: Thank you so much. And as always the market gives us lot of inputs on what they believe how the company is doing and we take these inputs very seriously and build it into our long-term strategy. Thank you so much for the interest shown on Idea and we always value your comments and will try to incorporate some of the thoughts that you have been telling us. Thank you so much and speak to you in the next quarter.

Moderator: Thank you very much, sir. Ladies and Gentlemen, with this we conclude today's conference call. Thank you for joining us and you may disconnect your lines.