Spice Mobility Q4 & FY2011 Results

Investor/Analyst Conference Call Transcript
May 31, 2011

Moderator

Ladies and gentlemen, good day and welcome to the Spice Mobility FY2011 earnings conference call. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Ravi Sathe from CDR India. Thank you. And over to you, Sir.

Ravi Sathe

Good evening, everyone and thank you for joining us on Spice Mobility's Q4 and FY2011 results conference call. We have with us Chief Financial Officer of Spice Mobility, Subramanian Murali, Executive Director - Spice Mobility, Preeti Malhotra and G. P. Singh who manages the Supply Chain.

Before we begin I would like to add that some of the statements to be made in today's discussion maybe forward-looking in nature and the statement in this regard is available in the con call invite which was e-mailed to you earlier. We will begin the call with opening remarks from the management following which we will have the forum open for an interactive question and answer session. I would now like to invite Mr. Subramanian Murali to make his opening remarks.

Subramanian Murali

Good afternoon, everyone. A very warm welcome to everyone present and I would like to thank you for joining us today to discuss the Spice Mobility Limited's operating and financial performance for the year ended March 31, 2011~~.~~ here we will share with you the earnings for the quarter as well as for the financial year 2010-11.

I would like to begin with a general overview on Spice Mobility's developments and performance. Spice Mobility's need for convergence of VAS and Retail with its handset has become the driving force for setting the benchmarks in terms of innovation, enabling the company to attain a formidable lead in the domestic sector. Our unique business model has been the foundation of the company for achieving milestones that are second to none. Through our value chain, we are capable of embedding our handsets with feature and services further enhancing product availability through well spread out retail outlets.

For the first time in India, a company like Spice Mobility adopted strategies similar to large global players which also have retail and VAS as their independent support system. Adapting and customizing these highly successful strategies and models in India has enabled the company to build a strong foundation and create a unique position for itself in the Indian telecom and mobile internet space.

Spice Mobility has successfully evolved over a period of time and has displayed a healthy growth trajectory in the last few years. Such consistent progress can be attributable to the company's presence in the sector for over seven years. In fact, we were the first to launch an Indian brand of mobile handsets in India. I believe we held our market position well and also fortified our market share by expanding our portfolio that includes products which have mass audience, appeal across all demographics throughout the country. The company continues to take advantage of the growing demand for constant data connectivity amongst the consumers.

Before we start with the Q&A session, I would like to take you through the operational and financial performance for the financial year ended March 2011. The last financial year has been an eventful one in all the businesses of Spice Mobility which has its own Spice branded Devices business, Multi-brand Retail business, and the Value-Added Services business.

I am happy to state that the company has reported revenue of Rs 2,007 Crore for the year ended March 2011 and a net profit of Rs 112 Crore.

I am also happy to inform you that the Board of Directors has recommended a dividend of 50% on the enhanced equity capital of Rs 71.42 Crore divided into 23.8 Crore equity shares of Rs. 3/ each. I want to inform you that the company had declared a dividend of 50% in the last financial year but on a much lower equity base. In the quarter ended March 2011, the company had sold 2.32 million handsets compared to 2.19 million in the immediately preceding quarter. This represents a 6% increase with respect to comparisons made quarter-on-quarter.

On the devices front, for the quarter, the revenue grew from Rs 541 Crore in Q3 FY2011, to Rs 547 Crore for the quarter ending March 2011. The profit after tax for the period under review stood at Rs 19.4 Crore for the quarter

In terms of the Devices business, the company focused on high ASP products in the month of February and March, followed it up with innovative packaging to enhance the product appeal. The company is also in the process of revamping the entire portfolio with emphasis on style and design in addition to features and functionality.

In the last two quarters you must have seen a decline in the ASP of our own devices, I am happy to say that that declining trend of ASP has been arrested in this quarter and the upward curve of the ASP has started. This will be more visible in the ensuing quarter in the next two or three quarters due to our strategy of launching high ASP products and foraying into the smartphone category.

On the retail side of the business the company has achieved an operational EBITDA breakeven in the last two quarters as revenues have been steadily growing. For the quarter ended March 2011, the company's revenue grew by 28% YoY. For the full year ended March 2011, the company achieved a revenue growth of 44% and EBITDA losses have come down from Rs 46 Crore to Rs 9 Crore.. This is an encouraging trend. This has been made possible due to the change in the brand mix with special focus on Spice branded products and also the same-store growth growing at over 30%.

On the value-added services front, the company has achieved a growth of 31% year-on-year and 6% growth quarter-on-quarter. Profit before tax has seen an increase of 45% year-on-year and operational EBITDA has increased 40% year-on-year and Profit After Tax increased to 15% year on year. Our entry into international markets and in Africa in particular, has seen encouraging results with close to 10% of the revenue coming from international markets in the last financial year.

I am glad to mention that we now have operations in five countries namely Africa, Bangladesh, Malaysia, Indonesia, and Singapore. You maybe aware we shared with you in the last conference call that we acquired a company in Malaysia in the device VAS business and the integration of that company into our VAS business has been completed in this quarter. With this we expect continuous growth in international markets over the next two, three years time. We are also looking at other acquisition opportunities outside India in the VAS business.

With our dominant presence in own brand, distribution network, organized retail chain, with one of the largest ASP and positioning in the VAS space, we believe that we are fully equipped to become leaders in this space over a period of time.

With this we are excited of the growth opportunities in this industry and we are also looking forward to active participation from investors in this journey of ours.

With this I conclude my opening remarks and we would be happy to take queries from you. Thank you.

Moderator Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Nihar Shah from Enam Holdings. Please go ahead.

Nihar Shah What is the treasury share that the company has?

Subramanian Murali The Company has Rs 3.57 Crore treasury share.

Nihar Shah How do you plan on utilizing it?

Subramanian Murali We plan to sell this at an appropriate time and raise money.

Nihar Shah My second question is if you breakup your revenues and your EBITDA for both 2011 and 2010 between devices, retail and VAS?

Subramanian Murali As far as the retail business is concerned, we achieved an EBITDA breakeven in the last two quarters and for the full year we have an EBITDA loss of about 9 Crore which has reduced significantly compared to March 2010 where the EBITDA loss was at about Rs 46 Crore. As far as the VAS business is concerned, we achieved an EBITDA of Rs 65 Crore for the year as against Rs 46 Crore for the earlier year.

Nihar Shah This would be for the devices business on a standalone basis?

Subramanian Murali On a standalone basis, we had an EBITDA of Rs 92 Crore last year as against an operational EBIDTA of about Rs 70 Crore in the current year.

Nihar Shah What is the reason for this drop in EBITDA in the devices business?

Subramanian Murali With respect to the last few quarters, there has been a decline in ASPs in the industry itself. When you are at the low end of the spectrum, the margins are under pressure. So that is the reason why we have put a strategy together where we will be moving towards high end ASP products rather than focusing on low end products. Towards the last quarter, our ASPs have improved marginally and over the next two, three years, you will see a decent increase in ASPs. The second reason is also that we have integrated Spice Televenture into Spice Mobility during the year and these operations are not comparable because for the last year, this integration happened from 1st January, 2010, and the full effect of the results of this operation has only come in the current year.

Nihar Shah Okay. That is all from my side. Thank you.

Moderator Thank you. The next question is from the line of Arun Gopalan from HBJ Capital. Please go ahead.

Arun Gopalan I would just like to know about the ASPs for the March and the December quarter.

Subramanian Murali In Q3 FY2011 ASPs stood at about Rs. 1500 and in December it was slightly less by about Rs. 50. So there is a Rs. 50 improvement in ASP between December and March.

Arun Gopalan Okay. You said it was Rs 1500 in December and Rs. 1550 in March right?

Subramanian Murali Yes.

Arun Gopalan I think during the start of the financial year FY11, the ASP was above Rs 2000.

Subramanian Murali In FY09-10, the ASPs were at about Rs. 1900. The decline in ASPs if you have noticed over the last few years has been an industry trend. If you really go back to the history, there has been a decline of almost 20-25% in ASP over the last four, five years. At some point of time, this decline will stop. In the markets outside India, a lot of markets went through this phase and then the correction started happening when people started buying more and more of smartphones. If you see the industry in India, today, the smartphone sale percentage is less for total mobile consumption, as it is not even 10-12%. All the estimates, which are available with us including the study carried out by McKenzie has helped us understand that this trend is likely to go from 10 - 15% to 45% over the next four years. This is where we want to position ourselves. Our own strategy is going to be based on how we are going to be successful in positioning ourselves as the leader in the smartphone and mobile internet category where ASPs are much higher. This is the shift we are talking about over the next two to three quarters' time.

Arun Gopalan Sir, what were the total handset volumes in FY10 and FY11?

Subramanian Murali We sold 5 million Spice handsets in FY10 and this year FY11 we sold 5.9 million. But then we are also beginning to look at it differently, which is why you must have noticed in our disclosure that we are now reporting two segments. We look at the entire handset industry as one. We sell our own branded handsets as well as multi-branded handsets. So if you look at our sales together we sold 5.4 million handsets last year. This year we sold 8 million handsets. So the advantage here is that through our own organized retail of more than 700 stores, we are able to sell high ASP products. We have a huge advantage as we start offering high ASP products of our own brand.

Arun Gopalan Sir, can you give me the price range for your own products? What is the price range that contributes maximum to your revenues?

Subramanian Murali 85% is less than the Rs 2,000 category and the balance 15% consists of the above Rs 2,000 category. In fact, in some of the handsets which you have seen in advertisements in the last two to three months, we have been launching products with high ASPs. For example, in the last financial year, we were the first to launch the first Android phone in India at less than Rs. 10,000. We are now launching a dual-SIM Android phone which is priced very competitively. These are the phones launches which will boost our ASPs.

Arun Gopalan Okay. So, your understanding is that the increase in the number of smartphones the Company launches will also increase Spice ASPs going forward?

Subramanian Murali Absolutely. This is not only our understanding but a trend which has been witnessed in other countries like China and South East Asia where we have our presence through the other part of the Spice Group. We are currently witnessing sales in those regions as well.

Arun Gopalan How do you think the customer interest is going to be? Anybody is going to think of a smartphone, is probably going to look at say a BlackBerry or Nokia, how you guys are going to position yourself against these established brands really in the smartphone market?

Subramanian Murali The smartphone industry is also changing. If you go to China, then there is a smartphone and there is a smart like phone. The smart like phone and smartphone category is growing rapidly outside India. For example, when you talk of BlackBerry, we are introducing similar handsets which are offering Push Mail Services like BlackBerry but at a much affordable price. There is a huge market of the SME segment who cannot afford a Blackberry with its Push Mail Services. This is how we will pit ourselves against competitors like the BlackBerry. Looking at other segments of Android, the Android market differentiates itself firstly through its brand image and secondly, chipset makers have a tie-up, supporting the software & applications that are available in the Android Market. We are looking at working with various manufacturers in China as we are currently also working with MTK who is the largest chipset manufacturer in the world. Our association with them will enable us in launching our own smartphones. From this year, we are hopeful of competing with players like BlackBerry and other smartphone players.

Arun Gopalan Looking at FY11, that went by, there has been some good improvement in volumes but due to the erosion in the ASPs, the revenues have not grown as much as the volume. What do you think can happen in FY12? Of course, you expect of ASPs to go up but what kind of numbers are we looking at?

Subramanian Murali We may not give guidance. All I can tell you is that the trend is encouraging. If you look at our Retail segment, same-store growth rate has been more than 30%. In the devices segment, the decline of ASPs has been arrested. These are encouraging trends. Our retail stores have experienced sales of high ASP products. If you look at the ASP of our retail store it is more than Rs. 4,000. These advantages we are hopeful of getting at least a 30% volume growth in the next financial year.

Arun Gopalan Speaking about the Retail business, what was the EBITDA for Q3 FY2011?

Subramanian Murali We have just achieved an operational EBITDA breakeven, so it is not a significant amount; it is basically a breakeven at the EBITDA level.

Arun Gopalan For Spice Digital, we have been carrying the plans of spinning off Spice Digital with an IPO, do you have any update on that?

Subramanian Murali We are still evaluating this. If you are aware last year in October-November, we completed the Televentures merger exercise. We merged both the companies together and then we are also looking at raising money at the mobility level, looking at listing Spice Digital at the appropriate time. So I would not be able to give you any timelines, but both of these plans are in progress. We are evaluating this option. Currently, the market itself is not in a good state. We will list ourselves when the time is right. In terms of the VAS business, Spice Digital as a standalone company is sitting on cash of Rs 100 Crore. We will look at large acquisition opportunities, and then decide to be listed in the market.

Arun Gopalan Speaking of this probable spin-off for Spice Digital, can you just let me know what is the basic reason behind this? Because we just integrated all these things like six months back and why are we really looking at this spin-off?

Subramanian Murali I said that we are evaluating options. If we had finalized the plan previously then we would be out with this action plan by now but we are evaluating various options first. . Looking at the VAS industry today in India, there aren't other listed companies other than OnMobile. I believe that there is an opportunity and an appetite from the investors for VAS businesses on a standalone basis. There is also an appetite for a consolidated story which is what we are trying to create. So depending upon what the investors' appetite is and on what the model is, we will make a decision.

Arun Gopalan Okay Sir, that is it from my side.

Moderator Thank you. The next question is from the line of Gaurav Surana from Alchemy. Please go ahead.

Gaurav Surana Sir, first housekeeping questions. Am I right in assuming that the standalone include purely handset numbers and services include VAS numbers?

Subramanian Murali Absolutely, you are right.

Gaurav Surana All right, Sir. Sir, ok let me go segment by segment, if I look at handsets, I think the EBITDA fell sharply to Rs 55.5 million. Is this the standalone EBITDA number? What is the key reason for such a sharp drop apart from the reason of ASPs declining?

Subramanian Murali As far as the standalone is concerned, I already explained. One is the ASP drop at the lower end of the segment as gross margins are lower. This is one of the main reasons coupled with stiff competition at the lower end segment of handsets. The other reason in the current quarter is that we have certain one-time expenditures on writing-off certain spares and inventory to the tune of about Rs 90 million. This is an extraordinary expenditure which has happened in the current year. But major reasons are due to the drop in ASPs and lower margins for the low end market.

Gaurav Surana For that one-time expenditure of Rs 90 million, the EBITDA for the handset would be approximately Rs 145 million, is it correct?

Subramanian Murali You are looking at the standalone results?

Gaurav Surana Yes.

Subramanian Murali I don't have the numbers in front of me but if you are reading from there, yes, it should be correct.

Gaurav Surana Do we expect a significant hike in ASPs? I know you do not give guidance, but just looking at a bit of a trend because our ASPs are continuously declining.

Subramanian Murali I am not going to say that we are going to see a drastic improvement in ASP in the next two quarters. As I said, the declining trend has been arrested. There may be an increase in ASPs but then it also depends on the overall growth of smartphones and smart like phones in India. We are very hopeful and confident that we will take on a leading role in the smart like phone by working with our chip manufacturers. Yes is the answer, if we have an outlook of next two years you will see a significant increase in ASPs.

Gaurav Surana Sir, in the presentation which was sent, it was mentioned about a breakup of low-end handsets and medium-to-higher handsets of 20:80. What could be the ASPs for the high end and the low end? I mean if I just bifurcate?

Subramanian Murali The low end ASP will be about Rs. 1,200 and high end will be about Rs. 5,000.

Gaurav Surana This is for this quarter, right?

Subramanian Murali In general, yes. Mostly for the last two quarters.

Gaurav Surana All right and another question is apart from this the Retail segment if I just look at the Retail Business?

Subramanian Murali If you have been following our recent launches in the newspaper, during the month of February, March, April, and May, most of these are high ASP products, whether it is a Popkorn, a FLO or whether it is an Android or even a dual SIM-Android which we are planning to launch. The last five to six models we have launched are high ASP models in the range of Rs 5,000 to Rs 9,000. A great indication is that these products are selling well. There has been a very good response from the market for these kind of phones as we are running short of supply for some of these models. This is what makes us confident of ASP trends moving up instead of declining.

Gaurav Surana Just for the Retail part, if I just look at pure retail from the mobile devices point of view, I think revenues have sharply declined QoQ basis, probably around 11- 12%, so could you give us an idea on the same?

Subramanian Murali For retail?

Gaurav Surana Yes, only Retail. Our handsets have increased, VAS has increased, total revenues have remained steady, and so if I just subtract the number, I get a deduction of around 12%.

Subramanian Murali I will give you the actual numbers. The Retail from Rs 243 Crore in Q3 has declined to Rs 230 Crore. It is not a very major reduction but about a 5% drop, it is mainly because the retail performs better during the festive seasons of October, November and December. Sales are likely to be lower in January, February and March which have two or three days less than 91 days of the festive season. Those 2 days do affect the sales. For the festival season of October, November, December versus January, February, March, we witness good growth in Retail on a year-on-year basis. For example, last year same quarter we had Rs 181 Crore and this year we have done Rs 231 Crore. There is almost a 30-40% increase.

Gaurav Surana Yeah Sir, overall retail I think has been doing pretty well over the year?

Subramanian Murali Yeah.

Gaurav Surana There was a press release recently about your investment to the tune of Rs 1,000 Crore. Sir, could you give us more color on that what exactly is the investment plan?

Subramanian Murali There are various break-ups for this, as there are many areas where we are planning to invest in. First is that we have a capacity expansion plan in Baddi, where currently the capacity of the manufacturing plant stands at about 400,000 which we are further planning to increase to 1 million per month. Secondly, if you have been following this company, you will notice that 70-80% of our sales come from North India and other five or six states in North India. We are absent in the rest of the country and wherever we are present, we have a significantly high market share. For example, in Rajasthan, we have more than 25% market share of Spice brand phones. So what we are planning to do is that we are planning to open our branches and offices across the country. We have divided the country into seven clusters which will cover all the states and we are planning to have our own offices, infrastructure and a local team addressing the local market. So through this we will increase the presence in all the states of the country and try to replicate what we have achieved in North India and other states also. Thirdly, on the retail front, we have two choices, one is either we open up our own store, or we acquire companies. We are looking at both options. If you have followed us in the last two years you would have noticed that we have done two acquisitions on the retail front. We acquired Celcom in 2009 and acquired Global Access, which is a Bangalore-based chain in 2010. We are constantly looking at acquisition opportunities in retail so that we become the No. 1 retail player in organized retail handset sale in India. Fourthly, on the front of the VAS business, we went and acquired the company in Malaysia and are also expanding organically in Africa and Middle East. Apart from this, we are also going to look at more acquisition opportunities in VAS. These are the five areas where we are going to invest within the next one year and the Rs 1,000 Crore investment is a ballpark figure, depending upon the how large the acquisition is, the investment can be higher or lower. I have given you a broad indication of, the areas that we are planning to invest in.

Gaurav Surana Right Sir, are you trying to raise debt? Because, if we need to spend around Rs 1,000 Crore or so, you might have to raise around Rs 600-700 Crore.

Subramanian Murali Yes. That is a good point because if you look at our balance sheet, it is a debt-free company. Hence we are completely unleveraged. We are looking at raising debt also, for example, in the opening of our own infrastructure in various clusters. Maybe even for acquisitions we can look at debt. It is going to be a combination of debt and equity. It depends on various factors, on market conditions, and on the size of the deal that we are likely to close. But yes, you are right; we will be looking at debt also.

Gaurav Surana All right, Sir and thanks a lot for answering the question. That is it from my side.

Moderator Thank you. The next question is from the line of Srinivas Seshadri from RBS. Please go ahead.

Srinivas Seshadri First question is regarding your distribution network. If you could give some number around what is the kind of end point retail outlets you have currently reached and what is the target for you in the medium term?

Subramanian Murali We currently have close to about 35,000 outlets across the country. One is the number of outlets and secondly, how many outlets through which will we be able to sell high ASP products. So you need to look at both. Our first objective is that we have to increase our presence in a number of outlets, if you look at it from a

Universal perspective; the universe stands at more than just about 150,000 outlets. Our target is to take this figure from 35,000 to 70,000 maybe over the next 12 months period. That is one target, and the second is that if you look at organized retail, in terms of coverage itself, we have more than 35-40% of the organized retail through our own retail stores and we are trying to further increase that. Currently, we have about close to 750 stores; we would want to increase this to 2,000 or 3,000 over the next two, three years. This is in line with our strategy of what I have described earlier, about increasing the ASP of the products and selling more of smartphones and smart like phones. The two things we are targeting at is the reach through our own stores and the reach through our distribution network from 35,000-70,000.

Srinivas Seshadri Okay. My second question is with respect to your manufacturing operations. You mentioned that you have a facility in Baddi. Just wanted to understand whether it is an assembly operation or do you manufacture any components of the phone there?

Subramanian Murali Currently, it is an assembly operation, assembly quality, testing and then also loading some software Which is what we just started about a year or so ago. We are also the first company to start manufacturing in India, The first Indian company to do so. Going forward, yes, we are also exploring options of assembling and getting some components, locally sourcing some components, maybe plastics, and covers, etc., further tying up with our manufacturers to see how they can help us to set up this facility in India. Yes, as of now, it is an assembly operation, but going forward, we want to add value here and increase the locally sourced component in the manufacturing plant.

Srinivas Seshadri Do we have any kind of tax benefits for assembling here? What are the imports?

Subramanian Murali Baddi is a backward area, so we have a five-year tax holiday where we get 100% tax exemption and then for the next five years we get a 30% tax exemption.

Srinivas Seshadri Is this income tax?

Subramanian Murali Yes this is Income tax.

Srinivas Seshadri Okay. And the next five years do we get 30%?

Subramanian Murali The first five years we get 100%, and the next five years we will get 30%. These five years started from 2010.

Srinivas Seshadri Thank you Sir, that is all from my end.

Moderator Thank you. The next question is from the line of Amin Pirani from Deutsche Bank. Please go ahead.

Amin Pirani Can you help us understand? Amongst the phones that are sold, how many of them would be 3G-enabled? We are trying to understand some sense as to how the market is moving and how we should look at this going in FY12 and further than that?

Subramanian Murali You are aware that 3G has just been launched in India and it has not really taken off in a big way. We started launching 3G phones one to two years back, where some of our phones were already 3G-enabled. Currently, maybe about 10-15% of our phones are 3G-enabled. Going forward, we expect this to go to about 30-40% over the next 1.5 years or so.

Amin Pirani This 10-15% is out of the total 8 million or just your own portfolio?

Subramanian Murali I am talking about only Spice branded phones, but if you really look at organized retail, almost 40% of our phones are smartphones within organized retail. So what it means is that more than 40% is already 3G-enabled.

Amin Pirani Okay. And just one more thing, I am trying to understand the profitability of your devices. How much difference would there be in the profitability of the device that you sell right now with an average selling price of around Rs 1500-1600, as compared to more expensive smartphones. Does the margin remain the same on a per device basis and is it as profitable? Because I assume smartphones would have components which will also be more expensive for you to procure.

Subramanian Murali No. As and when we increase the ASPs, the profitability is likely to improve. Couple of reasons for that are: for a high end we are not selling the phone as a box and currently looking at selling the phone as a bundle with services. The mobile internet strategy of selling services along with the phones. When I talked about launching a phone with an email service, there is a component of margin attached to the email service. So then when we bundle content along with the smartphone, then there will be an element of margin which will be included in the content. When we talk of smartphones, it is not only the phone margin that needs to be considered, it is the overall solution what you are offering to the customers. Taking that into account, the margins on high ASP products will also be higher.

Amin Pirani Just to get a sense, the handset that you have launched with the Push Mail, what would be the indicative price of that product in a market?

Subramanian Murali It will be very competitively priced. We have not launched it as yet. It is in the testing phase as of now. But we will launch it very soon. You will be aware of the price and also soon understand that the pricing is going to be very competitive.

Amin Pirani Okay. Thanks a lot for taking my question.

Moderator Thank you. The next question is from the line of Pranav Kshatriya from Brics Securities. Please go ahead.

Pranav Kshatriya Currently your capacity is 4 lakh devices a month and you want to increase it to 1 million a month. What timeframe are we looking at for this expansion?

Subramanian Murali We can do it within the next 12 months but it does not depend only on creating capacity, it also depends on our arrangement with the suppliers in terms of their ability to supply to us and then how well are we positioned to source those components in India. Setting up the capacity can be done in a year's time. We will obviously do it when the time is right. In terms of the right time period, maybe over the next 18 months' time.

Pranav Kshatriya Okay. My second question is regarding that only. I just wanted to know, how much is the capacity utilized? Do you manufacture all the phones that you have planned or you import some of the phones and manufacture some of them?

Subramanian Murali No, we import majority of it. In fact, the last quarter we sold 1.8 million units out of which 25% would have come from our manufacturing plant and the balance has been an import. We keep introducing 10-15 models or maybe more than that on an average, in a quarter. The life of a particular model is not more than six months at its best. We will only manufacture high volume models. We are not going to manufacture all models. At any point of time we will not have more than 50 models in our inventory.

Pranav Kshatriya Is it fair to assume that most of the models which are high-end models will be imported and the low-end volume based will be manufactured in India?

Subramanian Murali You are right.

Pranav Kshatriya Do you have any targets on percentage breakups for handsets which are manufactured in India?

Subramanian Murali No, we would like to manufacture handsets in India as much as possible because we are getting tax benefits and then we can actually add more value and bring down cost of components in India. Our target is to make it maximum but then realistically I do not think we will be able to go beyond 50%.

Pranav Kshatriya Okay. That is for the next one year or an even longer term horizon that you are talking about?

Subramanian Murali An 18 month time frame.

Pranav Kshatriya Okay. That is it from my side. Thank you very much. I will come back if I have more questions. Thank you.

Moderator Thank you. As we have no further questions I would like to hand the floor back to the management for closing comments. Please go ahead Sir.

Subramanian Murali Okay, thank you very much, for participating in this discussion and we enjoyed answering all your questions. We will be very happy to answer any further questions you have. You can always write to us contact us through CDR or investor relations cell and we will be happy to come back to you. Thank you very much for your support again. Bye.

Moderator Thank you gentlemen of the management. Ladies and gentlemen, on behalf of Spice Mobility, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.