

# BHARTI TELEVENTURES

## Q1 EARNINGS CALL, JULY 2003

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### Operator

Welcome to the Bharti Televentures Quarter One earnings call hosted by JP Morgan. Mr. Prabhat Awasthi of JP Morgan's India telecom analyst is your call leader today. For the duration of the presentation, all participant lines will be in a listen-only mode. After the presentation there will be a question-and-answer session conducted for international participants connected to IndiaOne International Center. After that a similar question-and-answer session will be conducted for the participants in India. Now, I'll hand over to Mr. Prabhat Awasthi of JP Morgan. Thank you. And over to you Mr. Awasthi.

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### Prabhat Awasthi - JP Morgan - Analyst

Thank you, Pooja. Good afternoon and good evening, ladies and gentlemen. JP Morgan India is pleased to welcome you all to Bharti's Q1 FY '04 earnings call. I'm Prabhat Awasthi as Puja said JP Morgan's Telecom Analyst.

First of all, I'll take this opportunity to congratulate the management in delivering a stellar performance in a clearly tough operating environment which was characterized by heightened competition, fall in tariff, and introduction of CPP. I'm pleased to announce that whole of the Bharti top management is here with us today. Without taking more of your time, I now hand over the call to Sunil Goyal, who will introduce the management and lead us through today's call. Sunil

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### Sunil Goyal - Bharti Televentures

Thanks, Prabhat. Good afternoon, ladies and gentlemen. We hope you are all in receipt of our results. These are available on our web site [bhartiteleventures.com](http://bhartiteleventures.com). You can log in and take them down right away. We have continued to maintain the highest standard of disclosure in our quarterly report. And for the last five quarters we've been giving you disclosure between existing and new operations. These new operations were defined as businesses, which started on January 2002 or after January 2002.

During the 15 months these operations have exhibited excellent performance, particularly long distance turning PAT positive very quickly. All fixed line operations turning EBITDA positive in the last quarter. And good news is that even the consolidated new mobile operations have turned EBITDA positive in the month of June. Going forward, we believe this is the first full year of operations of the new operations. We are now going to be looking at them as a normal business. And there won't be any distinction existing and new. However, in the MD&A section we have given the adequate coverage and disclosure as to how existing and new businesses have performed.

Today, we have with us the entire Bharti team. Chairman and Group Manager Director, Mr. Sunil Bharti Mittal. Both Joint Managing Directors, Mr. Rajan Bharti Mittal, Mr. Akhil Gupta. And to give you the close overview on the operations we also have with us the President of Mobility operations, Mr. Manoj Kohli, and President of our Infotel operations, Mr. Badri Agarwal.

Meanwhile, I must remind you that these discussions may include forward-looking statements that must be read in conjunction with the risks that we face. Now I'll hand over the call to Mr. Sunil Bharti Mittal.

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### Sunil Bharti Mittal - Bharti Televentures - Chairman and Group Managing Director

Thank you, Sunil. This is Sunil Mittal. I'm once again extremely delighted to be on this earnings call. And I'd like to welcome all the participants who have taken their time out to be with us on this call. It will be an understatement if I say this has been a very hectic quarter. In fact, this has been to my mind, one of the most important quarters in building Bharti's foundation. And let me, in the next four to five minutes, take you through some of the key developments that have taken place in this quarter gone by in June '03.

This quarter can be best described as a quarter of growth. Very clearly, the growth that this country has been awaiting for a long time has finally arrived. With growth being witnessed in all segments of the telecom sector in particular mobile, being extremely robust. And now probably inline with most of the market expectations.

We have also in this quarter seen intense competition building up from both the mobile and the WLL players. And in that sense this quarter, can be described as a quarter with having an intense competition from all quarters. This quarter also saw the implementation of IUC which is now again under revised preparation and we are expecting by end of the month the final IUC will be in place replacing the existing IUC which was there for a temporary basis, which kicked in on May 1, 2003.

Number of users has gone up drastically. During the month of June itself, the market added nearly 1.5 million wireless customers, a record of sorts. We expect this to grow to approximately two million in the coming quarters. With such an impressive escalation in market additions, we believe that our earlier estimates of reaching 24 to 25 million mobile customers at the end of the current financial year may clearly need an upward revision.

The GSM industry has exhibited speedy consolidation within a short span of time. In the quarter gone by the top 3 operators in the country, namely BSNL, Hutch and AirTel garnered 84 percent of all India net additions, this clearly signaling the consolidation of

the market, and weak players getting further weaker. It really brings me back to my earlier point that I made several times that the industry is heading for a consolidation of the market between three to four major strong players.

I am pleased to state that during the quarter, AirTel has retained its leadership in terms of total market share. In fact, we have bounced back after the Jan, Feb, March quarter where the launch of BSNL and launch of WLL did impact the growth in the company's net additions. We had promised you that as the BSNL's launches fade away, AirTel will bounce back. And I'm pleased to report that the quarter saw a very impressive net addition in the marketplace. We are now, once again, back to our market share that we were used to in the previous quarter.

BTCL has now crossed the magical figure of 10,000 crore of investment in its various projects - 10,600 crore to be precise. And in dollar terms, approximately U.S. \$2.3 billion. This has been spent over most of the mobile, fixed line, long distance operations. And, of course, in securing certain licenses on which we operate here today.

More importantly, Bharti has also now become a company which is turning out over 1,000 crores of revenue every quarter. Having notched another quarter of a 1,000 crores sales, Bharti becomes one of the top two or three companies in the country having revenues of 1,000 crores in the services segment.

There have been a number of regulatory developments. In the month of May, IUC was implemented, and simultaneously incoming calls were made free, this was a long-standing demand of the industry for introduction of a regime where, if not CPP a termination charge could come in to play thereby making the incoming calls free. This has been one of the main reasons behind this spurt and this spectacular performance of the wireless market. As a result today, even a common man is able to afford a mobile phone - in fact a market that, in about 12 months back was not available to exploit is now available. We have had categories of customers coming in to this area at levels which were never envisaged before.

The regulator has also started the consultation process across the country to amend the existing IUC. We would like at this point to congratulate TRAI on the receptiveness with which everybody's views were heard. This has given operators, such as us, very high confidence on the equality and the rationality of any decision that the regulator will finally make. In fact, this puts to rest, long ongoing uncertainty in the regulatory regime, in terms of handling of the WLL versus Cellular by the regulator. We are very pleased finally there is a very clear recognition of bringing at least an interconnect regime of parity between the two sides.

Bharti's outlook on the IUC is very clear that in order to ensure easy inter operator settlement, it is imperative that simplicity and transparency be maintained while prescribing an IUC. And we

hope that this spirit will be captured in the final recommendations. What we have suggested in our representation is a uniform termination charge across all services. We have also recommended reevaluation of the ADC estimate and recovery of the ADC from all services. That is fixed line, WLL and mobile customers, rather than only from the fixed line customers. In fact, if you see currently the calls that go from mobile to fixed line are skewed in a way where ADC is recovered, and the calls are made more expensive. We have also requested the regulator to increase the carriage charges based on costs submitted by the various operators. This is for the long-distance.

The regulator has also recently floated a paper on unified licensing. The unified license has been proposed only for the cellular and fixed service providers. We are in the midst of studying this and shall provide a response to TRAI, shortly. Although many of you would have already seen the industry reaction to the unified paper. And COAI, which is the body representing the mobile operators, have already taken same position in this regard.

I would touch upon some internal developments. Bharti, in Delhi, after having crossed the one million customer milestone, has been finally able to get additional spectrum. We have been granted two Mega Hertz by the government in the 1800 band, and thereby giving us the much-needed spectrum, we have been waiting for. We believe this spectrum we will not only be able to further improve our services, but be able to take the ever growing customers and minutes of use that are going on.

We have completed the buyback of shares of Telia in Bharti Mobile. We now own 100 percent of the operations of Bharti Mobile Limited. Going forward, we see more of such consolidation opportunities coming our way, with the regulator favorably considering intracircle mergers and acquisitions. At Bharti, we have already simplified our structure. A number of mergers have taken place within the group. Today, we are in the process of merging Chennai and HP mobile operations. Kolkata operations have already been merged into BCL. Bharti Infotel now represents long distance, fixed line, and broadband as a single company. The completion of this process will enable us to release our annual report much faster. And we'll be able to present the numbers to you in a very time bound manner.

Our performance during the quarter has been very satisfying. As a result of regulatory and competitive reasons we have had to drop our tariffs. However elasticity that we saw across all our networks, be it mobile, fixed line or long-distance helped us maintain our profitability. I should highlight here that after a complete year the NLD opportunity curve is now flattening out. At Bharti, we were able to take timely advantage of this year-long gateway due to the early market entry and tariff rationalization initiatives. Even today the overall profitability which we get from our NLD business is impressive and this should continue. But from now on we believe that the growth rate in this business is likely to be more modest. Our integrated play is working well in this area. This will enable us

to carry AirTel & TouchTel's long distance line minutes on our own NLD pipes profitably.

Let me conclude. Indian telecom market is witnessing globally unprecedented competitive intensity and bottomed out capex spends. As the market stands today there is price parity across all operators. And we believe that the customers are moving away from tariffs towards value proposition in terms of new products and improved customer service. We shall use higher quality of our network and customer service and our strong execution skills for strengthening these value propositions. Further, we believe that the most uncertainties relating to this industry, Bharti and indeed our stock are now behind us. All operators are now out in the field. Any regulatory uncertainties are also mitigated, with TRAI assuring parity amongst all players.

In addition, we believe that the WLL judgement will come out soon - whatever be the ruling, today we are already experiencing intense competition from these players in the market. We at Bharti have consolidated our position as a long-term integrated player in this market. And are fully committed to building value for all of our stakeholders. I would like to now hand over the call to Akhil, who will give you an overview on the financial developments in the company.

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**Akhil Gupta - Bharti Televentures - Joint Managing Director**

Thank you, Sunil. Good afternoon and thanks for joining us on this call. Let me take you through some of the key financial results and developments for this quarter. The last quarter without a doubt has been one of the most challenging quarters ever in terms of steep revenue implications caused by multiple factors that came in to effect simultaneously.

The revenue was impacted firstly on account of the following changes arising out of the introduction of interconnect user charge order or the IUC order, as I'll call it now, from the first of May 2003. A., the IUC abolished air time charges on incoming calls that we have been charging earlier and have replaced it with a significantly lower termination charge of 30 paise for metros and 40 paise for circles.

Secondly, TRAI had earlier announced the IUC order to become from 1st April 2003, based on which we had offered free incoming calls to a large number of our customers. This was later shifted by TRAI to 1st May. We, however, kept our commitment and offered free calls from the end of March itself, to a large portion of our subscriber base, which affected our revenues.

Thirdly, the carriage charges, as Sunil mentioned, for the national long distance traffic was significantly reduced under the IUC from the earlier levels. The effective reduction was to the extent of over 60 percent in most cases. And this severely affected the NLD revenue for the quarter.

Besides the above, we also changed the treatment of revenue recognition of international long distance business, and national long distance business. Till the last quarter, we used to recognize the outgoing NLD and ILD revenue on gross basis. But from this quarter, we have started recognizing the sales revenues on a net receivable basis, since the operators now pay us the carrier charges. But for this, the revenue every quarter would have been higher by approximately 250 to 300 million rupees.

However, despite the above negatives, the consolidated net revenue for the quarter increased by approximately 153 million, and the overall revenue by approximately 300 million. These resulted from the following. First, the increase in the net adds in the mobile business to 680,000 during this quarter up from 297,000 in the last quarter, and increase in the usage per subscriber from 249 minutes to 291 minutes per month, which together resulted in a significant increase in overall mobile traffic.

Secondly, there was a reduction in the terminating charges on ILD incoming traffic to cellular operators. And thirdly, in this quarter, we did commence the data revenues following the security clearances from the government agencies.

I think in view of the above, and the fact that the revenue growth for the quarter was a modest three percent, it is indeed extremely satisfying for us to note that the EBIDTA for the quarter increased by Rupees 289 million over the previous quarter, showing an impressive growth of 11 percent in a very challenging environment. Besides some increase in the revenue, this was partly achieved due to the overall reduction that we managed in the operating expenses by Rupees 175 million. This was mainly on account of reductions in bad debts resulting from improved collections and credit control, rationalization of sales expenses, and reduction in administrative costs. Manoj would of course be touching upon this in his address to you.

We are particularly pleased that we are now availing - the true benefits of economies of scale. As a result thereof, we have been able to more or less maintain our overall operating expenses, in the past four quarters, at the same level or near about that despite the revenue growth in this period by about 57 percent.

The interest expense for the quarter was more or less flat as compared to the last quarter, at Rs. 632 million. If you adjust approximately 100 million in the last quarter which was capitalized under the IAS accounting. This was despite a modest increase in Net Debts, on account of overall reduction in the cost of funding. I would like to remind that in this calendar year, we raised approximately 315 million U.S. dollars by way of long-term project finance at a fully hedged overall end-to-end cost of approximately five percent or slightly below that. The net debt to funded equity has increased from 0.61 in the last quarter, to 0.68 at the end of this quarter, and is very much in line with our plans.

Depreciation and amortization for the quarter on an overall basis increased by Rs. 134 million. This was on account of addition to the capex, and additional goodwill amortization on account of Punjab license fee, which I'll be touching upon separately. And Telia acquisition, which we completed in this particular quarter representing 26 percent share, which was earlier held by Telia in Andhra Pradesh, Karnataka and Punjab circles.

The net profits for the quarter has increased to 310 million as against comparable figure of 258 million for the last quarter showing an increase of 20 percent. On a year-on-year basis, the revenues increased by 92 percent, EBITDA by 109 percent, and cash profit after interest by almost 200 percent. During this quarter, we invested 4.5 billion rupees in fixed assets - of which mobile operations constituted 73 percent. These investments have ensured augmentation of our network capacities to comfortably handle the rapidly increasing traffic on our networks in the coming quarter.

Let me touch upon the Punjab license fee issue. As you were informed earlier, the arbitration award in respect of Punjab license fee was awarded against us. While we have already been granted a stay thereon by the Hon'ble Delhi High Court. And despite the fact that the matter is now pending for a decision at Delhi High Court. Following a conservative approach to accounting, we have decided to account for the entire related amount appropriately under IAS during the year ended 31st March 2003, with the result that this amount would no longer be appearing as receivables in IAS accounts.

Out of the total concerned amount of Rs. 4.39 billion, Rs.1.92 billion, which represents the residual interest after receipt of Rs. 857 million as interest refund from DOT regarding Punjab has been charged off to reserves & surplus. Rs. 1.54 billion treated as entry fee capitalized as goodwill to be amortized over 20 years. And the balance of Rs. 69 million in WPC and other charges has been charged off directly to P&L account.

All these adjustments and appropriations are in accordance with the IAS accounting standards. We have given full details in respect of this matter in para 4.2.1 of the quarterly report. With these, the audit qualification which was appearing in the IAS accounts in this regard would now stand removed.

Post the last quarter announcement, the company received a refund of Rs. 1,628 million as excess interest paid earlier by us towards license fee dues of Punjab, Andhra Pradesh & Karnataka, in view of the Supreme Court judgment. Out of the above, Rs. 857 million, as was mentioned earlier by me, are reduced from Punjab receivables, and the balance was recognized as an extraordinary income for the full year ended 31st, March 2003. Again, the details in respect of this one are given in para 4.2.1.

To sum up, it has been an extremely challenging and extremely satisfying quarter. The growth is strong. Our market share of Net adds is on the increase. Operating costs are under control. And

operating efficiencies are improving. Our arrangements for peak funding requirements are fully in place, and we accordingly look forward to reaping benefits of strong growth and our scale in future. I will now hand it over to the respective Presidents, first to Manoj and thereafter to Badri to give highlights of the performance of Mobility and Infotel operations respectively.

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#### **Manoj Kohli - Bharti Televentures**

Thank you, Akhil. Good afternoon, friends. I'll be presenting to you an overview of BTVL's mobile business today.

As on June 30th, we had 3.75 million mobile customers on AirTel networks, across 15 telecom circles. We continue to be the largest mobile operator in the country. During the quarter, we crossed one million customer milestone in Delhi circle and became the first operator in India to achieve this landmark in any one circle.

In addition, in Andhra Pradesh, we became market leaders for the first time since we acquired the mobile operations of the circle. Over the last 12 months, AirTel is the only private player in the GSM market to have increased its national market share. Our GSM market share has increased to 24.8 percent in June this year from 21.9 percent in June last year. This heartening trend continues and in June we have once again become leaders in net additions in the GSM market, with a share of 28 percent after having come through severely competitive times since October 2002.

It is important to mention here that as of June 30th, 2003, our market share of the total wireless market is 21 to 22 percent approximately. Our performance, which has brought us additional 680,000 customers during the quarter, resulted in 130 percent increase in net additions over the previous quarter as compared with 12 percent for the entire industry. During this period, the driving forces behind our expansion was tariff being brought down to competitive levels and focused marketing initiatives such as simple 012 postpaid plan, which is one of the most popular postpaid plans in India today.

Any advantage that any one operator enjoyed in terms of offering free incoming calls was also mitigated this quarter with implementation of IUC on May 1. At this critical juncture of Indian telecom market, we adopted a controlled aggression as a strategy to increase our market share without adversely affecting the quality of our subscriber base.

We took many effective marketing initiatives, which helped us to retain our leadership position. The Indian market, as you know, is recently introduced to the concept of handset bundling. And this has been accepted favorably by the customers. We were quick to identify this trend and were the first GSM operator to launch low entry packages with handset bundling. Mind you, as a policy, we do not take any exposure on account of these bundled handsets and

act only as a catalyst. We do not hold any inventory. Nor do we subsidize these handsets.

Our mobile network's registered a sequential increase of 32 percent in traffic. In the month of June, AirTel carried more than 1 billion minutes on its networks. Increase in usage is a natural outcome of free incoming regime as well as affordability in airtime charges. This elasticity has enabled us to protect our profitability from the lower tariffs.

During this quarter, our key focus was to manage network quality with the increase in usage of existing customers being the biggest challenge. We have carefully monitored the creation of capacity versus the increase in usage. This initiative to improve and optimize our network will continue to be our thrust area in the next quarter.

At the end, I can say that the Indian mobile market dynamics are redefining dimensional business principles. And we at Bharti Mobility aim to excel by implementing innovative strategies and policies. However, let me reassure you that all our strategies are rigorously designed around robust revenues and sustainable profits. We are confident that this prudent approach of ours will give us a solid foundation for the future.

Thank you. And I hand over this call to Badri for an update on Infotel operations. Thank you.

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**Badri Agarwal - Bharti Televentures**

Thank you, Manoj. And good afternoon, ladies and gentlemen. I have great pleasure in presenting the highlights of Infotel's performance in Q1 '03-'04. Infotel clocked revenues of 4.5 billion Rupees representing nearly 44 percent of BTVL's revenue for Q1.

Revenues in this quarter were majorly affected by accounting charge for long distance revenues, and IUC making carriage calls reasonably low. In spite of major drop in revenue, we managed to grow our EBITDA margin sequentially from 22 percent to 25 percent in Q1 '03.

Coming to Fixed Line access, I'm pleased to say there is a lot of positive movement in Touchtel, the fixed line business of Infotel. The business continues to be a leader in the private wireline industry of India, in terms of number of subscribers. Each of our new fixed line circles is now cash positive within 15 months of launch. Haryana Circle recently turned in net profits within 18 months of operations, which we believe is clearly a record by any standards for private sector, fixed line anywhere in the world.

Overall, the fixed line business crossed revenues of over Rupees 1.5 billion, growing 25 percent sequentially, leading to an EBITDA of over Rs. 300 million in Q1 '03. This implies 55 percent growth sequentially in EBITDA. ARPUs are now at a

healthy US Dollar Twenty Eight per month, despite tremendous pressure on tariffs. The fixed line has also crossed 400,000 subscribers mark in Q1 '03, and the sub base has doubled y-on-y. We believe that during Q1 '03, while the incumbent has lost nearly 75,000 subscribers in our circles, we have gained over 50,000 subscribers.

Coming to long distance, the business has witnessed a lot of competition in Q1. VSNL became active in NLD, and BSNL became very aggressive by offering discounts on the already rock bottom carriage costs. Despite all this our NLD and ILD infrastructure are currently carrying over 200 million minutes of voice traffic each month and continue to grow extremely well. We went over 20 percent growth Q-on-Q in the MoU's. AirTel and Touchtel now contribute a significant portion of our volumes thus reducing our dependence on other access providers.

The most significant event in the past quarter for our long distance business was the fixation of carriage cost in IUC since May 1. Our net retention, as earlier mentioned, in long distance voice has dropped by over 60 percent due to this change. We, as well as other long distance carriers, have represented to TRAI that the same be increased inline with cost. It is understood that this matter will get settled by the end of this month. Furthermore, we have changed the revenue accounting system as mentioned by Akhil.

Our data business continues to grow rapidly with large order inflow for national leased circuits, IPLCs, and Internet bandwidth from existing and new clients. Today we have a large of prestigious names on our customer list including foreign financial intermediaries, technology firms and ISPs. The data business representing 15 percent of Infotel's revenue grew over 25 percent q-on-q. The long distance in data group contributed over 65 percent of revenues for Infotel, and the EBITDA margins increased from 25 percent to 28 percent sequentially in Q1 '03. To conclude, I would like to state that Infotel business is highly focused on ROI and determined to generate an excellent ROI within the financial year '03-'04.

Ladies and gentlemen, thank you very much for your time and patience. I now hand over the call for Q&A session. Thank you.

## QUESTION AND ANSWER

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### **Indian Operator**

Thank you very much, sir. I now hand over the proceedings to Lucy at IndiaOne International Center, to conduct the question-and-answer session for international participants. After this, we will have a question-and-answer session for the participants in India. Over to Lucy.

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### **International Operator**

Thank you, Puja. At this time, international participants may press star zero if they would like to ask a question. On pressing star zero, participants will get a chance to present the questions on a first inline basis. Please hold on for the first question.

The first question comes from Mr. Henry Kopp Sim Freaver, London. Go ahead, sir.

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### **Henry Kopp - *Sim Freaver - Analyst***

Good morning. Thank you very much for your presentation and for the successful set of results. My question is just to do with your capex spend for this year, what your expectations are for this year and perhaps the year after. And what would be the best way to budget it for the deflated dollar per sub number? Or what you target essentially sales?

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### **Akhil Gupta**

Thank you very much. On the capex front as we had informed last time for the full year, we expect the overall capex to be somewhere around \$350 million or near about that. As you have seen in the first quarter, we have incurred capex of about 4.5 billion rupees or something close to about \$95 million. And so we're pretty much inline with that despite the fact that we did propose some of that expenditure.

In terms of dollars per sub, well we fundamentally believe it's the wrong way of looking at capex because there could be different kinds of customers. But I would say we remain in a very, very competitive position as far as our cap ex goes.

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### **Henry Kopp - *Sim Freaver - Analyst***

OK. Could I also ask just about your tax rate, and how long you'll have this zero percent tax rate?

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### **Akhil Gupta**

We are at a zero percent tax rate. How long? I think it has to go for another four or five year definitely but...

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### **Akhil Gupta**

It is for 10 years. For the first five years it is 100 percent. The next five years it's 30 percent. But I think for the next two or three years for sure there's no tax.

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### **Henry Kopp - *Sim Freaver - Analyst***

And why is that? Just out of curiosity?

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**Akhil Gupta**

This is under the income tax act of India where under section 80 I we are given this special exemption as infrastructure project.

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**Henry Kopp - *Sim Freaver - Analyst***

OK. And my last question is just given your capital expense costs and cash generation over the next three quarters all this year, next year, do you see the need for additional financing? And what net to debt equity number would you be comfortable with? You said that 68 percent was well within your range. What kind of level of equity do you expect it to go up to by the end of this year?

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**Akhil Gupta**

Coming to the additional financing one, well yes certainly, we will need perhaps more financing because we are growing at a very rapid pace. But I don't expect that on an overall basis our net debt to funded equity ratio would be significantly higher. It will definitely be less than one.

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**Henry Kopp - *Sim Freaver - Analyst***

OK. Thank you for your time.

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**Operator**

Thank you, sir. The next question comes from Mr. Anand Ramachandran from Citigroup Singapore. Please go ahead.

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**Anand Ramachandran - *Citigroup Singapore - Analyst***

Yes, hi. Good afternoon, gentlemen. Congratulations again on a very solid set of numbers. I just had I guess two questions. One if I was just looking at, you know, the fourth quarter EBITDA numbers, you know, they have been restated and have come down somewhat. I do understand all you're talking about after the EBITDA line in terms of Punjab and the other stuff. But I'm just wondering did anything specifically happen because of the EBITDA revision in the fourth quarter downwards basically in cellular?

Second question I was wondering, I mean you stated these numbers, I couldn't catch them. The long distance revenues probably, you know, on the same kind of comparison quarter-on-quarter. Akhil did mention the number of 250 to 300 million. I'm not sure if I caught that right. Thanks.

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**Akhil Gupta - *Bharti Televentures - Joint Managing Director***

On the EBITDA change, Anand, this is Akhil. I think there is some change in that because as we move more towards the audited accounts, and unfortunately we have not been able to get the audited accounts out because we are waiting for the merger order to be passed by Delhi High Court. So there have been some adjustments.

You will also see some adjustments on the revenue side. That's mainly on account of some inter group eliminations. But there have been some adjustments on some additional provisions and some downward provisions. But as you would note, the overall one it's not a very significant one.

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**Anand Ramachandran - Citigroup Singapore - Analyst**

No, true. That's fine. Appreciate it.

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**Sunil B Mittal**

Yes, and of course as you know, there have been some major adjustments on account of one time refund from DOT of large amount and the adjustment of Punjab. Of course, that has also an impact on the overall restatement of the March account in terms of amortization, et cetera.

On your second question, on the difference in the NLD revenue that you're asking, could you just be more specific as to what your question was. Are you saying, you want an explanation of is there a change in the way we define the long distance revenue?

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**Anand Ramachandran - Citigroup Singapore - Analyst**

No, I understand the change. I'm just looking at, you know, is a compatible number available quarter-on-quarter for DLD or for the total hedge just to kind of look at, you know, probably trying to analyze the decline of the carriage costs on the total revenue head. If we were to look at probably, you know, on the same basis, is the number available what happened quarter-on-quarter?

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**Akhil Gupta**

I think one is in terms of the gross settlement that I mentioned is about 250 to 300 million. In terms of the net revenues, I think, for the full quarter it should be - I think we could send you the details on this Anand in terms of the exact impact on this. But from this it could have come down, my guess is about 200 million rupees.

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**Anand Ramachandran - Citigroup Singapore - Analyst**

Yes, that's absolutely fine. Yes, thanks .

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**Operator**

Thank you, sir. The next question comes from Mr. Asmat of Barclay's Hong Kong. Please go ahead.

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**Asmat Barry - Barclay's Capital Hong Kong - Analyst**

Yes, hello this is Asmat Barry from Barclay's Capital in Hong Kong. You mentioned the consolidation in the sector, and that you're now looking at three to four major players. I was wondering if you could just discuss a little bit more in detail how you see competition faring? And what would be the major elements of that competition? I mean what would be factors on which competition would be based? And how do you see yourself from a competitive standpoint over the next 12 to 18 months?

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**Sunil B Mittal**

Well there's been a great deal of discussion around consolidation. In the past there has been significant consolidation, where the government was fairly relaxed about acquisition in different service areas to increase your geography and your reach in the entire country. The need now is that there is a permission that can be sought where intra-circle mergers can be allowed so that some of the

weaker operators especially in the mobile industry have a possibility of getting themselves merged into larger entities or sell off completely to others.

The government has taken a note of this. In fact, the regulator have already a floated consultation paper, which seeks comments from the industry and other stakeholders about intra-circle merger. I'm personally very hopeful that in the coming months there will be a resolution of this matter where the government will allow intra-circle mergers. I think the market pressure, the pressure with the vendors and lenders in some of these companies is so intense, that there will be really no option but for some of these companies to merge in to larger players.

My personal feeling here is very clearly that BSNL the incumbent player, or the government player, will remain a major player in the marketplace both in fixed and mobile. They are unlikely to participate in any consolidation activity. Reliance has taken a position in WLL amongst other fixed line and long distance services. There are not many players who are in the consolidation mode for the CDMA side. That really leaves the major action in the GSM play. And in GSM, I think, we have positioned ourselves extremely well. To be out there we have made this intent very clear that we are open to any mergers of smaller players in to Bharti subject to government permissions. And of course, the offer's being viable from our point of view.

The other prognosis therefore really is that there will be in the next 12 months three to four major players emerging. Barring one or two small players who may remain in some corner of the country or the other.

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**Asmat Barry - *Barclay's Capital Hong Kong - Analyst***

Thank you.

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**Operator**

Thank you, sir. The next question comes from Mr. Wagle from Citigroup Asset Group in Singapore. Please go ahead.

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**Kidar Wagle - *Citigroup Asset Group Singapore - Analyst***

Thank you. I had a couple of questions. Could you discuss the impact of the low entry cost plans, which have been launched in recent months by Reliance and BSNL? And how you see that impacting your business model? And do you see a risk of things worsening so that we see handset subsidies coming in to the market. That is question number one.

Question number two, do you have a sense as to what is the percentage of multiple SIM subscribers in the market today?

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**Manoj Kohli - *Bharti Televentures***

OK. This is Manoj. To respond to your first question. Actually the reality of this "Monsoon Package" - that it will finally cost the customer 7,700 has finally dawned on every customer of this country. So it's not 500, it's 7,700. That's a very important reality, which took about week or so, but it finally hit the customers.

To be very frank with you our business goes on normally. There's very, very marginal impact, if it all, on our business. It's growing very well this month, as it was growing last month. And on our part, we feel that our handset schemes, as I said in my earlier message, we do not subsidize. We do not see the need to subsidize. We act as catalyst. And handset goes as a pass through in our business. Actually we don't even get the handset vendors to bill it to us. It is billed directly to the distributor. We are, in the meantime, fully responsible to give the best deal to our customers. We've already given a great deal to our customers last month. And we are - maybe in the next few weeks - we will give a better deal than that to our new customers. But no impact on our bottom line. And I think don't think there's a need to subsidize. And we'll definitely not participate in the handset business. We'll continue to do our mobile business, which actually will be well supported by the handset deals.

Now this is a difficult question because it's very difficult to estimate. And I think I'll come back to what Akhil said earlier that our focus has to be on the revenues behind the numbers. And I hope the Government of India and TRAI makes the revenue declaration

mandatory for every company. And if that happens in the next few months, I think the real picture will emerge in the industry. Our focus in our company is on active and paying customers. There could be some multiple SIMS, you know, especially now somebody may carry a CDMA handset and a GSM handset. But it's very difficult to estimate exact percentage.

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**Kidar Wagle - Citigroup Asset Group Singapore - Analyst**

Thanks. Just one more question. If I look at revenue per minute between prepaid and postpaid and I go back two quarters, prepaid was at a significant premium to postpaid. If I look at the last two quarters, it's turned the other way. Prepaid is now, in this quarter, actually lower than postpaid. I just wanted to understand, you know, why we're seeing that divergence. Can you explain that trend?

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**Akhil Gupta**

I think, Kidar, what you're seeing as the overall rate per minute also comprises a very low terminating charge on the incoming. We believe this will correct, but yes, you're right. I think with such low tariffs there is no reason why the overall effective rate must be drastically different between postpaid and prepaid. But we do believe that, atleast from the outgoing side, postpaid will continue to have a higher rate, which is there even today.

But if you take the effect of the incoming as well, which is, as a percentage, much higher on the prepaid side. We believe over a period of time, this will get rationalized.

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**Kidar Wagle - Citigroup Asset Group Singapore - Analyst**

OK. Thank you.

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**Operator**

Thank you, sir. The next question comes from Mr. Alistair Scott, Merrill Lynch Hong Kong.

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**Alistair Scott - Merrill Lynch Hong Kong - Analyst**

Thank you very much indeed. Just a couple of questions. One, really following up on that question about the effective rate per minute trend. Obviously that has been coming down. And therefore traffic per subscriber obviously tending to trend up. Does that change your perception about the capital expenditure needs for the network? I'm not sure it's appropriate to talk about on a per subscriber basis, but just in terms of utilization of the network versus the revenue that you're going to be seeing from those subscribers. So that's one question.

I suppose, the next question I'd like to raise is, you mentioned, I think, in your remarks that you launched the free incoming calls package ahead of the - basically the government then changed the termination rate. Is it possible to calculate what that actually cost you in terms of holding to your offer even though determination rate package was delayed just so we can get a sense of how things might look when it's normalized.

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**Akhil Gupta - Bharti Televentures - Joint Managing Director**

Alistair, hi, this is Akhil. Thanks for joining on the call. Alistair, very clearly the capex which we have planned and which we have incurred takes in to account the increased traffic because of the CPP and the fee incoming calls. We are fully prepared for it. In fact, we are already seeing the ratio of incoming and outgoing getting rationalized after a big surge initially. But we are completely prepared for whatever traffic increases take place.

As far as the free incoming calls package is concerned, well there's no point doing a detailed exercise on that. That revenue is gone. But our estimate shows that that could be anywhere on a net basis in the region of 100 to 150 million rupees, at least.

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**Alistair Scott - Merrill Lynch Hong Kong - Analyst**

OK. Thanks. Thank you very much.

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**Operator**

Thank you, sir. The next question comes from Mr. Henry Kopp from Sim Freaver London. Please go ahead.

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**Henry Kopp - Sim Seaver - Analyst**

Hello, just following up on the previous question. What is the current capacity for your mobile network on the current - of the current investments in terms of subscribers?

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**Sunil B Mittal**

Actually it's a mixture of, you know, the answer is in two parts, one is for the existing network and one is for the new networks. The new networks - there are new networks that were principally built for coverage and more cities and more highways. And there is a lot of capacity sitting there which needs to be filled up. And all of us are working hard towards filling up those sites and networks as much as we can. So I think the pressure, there is the other way around. We'd like to fill them up as soon as we can.

On the existing networks, specially networks, which are metro-centric - like Delhi and Bangalore - we are constantly putting up more base stations and with new spectrum availability, a second tier 1,800 network. I would say more or less in all our existing markets we are at a band of 70 to 80 percent of our network utilization. We would like to be more like 70 but we get in to spikes of 80 to 85 at times, bring it down to 70. So there's a bit of a struggle there, as we keep on adding more capacity that keeps on getting used. We have had situations where base stations have been added in certain areas, and they have been consumed the same very moment they were switched on.

So very clearly, I think we will be, two to three months from now, in a position to be ahead of the curve and bring the existing networks back to our 70 percent capacity utilization.

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**Henry Kopp - Sim Freaver - Analyst**

OK. And just on the fixed line business, do you give out the DLD outgoing volume minutes, and the ILD outgoing volume minutes? And also the number of broadband subscribers you've got?

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**Akhil Gupta**

No. I think for competitive reasons we don't give out those details.

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**Henry Kopp - Sim Freaver - Analyst**

OK. I've assumed that the broadband subscribers that you have are existing wire line, fixed line customers. So presumably your target adjustable market is the 400,000 or so fixed line subscribers. Is that correct?

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**Sunil B Mittal**

That will be only for one little package of, you know, I would say broadband, which is DLC. But if your question is can we offer DLC's to MTNL or BSNL subscribers. The current version is no. We are fighting very hard with the regulator to open up and unbundled the local loop for us to get in to those areas. But broadband activities are multiple. DLCs go to our existing fixed lines customer, you're right there. But we have a large fiber optic network in the country of nearly 25,000 kilometers. We are linking a number of large and medium corporates for their VPN needs, for their Intra- and Internet needs. And of course now with the submarine cable now being in full functionality mode offering a lot of international bandwidth to major large customers.

So the customers for the DLCs are the existing fixed line users but for broadband, it is the entire country.

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**Henry Kopp - Sim Freaver - Analyst**

But for the regular fixed line in your prospectus you give out the pulses per line. And do you give out even that kind of number for the DLD and ILD businesses?

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**Sunil B Mittal**

In terms of reporting, or in terms of whether we utilize those ...

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**Henry Kopp - Sim Freaver - Analyst**

Just the reporting.

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**Unidentified**

We are not getting in to the pulses mode but we do give generally the ARPU ...

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**Akhil Gupta**

We have given the ARPU.

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**Sunil B Mittal**

Per customer fixed line side and that represents a rate per pulse, which is pretty standardized. So if one was to really get in to, you know, a calculation one can deduce the number of pulses that come out of it. But if this is the demand of the investing community we can have a look at it from next time.

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**Henry Kopp - Sim Freaver - Analyst**

And so could you just repeat again what your target subscriber number was for the year-end this year?

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**Sunil B Mittal**

Actually, you know, we are generally not giving any targets. We are not giving any projections at all. But the trend, I can tell you, is in the last quarter, we have been handing over 20 - between 20 and 25,000 additional customers per month.

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**Unidentified**

Yes.

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**Henry Kopp - *Sim Freaver - Analyst***

OK. Thanks very much for your time.

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**Sunil B Mittal**

Thank you.

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**Operator**

Thank you, sir. At this moment, there are no further questions from participants outside India. I would like to hand over the proceedings back to Puja.

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**India Operator**

Thank you very much, Lucy. We will now begin the question-and-answer interactive session for Indian participants connected to IndiaOne MeetXpress. Participants who wish to ask questions may please press star one on their touch-tone enabled telephone keypad. On pressing star one, participants would get a chance to present their questions on a first in line basis. To ask a question, please press star one, now.

The first question comes from Mr. Amit of Citigroup. Mr. Amit, you may ask a question now.

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**Amit Lodha - *Citigroup - Analyst***

Good afternoon and congratulations on very good result. Just two questions. One on your mobility business, I was just curious in terms of the quality of your subscriber as I noticed that the contract subscribers are not growing as much as the pre paid side. Also, I just wanted to understand how much of the ARPU is now really on account of long-distance calls by your subscribers.

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**Manoj Kohli**

Thank you, Amit for your question. Let me assure you that our contract, our focus on contract customers addition is extremely high. But concurrently our focus is also on quality of customers. So I think in a new circle, we had to go through involuntary churn because we wanted to maintain the quality of active and paying customers in postpaid. That is the reason that our growth - our next growth in the postpaid customers has been - has not matched our expectations. But I think it's growing. I think month after a month it's growing and we will see major change in the months to come.

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**Manoj Kohli**

The second question is the long-distance element in our ARPU. The long distance element is about 180 bucks in the postpaid, and about 50 Rupees in prepaid. And I'm sure it has substantial opportunity of growth, which I think in the next few months to come because we have a focus on long distance. And we have a plan to churn substantial landline long distance to mobile. And you'll see it moving up month-after-month.



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**Amit Lodha - Citigroup - Analyst**

All right. So just on your coverage, how do you compare with BSNL in terms of their coverage in say the category A and category B circles where you compete with them?

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**Manoj Kohli**

As a policy, in the top five to seven towns in every circle, where we get 75 percent of the circle revenues. We are either competitive or superior. In balance towns, which are just small and medium, we have good quality coverage. There are a few towns where BSNL has coverage beyond our coverage. And I'm sure in the next few months we'll catch up. In all the towns where robust revenues are waiting for us. But there are some marginal towns where BSNL has entered. And we don't think it's viable for us to go that route.

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**Amit Lodha - Citigroup - Analyst**

Right. One last question on your fixed line business, I see a 10 percent q-on-q growth in your ARPUs. How much would you liken this growth to the fact that there's been a change in the IUC? And how much would you liken it to the customer mix?

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**Badri Agarwal**

Well on account of the IUC change out of the total ARPU of something like 1,400 Rupees, the impact would be about about 200 bucks.

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**Amit Lodha - Citigroup - Analyst**

Thank you very much.

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**Badri Agarwal**

OK.

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**Operator**

Thank you, sir. The next question comes from Mr. Anees of HSBC Bank. Mr. Anees you may ask your question now.

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**Anees Damania - HSBC Bank - Analyst**

Yes, hi, congratulations for extremely good results. I think this was quite a surprise. I've got two questions, actually, one is that the you've got additional two megahertz of bandwidth, sorry spectrum in the 1,800 band, does this mean that you might have to have some more investments in that? And secondly - and could you also tell me what kind of investments you require?

And secondly, how has the minutes of usage moved between incoming and outgoing? And also between mobile-to-mobile from the last two quarters to this quarter?

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**Sunil B Mittal**

OK. The first one on your issue of the spectrum, 1,800 is a part of the GSM family, as you know, and in our stable we now have several 1,800 networks. There are no additional investments on account of the 1,800. In fact, there's actually going to be, in a sense, some savings because this is in a different band and we want to co-locate every new base station that comes up in the 1,800 band on the existing side. And in fact, to our mind the combination of a 900 which takes good care of coverage and deep in-building coverage and 1,800 which comes for capacity, there's a great combination.

It would be no different from adding more capacity in 900, if at all there would be some saving. We are now adding a number of 1,800 base stations all over Delhi some of them actually have all ready gone up on air. And we believe that by the middle of August our 1,800 overlay network will be in place giving us huge additional capacity which Delhi is currently struggling for.

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**Anees Damania - HSBC Bank - Analyst**

OK. And on the second question, on movement of minutes of usage between incoming and outgoing and mobile-to-mobile?

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**Manoj Kohli**

Yes, actually we are very happy with this movement. The incoming showed, initially from first May onwards, incoming showed a decrease because if you'll remember the pulse at that time was different. Then are 10 to 12 days, or 15 days, government changed the pulse. And incoming came back to a normal improvement. But I think by the end of June that incoming growth has stabilized which means that the pent-up incoming usage has been fully met by us. And the networks have been able to cope with that additional usage.

Now we are seeing a very positive outgoing growth which continues. So in this situation we see outgoing growing, incoming being stable, and our revenue streams, I think, will improve as the months move on in this financial year.

The mobile-to-mobile usage, again, you'd be happy to note that it is actually growing much faster. And it's very clear that as mobile critical mass will overtake the fixed critical mass, the mobile-to-mobile will become the principal usage of the customers.

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**Anees Damania - HSBC Bank - Analyst**

Sir, could you outline in percentage terms if possible.

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**Manoj Kohli**

Yes, today it's different for postpaid. Postpaid actually is getting closer to 60-40.

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**Anees Damania - HSBC Bank - Analyst**

Sixty is incoming?

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**Manoj Kohli**

Yes, and 40 outgoing. And mind you, as I said outgoing is growing. So there is a trend going - moving towards 50-50. At what time it will happen, I can't say but there's a positive trend towards that. In prepaid it's slightly slower than postpaid maybe it's 70-30. But 30 is moving up. And I see in the next few quarters it will definitely normalize.

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**Anees Damania - HSBC Bank - Analyst**

OK. And the mobile to mobile ratios probably have their model.

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**Manoj Kohli**

Varies from circle to circle. But on a national basis it's more than - yes, it's about 35 to 40 percent of the total usage. And it's growing very well. Because I feel that as the mobile takes over the fixed line population, this will be the substantial, maybe majority usage of the mobile-to-mobile.

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**Anees Damania - HSBC Bank - Analyst**

So this could have moved up now about 30 percent last two quarters from 35 to 40.

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**Manoj Kohli**

Yes.

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**Anees Damania - HSBC Bank - Analyst**

OK. Thanks.

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**Manoj Kohli**

Thanks.

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**Operator**

Thank you very much, sir. The next question comes from Mr. Navneet Singh of ICICI Securities. Mr. Singh, you may ask your question now.

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**Navneet Singh - ICICI - Analyst**

Yes, hi. First of all congratulations to the management for excellent set of results. I have one question, of late, your competition has been talking about significant increase in capacities, like BSNL talked about 10 million additions with investments of 14 billion Rupees. Tatas are looking at seven million capacity addition increase. So do you see increased capacity additions from your side as earlier stated? And would that mean that your capex commitment would go beyond the 350 million U.S. dollars that you talked about.

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**Sunil B Mittal**

Well I think the beauty of this business after you have already covered the country fairly well is that you'll grow as you need and just stay ahead of the curve by 20 to 25 percent. It's a very modular business. You don't build plants of millions of tons and then start your production. I mean you just keep on adding more capacity. Our current plans are fully funded, as you know, and we have certain expectations of the market growth which mainly takes in to account doubling of our customer base. And perhaps trebling of our minutes of usage. Should the market really, you know, fire up more and more capacity? It would be required either to cater to existing customers needs of higher usage. Or new customers coming up. I don't see that that is going to be any difficulty. I think one or two million more capacity in to our networks is really a very, very marginal decision that we need to take after we've built out nearly 4,000 base stations in the country.

And I must remind you that, you know, we have large capacity sitting on our networks in the new towns and new circles. And all we have to do is just add marginal capex later for new customers. So I think we are very well cared for. And we are tracking this on a monthly basis and building out at least a quarter ahead of our needs.

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**Navneet Singh - ICICI - Analyst**

If I can ask a second question, this would be with respect to the minutes of usage. How do you or where do you see the minutes of usage stabilizing for the postpaid and the prepaid subscribers?

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**Akhil Gupta - Bharti Televentures - Joint Managing Director**

Well Navneet, this is Akhil. I think as we said, this is just a piece of the overall equation. What we are looking at is an overall increase in the revenues, optimization of the operating efficiencies at the lowest - or the most optimized capital expenditures. So I think on an overall basis that remains our focus. Minutes stabilizing at a certain level. Obviously, the capacities go up, capex goes up. So I think these are just limbs of the same equation. And we believe that these are now fairly mature businesses anyway.

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**Navneet Singh - ICICI - Analyst**

OK. Thanks a lot.

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**Operator**

Thank you very much, sir. The next question comes from Ms. Reena of DSP. Ms. Reena, you may ask your question now.

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**Reena Verma Bhasin - Analyst**

Hello everybody. Just a couple of key questions. One I couldn't quite understand what Mr. Mittal meant when he said that the growth curve in NLD is flattening out. Does that mean that Bharti's market share is likely to fall? Because clearly you know the cell-to-cell traffic should continue to grow with more and more wireless subscribers coming in to the market. So if you could please explain what he means by that?

And secondly, there has been a lot of concern on the back of today's results on whether, you know, mobility revenue growth is flattening out for Bharti over the next two/ three quarters? Because you have seen jump in net additions, revenues have grown only seven percent. So if you could please help us understand on what will change the picture over the next two or three quarters?

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**Sunil Bharti Mittal - Bharti Televentures - Chairman and Group Managing Director**

OK. I think let me take the first point first, you know, on the NLD side. We were very clear to there was an opportunity sitting to quickly put out the network, inter-connected with mobile operators, we did this very well last year. And pick up a huge upsurge in moving the traffic on to our network. And therefore, that last quarter or the most part of last year you saw an opportunistic play in the national long distance.

What I'm saying is now we are seeing a stable business. And it's now - what we're saying is you're not going to see sudden surge of profitability coming from NLD business, but a very strong and stable business. As Badri Agarwal mentioned, we are now carrying 200 million minutes between our NLD and ILD. And that only suggests that we have grown our business from the last year. But you are not going to see an increase or a jump like you last year in the NLD or ILD. Now it's going to grow on the back of more access customers coming in. More people using STD and ISD because it's cheaper now. And you'll have a secular growth on the network which we call flattening of curve or stabilization of the business.

One big peak that can happen during the year would be the CAC - the carrier access code is implemented. And 40 million BSNL customers, and six - five or six million MNTL customers. If they can be allowed to use private NLD networks, I think things could become significantly different. But as things stand today, that appears to me to be some months away. We may lose the whole year on account of non-implementation of CAC. So NLD business or the entire long distance businesses predominantly now reliant on the growth that you will have on the internal mobile, and fixed line networks.

On the stand-alone players, we still get a lot of traffic despite them moving some traffic away. But that traffic moves on a commodity, opportunistic basis between the Reliance, VSNL, BSNL and our long distance networks.

But I see there's a positive development that you as an analyst should look at our long distance business as a stable long-term business growing on our access networks and other access networks. And should not be now seen as opportunistic business where we could pick up a large amount of profits in a very short time.

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**Reena Verma Bhasin - Analyst**

Thanks a lot. Actually that was very clear. But if I may just add one small question, the commodity segment of this business that is the external network, do you think you could do anything to bring them back to your network?

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**Sunil Bharti Mittal - Bharti Televentures - Chairman and Group Managing Officer**

Yes, I think so. We are already seeing a lot of - at least the cellular operators are now keenly coming back to us. They are each one of them have suffered huge amounts of quality on their long distance call completion. The call completion rates have dramatically dropped. If you were to make a call on the AirTel or Touchtel network on either NLD or ILD, you would see your call going like a bullet. And if you and I are on in different network, you will see the pain that you're going to experience. And the customers of the other networks are complaining of some traffic, flows back to us from time-to-time.

But clearly, everybody is awaiting the IUC, which will come in to play by end of this month. And then the carriage charge, which will be determined upwards from hopefully one rupee ten paise to wherever, will become a standard charge for all operators to charge. And thereafter, quality will prevail. I personally see a lot of traffic coming back.

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**Reena Verma Bhasin - Analyst**

Thank you.

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**Operator**

Thank you very much, ma'am. The next question comes from Mr. Inder of Deutsche Bank. Mr. Inder you may ask your question now.

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**Inder, Deutsche Bank**

Good afternoon, all. And congratulations on a great set of results. I had two questions. Firstly, if you could give any indicative feel on how the churn as well as net additions have behaved for your company in the month of July. And maybe early days yet, but after the onslaught of the CDMA various offers from all operators?

And secondly, in terms of infrastructure sharing. How much is that contributing to reducing capex costs for your company?

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**Akhil Gupta**

I think very clearly, a very early time for the July predictions on churn. We haven't seen any unusual movement on that. As far as the net adds are concerned, they did slow down in the after math of the first week or 10 days of the monsoon hungama and the other schemes from MTNL, the Tatas, et cetera. But they are coming back to normal. We would be eagerly waiting for the full month's results.

As far as the infrastructure sharing is concerned, I think that is going on very smoothly. In fact, a little faster than we would have realistically anticipated. And definitely wherever we are sharing the infrastructure on the towers, our expenditures on a per site basis would be down between 25 to 33 percent per month.

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**Inder, Deutsche Bank**

Thank you.

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**Operator**

Thank you very much, sir. The next question comes from Mr. Sanjay of Kotak Securities. Mr. Sanjay, you may ask your question now.

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**Sanjay Prasad - Kotak Securities - Analyst**

Hi, good afternoon. I just wanted a clarification on the depreciation policy for this quarter. If I can understand correctly there seems to be a change in the depreciation rate. And if my understanding is correct, could you explain as to what would have been the impact you had followed the existing policy, that is, what you were following for the previous quarter?

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**Akhil Gupta**

There is absolutely no change in the depreciation policy in any respect whatsoever. What we did do and what we had mentioned there was that there was some network equipment, on which we are not too sure how much we would be using them. We're reasonably sure we'll use them. So we had just provided some accelerated depreciation on specific items of some network equipment for the last year to knock off the extraordinary income. But I would like to categorically state we have had no change in the depreciation policy whatsoever.

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**Sanjay Prasad - Kotak Securities - Analyst**

I was just looking at the depreciation rates which you have given ...

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**Akhil Gupta**

Yes.

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**Sanjay Prasad - Kotak Securities - Analyst**

Last quarter for last year, you had about five to 10 years for plant & machinery. Whereas this year, you've giving 10 to 15 for network equipment. So that's - on that count I just wanted a clarification.

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**Akhil Gupta**

It's - well it's - in case there is some difference, it's just a correction but I can confirm that there is absolutely no change in any depreciation policy.

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**Sanjay Prasad - Kotak Securities - Analyst**

OK. I have one more question, if you could give us a sense of the bad debt in the mobile business this quarter as a percentage of revenues maybe? And my final question is what would be the termination ARPU as a percentage or part of postpaid and prepaid ARPUs effectively?

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**Akhil Gupta**

Well under bad debts, well they are significantly lower than the last quarter. They would still be between four to five percent for this quarter, but they're coming down very rapidly - over the last quarter we have gained. As far as termination one is concerned, I'm afraid we would not be able to give out that information.

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**Sanjay Prasad - Kotak Securities - Analyst**

OK. Thank you, sir.

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**Operator**

Thank you very much sir. The next question comes from Mr. Rahul Singh of SSKI. Mr. Singh, you may ask your question now.

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**Rahul Singh - SSKI - Analyst**

Yes, good afternoon. I have a couple of questions. Firstly, coming back to the prepaid revenue yield, that is revenue per minute. It came down to 1.7 rupees in the last quarter. And does that bother you? Because as per my estimates it's coming close to a level below which, you know, it may not very profitable to acquire a prepaid subscriber. And are there any moves to increase this prepaid revenue yield in future maybe by shifting DLD traffic, et cetera?

The second question was on company initiated churn for postpaid, it still continues to be very high, although it's come down in the last quarter. Were there any significant bad debts in the quarter results following the last quarter where you had written off certain bad debts?

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**Akhil Gupta**

OK. I think on the prepaid, you are right, the rate per minute is down, as one had explained earlier that's mainly because of the sudden impact of the incoming calls becoming free. The ratio between incoming and outgoing has gone much in favor of incoming so obviously the rate per minute on an overall basis is down.

We believe it will increase because the rationalization between outgoing to incoming ratio will be taking place. But what I can categorically say is the prepaid customer is an extremely profitable customer for us. And there is no likelihood of that becoming unprofitable.

As far as the company-initiated churn is concerned, well quite clearly a very strict fiscal discipline and credit control goes hand in glove with having a good credit policy, control over the bad debts. What we are committed is not to have free riders on our network. We are committed to having reasonable levels of bad debt. And that obviously means stringent credit control policies. Therefore, to some extent the company initiated churn was genuine and normal - especially because of the competitive activity.

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**Rahul Singh - SSKI - Analyst**

OK. Thanks a lot.

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**Operator**

Thank you very much, sir. The next question comes from Mr. Prabhat Awasthi of JP Morgan. Mr. Awasthi you may ask your question now.

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**Prabhat Awasthi - JP Morgan - Analyst**

Yes, I have one question on your debt cost. On an overall basis, you said you have about five percent end-to-end hedged cost of \$315 million loan that you have taken. What will be the debt cost on an overall basis for you at this point in time? And where do you think you'll head over the end of this year?

And the second is on MOU's. Where do you think MOU's are heading on an overall basis? Do you expect a further increase from the current levels or a like-to-like business that is postpaid-to-postpaid and a prepaid-to-prepaid basis.

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**Akhil Gupta**

On the interest cost I would love to give you the interest cost. The only reason I am not giving you is because for the further loans that we will take, we would like to have much lower rates. So I don't want to set the higher benchmark for the new lenders. But if you do a bit of the mathematics you'll get a good feel of it. But I must say amongst the telecom operators, we would see today having an overall cost of fund which is really the lowest.

On the MOU's well I think a lot of increase have already happened. We would, of course, keep seeing some increases because our experience is that as the customers come on the network and stay there, they find the benefit of mobile telephony. Therefore some MOU's would go up. But I don't think they would jump in a very significant manner henceforth.

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**Prabhat Awasthi - JP Morgan - Analyst**

All right. Thanks.

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**Akhil Gupta**

Thanks.

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**Operator**

Thank you very much, sir. The next question comes from Ms. Reena of DSP. Ms. Reena, you may ask a question again.

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**Reena Verma Bhasin - DSP, Analyst**

Yes, first, on the second part of the question that I asked earlier, which is, you know, over the next two or three quarters, what do you think would lead to an acceleration in your mobility revenues? Because you've all ready seen your share of net adds jump. And so if you could just throw some light on that please.

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**Sunil B Mittal**

Well I think one part, I believe, is to keep in mind that there have been small but sure increase in the revenues for mobile with the fact being that this quarter saw the biggest tariff drops we have ever seen. And that has all been absorbed very well and we still had a sgrowth. We expect in the coming quarters, to maintain our robust market share of net adds. And we also believe that we have come to a point where any further downward play in tariff is not a possibility. And I also only see that from now on tariffs rising as the traffic and customers rise so it will be in tandem. I don't see a situation where you have to take a deep dive on tariffs and again compensate it through customers.

We imagine that this is really the bottoming out of tariffs. And the growth that will come on top of this from both customers and minutes, will add to my mind definitely on to the revenue line as well.

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**Reena Verma Bhasin - Analyst**

Thank you.

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**Operator**

Thank you very much ma'am. The next question comes from Mr. Shubham Majumdar of Motilal Oswal Securities. Mr. Majumdar you may ask your question now.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Yes, good afternoon everybody. Congratulations on a very good set of numbers there. I have two questions. As you see prepaid MOU's have gone up 53 percent on a quarter-on-quarter basis. Could you just throw some light on how much of this rise could be ascribed to the new free incoming calls regime? And in fact, give us some kind of numbers with regard to outgoing MoU and incoming MOU's?

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**Akhil Gupta - Bharti Televentures**

I think most of this can be ascribed to the free incoming calls. But at this point in time we do not want to give out this very sensitive information about the outgoing and incoming because that clearly gives away the overall tariff rate.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Right.

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**Akhil Gupta**

Of course, we have mentioned that on an overall basis it would be something like say two-third-one-third.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Right. Could you give us how it could be different by prepaid and postpaid?

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**Akhil Gupta**

Yes, as Manoj just mentioned earlier, for the postpaid the ratio is roughly 60 is to 40 for incoming to outgoing. And for prepaid it's somewhat higher, perhaps around two-third to one-third.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Right. And my second question is earlier during the call, you gave out some kind of a number with regards to loss of - potential of loss of revenues having occurred on account of the incoming calls regime. And a number of 100 to 150 million was quoted. So can you just confirm this number?

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**Akhil Gupta**

Yes that's right ...

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Yes, what is the period you were referring to?

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**Akhil Gupta**

That's one month. That's the month of April. It was only for the month of April. And what we're saying is that in that month on those customers, where we did not charge any incoming airtime. And we got neither airtime nor the termination charges, and the impact of that would be even if we had got the termination charges, would have been anywhere between 100 to 150 million rupees.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Right.

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**Akhil Gupta**

In fact, to an earlier question, if you just even take this in to account, the overall revenue growth would increase to roughly about 10 percent quarter-to-quarter.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Right. With regard to the bad debts, do you think there is any possibility of that going up any further?

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**Akhil Gupta**

Not with the policies we are adopting on credit control, but yes, if we are lax on those policies certainly they can go up. But I don't expect them to.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Right. And my last question is, with regard to subscribers additions, you have more or less come back very well in the last two months in terms of share of net adds and BSNL coming down to normalized levels. Do you really see any kind of change in the incremental market share numbers of yours and the competition's? Or do you more or less see it remaining where it is?

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**Sunil B Mittal**

I think we'll maintain our leadership very clearly in the market space. We had always given this position that BSNL and wherever you launch and whether we have launched or BSNL or Idea you get a spurt of customers gross becomes net adds and you then see a tapering off. That has come true. We have seen month-after-month BSNL has come down. We believe we can maintain our leadership very clearly in the marketplace as far as net adds is concerned.

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**Shubham Majumdar - Motilal Oswal Securities - Analyst**

Thank you.

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**Sunil B Mittal**

We would like to thank all the participants for having taken the time out. It has been a very, very exciting quarter. And we look forward to joining all of you once again in the next quarter call in October. Thank you very much.

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**Operator**

Thank you very much, sir. Ladies and gentlemen, thank you for connecting to IndiaOne MeetXpress. This concludes the earnings call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice evening.

**END**