



Communications

RELIANCE COMMUNICATIONS LIMITED

Registered office: H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai - 400710

**Transcript of Earnings Conference Call
for the Quarter ended December 31, 2014**

Conducted at 1.30 pm IST on February 16, 2015

Moderator

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

This is Mamta, the moderator for this conference.

At this time, all the participants are in listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question, please press *1 on your telephone. Please be advised, this conference is being recorded today.

Today, we have the senior management team from Reliance Communications namely Mr. Vinod Sawhny (CEO – Reliance Communications), Mr. Gurdeep Singh (CEO – Wireless business), Mr. Bill Barney (CEO - GCX), Mr. Deepak Khanna (CEO – Enterprise business), Mr. Punit Garg (CEO – Carrier business), Mr. Manikantan Iyer (CFO – Reliance Communications), Mr. Rory Cole (CFO – GCX) and Mr. Anil Ladha (Head – Investor Relations).

The call will begin with some key observations by the management followed by a question and answer session. I must remind you that the overview and discussions today may include some forward-looking statements that must be viewed in conjunction with the risks that the company faces.

I hand over the call now to Mr. Vinod Sawhny. Thank you.

Vinod Sawhny

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

On February 13, 2015, our Board of Directors adopted the results for the third quarter of the financial year 2014-15 ending December 31st, 2014. The Media Statement, Quarterly Report and the Results have been uploaded on our web site and I trust you have had a chance to go through the same.

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

- **PAT:** Profit After Tax for the quarter stands at Rs. 201 Cr, a very robust sequential increase of 31% & 85% YoY. This is led by a significant decrease in interest outgo by 13% YoY in net finance costs as a consequence of our ongoing deleveraging efforts. Our profitability has been further bolstered with improvement in our business performance, especially in data.
- **Revenue & EBITDA:** Overall, Q3 revenues are at Rs. 5469 Cr, up 1.2 % from Rs. 5403 Cr in Q2. Q3 EBITDA is at Rs. 1851 Cr, up 1.3% from Rs. 1827 Cr in Q2. India operations revenues grew 3% and Global operations revenues significantly increased by 23% Q-o-Q.
- **EBITDA margin:** Q3 EBITDA margin is maintained at a very healthy 33.8%.
- **Free Cash Flow:** RCOM generated operational cash flow (EBITDA) of Rs. 1851 Cr in Q3, paid net finance charges of Rs. 652 Cr and invested Rs. 348 Cr on capex during the quarter. RCOM remains free cash flow (FCF) positive and this is expected to continue going forward.
- **RPM & ARPU:** In Q3, overall RPM has sequentially increased to 45.2 paisa from 44.4 paisa; an improvement of 1.8%. ARPU for the quarter is Rs.142, up by 3.6 % on a sequential basis. We have improved RPM with tariff hikes, strong focus on paid & profitable minutes, and increase in data usage.
- **Data Subs & Traffic:** Total data traffic was 76.4 Billion MB in Q3, up 16.2% Q-o-Q and 83.3% Y-o-Y. Our data growth has been robust - overall data customer base has grown by 5.7% Q-o-Q to 31.4 million; and 3G customers have increased 10.6 % Q-o-Q to 16.7 million.

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

I would now want to take this opportunity to share our viewpoints on the upcoming spectrum auctions and other key regulatory issues

Spectrum auctions

The spectrum auctions, as you are aware, are to be held the 4th of March 2015. All major operators have a large number of circles coming up for renewal impacting a substantial portion of their revenues.

RCOM has 7 circles (2 Category B and 5 Category C) coming up for renewal. In Orissa, HP & NE, ample spectrum is on the block across bands. We have requested DoT to make an additional 20 MHz in 1800 MHz band to be made available for auction in our other renewal circles - WB, Bihar, MP and Assam. This is concomitant with DoT's stand of ensuring 150 MHz of spectrum for commercial use per circle (inclusive of 55 MHz of 1800 MHz spectrum). In any case, RCOM has several fall back options in each of the 7 circles & sees no financial or operational risk to its business in any of them.

As you can well understand, we will not be able to delve into the specifics of our auction strategy. However, you can be rest assured that RCOM is well equipped and shall participate in the auctions with great financial prudence and will balance the interests of both our subscribers and our investors.

Spectrum sharing & trading

The regulator gave its recommendations on guidelines for spectrum trading on 28 Jan 14 and spectrum sharing on 21 Jul 14. From indications drawn from recent media reports, we expect the government to notify final guidelines shortly after the forthcoming auctions are over. Spectrum trading and sharing would help operators augment their spectrum holdings without participating in spectrum auctions. It would also improve utilization of existing spectrum and have a very positive impact on service quality. From a financial standpoint, it would enable operators to monetize unutilized spectrum in their portfolios which is a big plus for the overall industry.

Regulatory clarity on M&A guidelines

The industry eagerly awaits revamped Mergers & acquisition Guidelines that will provide the necessary impetus to on-ground consolidation activity resulting in

further reduction in overall competitive intensity. This will help operators in implementing tariff corrections for better alignment with their cost structures and result in significant improvement in financial parameters.

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

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

Smartphone shipments reached 21.6 Million in the quarter ending Dec 2014, a staggering annual growth of 90%. 64% of smartphone shipments last quarter were < USD200 underlining device affordability as one of the key strategic drivers of mass adoption.

The overall smartphone base in the country stands at nearly 140 Million and with over 837 million active mobile users in the country, we believe that it still is early days for the data surge story and huge headroom exists for even more explosive growth.

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

Strengthening of our network proposition

RCOM continues to invest to bring superior network experience to all its customers. We have launched our Rev B services in 5 cities - Chennai, Bangalore, Mumbai, Pune and Hyderabad, which will enable our customers to access data speeds up to 14.7 Mbps. This service on the 800 MHz spectrum band provides the best indoor coverage, and is carried on our 100 Mbps

backhaul ensuring the lowest latency and superior customer experience. We have expanded our 3G footprint to now cover 18 circles.

Going forward RCOM shall increasingly focus on WiFi & Indoor coverage solutions in the top 200 cities to boost its data market share.

Strengthening of our device & content proposition

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

- In course of the quarter, we partnered Samsung in the launch of their Z1 Samsung smartphone ,bringing 'Tizen' OS powered smartphones to the mass market (sub Rs.6K)
- We launched 3G Wi-Fi Dongles & Mi-Fi devices in the market in partnership with Huawei. This helps us expand our 3G Data Device portfolio to address the demand for high speed (21.6 Mbps) internet. The new 21.6 Mbps Wi-Fi Dongle can connect up-to 10 devices simultaneously and the new 21.6 Mbps Mi-Fi Device with in-built battery, can support up-to 10 devices simultaneously and has 4 hours of battery back-up. These devices are bundled with attractive data plans and are aggressively priced in the open market delivering significantly superior propositions vis-à-vis the competition for high data users.
- Launch of "Free Facebook Fridays" - to enable intermittent or zero data users to experience social networking and gradually evolve into data pack/plan users.
- We introduced "Movies on Mobile" to encourage customer content discovery on their handsets with a pay as you go model. Initiatives of this nature continue to help move data users up the paid consumption ladder.
- I am happy to talk about our recent partnership with Facebook for Internet.org, an initiative to bring basic internet services for free to the masses. Available as an application as well as a freely accessible website on a feature phone, RCOM customers can now access basic internet

services related to healthcare, employment, local information and a host of others, without being charged for data connectivity. This ground breaking initiative shall spur internet adoption and further bolster RCOM's leadership in the data arena.

We are already witnessing overwhelming response to this initiative.

Our concerted data strategy execution across consumer segments has shown heartening results with 3G data subs having grown 10.6% to touch 16.7 Million subscribers. Additionally, our data usage per customer, already the highest in the industry, has further grown by 10.9% Q-o-Q to touch 834 Mb/Sub

Significant focus on enhancing customer engagement & experience

We continue to drive home the pre-eminence of the customer through a host of integrated initiatives centered on enhancing customer convenience and overall experience

- Launch of "Reliance MyStore" Upsell Portal - One Stop Shop for Reliance Prepaid GSM Products on USSD. A comprehensive CLM tool , it provides a simple interface for a large swathe of customers to view , compare and avail offers & top-ups using their prepaid balance at their convenience
- RCOM unveiled a unique 'TalkLoan' facility to ensure that customers are not inconvenienced by a low balance during emergencies and/or during odd hours. With the TalkLoan service, customers with a low pre-paid account balance can simply dial a toll-free number and get an instant 'TalkLoan' recharge, which can be used for both voice and data services.
. The TalkLoan service provides RCOM's pre-paid GSM customers with an instant loan of Rs 5 or Rs 10, which can be availed of when the balance dips below Rs 10. The 'loan amount' is then recovered by the Company over subsequent recharges, with a nominal transaction fee.

Moving on to the enterprise segment,

Our India Enterprise business caters to over 39000 large, medium and small businesses across the country, including 850 of India's top 1000 enterprises. RCOM enjoys clear leadership in the enterprise space across voice & data solutions and is one of the largest IDC players in the country with 10 data centers and 1.1 Million Sq. Ft of data center space

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

1. The rise of the digital enterprise and cloud

Many organizations, primarily led by the agility imperative, are embarking on a 'Digital Transformation' journey. Social, Mobility, Analytics and Cloud, or the SMAC stack, is playing a pivotal role in this journey. A recent survey by EMC revealed that 51% of the respondents are deploying one or more of these technologies to enhance customer experience. We strongly believe that integrated telecom players like RCOM would play a definitive role in enabling this digital transformation

2. Increased demand for end to end services

Most large and medium businesses have their basic network in place and are functioning as connected Enterprises with their ecosystem partners well integrated into their network. The need that is clearly emerging now is that for integrated solutions aimed at increasing business process efficiencies. Businesses now want their ICT partners to provide them hassle-free end-to-end solutions that can be deployed without heavy Capex demands. As the partner of choice for thousands of Enterprises across verticals, our continued interactions with business leaders and CIOs corroborate this.

The strategic focus for us is to develop into a leader in end –to-end integrated services and cloud solutions. We have taken several strong strides this quarter in this journey up the value chain with a slew of home grown solutions combined with a collaborative innovation model.

- Our portfolio has expanded to comprise several IaaS and SaaS solutions.

- Continuing our portfolio expansion initiative, we recently launched Cloud Video Intelli-Surveillance—an end-to-end cloud-based video surveillance service with a strong suite of Analytics features—in association with Panasonic
- We also rolled out DaaS, or Desktop as a Service, enabling Enterprises to encourage flexible work styles, ensuring business continuity while helping lower Opex
- We are working on Mobile Device Management and Mobile Enablement of Applications to address the Enterprise IT challenge of information security in an era of mobility and proliferation of personal devices
- In addition to the above, our recently launched services like Wirefree Business Internet and Intelligent Telephony have found very encouraging traction in the market.

In the fourth quarter, we shall continue to focus on enhancing our market share in MPLS, and Internet through product & service innovation, geography expansion & ecosystem collaboration, and drive our metamorphosis in the cloud space.

Strong performance in the Carrier business

Q3 FY15 has been another excellent quarter for the Carrier business

- The new services of hubbing and transit in our global voice business reached new heights with an overall traffic volume growth of 14.2% Q-o-Q
- In our national long distance business we signed several new deals and delivered significant amount of fiber to RJIO during the last quarter. We expect to complete all deliveries to RJIO in Q4 FY15.
- The international calling card service is gearing up for launch in India in Q1 FY16. TRAI introduced regulations for this business in Aug 2014. Thereafter, we have interconnected our network with 5 operators with interconnections with 3 others expected to be signed in Q4 FY15 with TRAI intervention

The outlook for Q4 remains fairly positive with focus on Infra sales monetization & additional revenues from hubbing.

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

Q3 was a great quarter with significant uptick in voice traffic and IRU sales leading to a sequential overall revenue increase by 23%.

- During the quarter, we continued to make investments for long term sustainable growth through infrastructure enhancements and deployment of Cloud X, our new transformational Cloud ecosystem. In addition to Silicon Valley and Hong Kong, Cloud X node is now operational in London, with New York, Mumbai, Dubai, Sydney and other planned installations underway. We will complete 20 Cloud X nodes in 2015.
- As we continue to build on new business opportunities, GCX's collaboration with the Tokyo Stock Exchange in Q3 opened up new opportunities for us in providing end to end solutions across our global subsea network for financial customers worldwide.
- Also in Q3, GCX significantly enhanced its global infrastructure by adding more than 480G capacity in Asia between Hong Kong and Japan; 600G on Trans-Atlantic and 500G on the Middle East to Europe route. The company also refreshed IP PoPs with new equipment at 12 locations across the US and Europe.
- To further enhance productivity and increase efficiencies on internal processes, in Q3 we initiated implementation of One SAP – a common ERP platform to unify and standardize processes across all businesses and regions.

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

Key Developments in Operations & Finance

1. Outsourcing of network management services and call centre operations:

- With a keen focus on streamlining operations and improving cost efficiencies, RCOM has entered into a long term managed services

agreement with Ericsson. This strategic partnership will help substantially improve network efficiency and performance to elevate customer experience. Additionally, it shall help RCOM deliver next generation telecom solutions across multiple devices and platforms.

- In Q3, RCOM executed a major component of its overall operational efficiency strategy by outsourcing its call center operations to Vertex and roped in Avaya to upgrade the underlying technology platform. This will go a long way in delivering superior customer service and will help streamline our focus on other key pillars of business innovation.

2. RCOM is aggressively pursuing de-leveraging initiatives

- RCOM is driving various initiatives to deleverage its balance sheet. The company, as you are aware had raised Rs. 6100 Cr through India's largest QIP offering in the 1st quarter. Apart from this, a host of targeted initiatives around monetization of core and noncore assets (GCX, DTH & Real Estate) are actively in progress. Our initiatives have already helped lower our net debt by 10% and interest outgo by 13% YoY.

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

In conclusion, let me reiterate the following:

- RCOM is well positioned to participate in the upcoming auctions with no financial or operational risk to its business in any of the 7 circles. We are confident of renewing spectrum in our 7 circles at reasonable price levels.
- Implementation of spectrum trading policies will significantly improve the quality of services for consumers.
- RCOM is progressively innovating through differentiated products and services with a focus on expanding data revenue base and enhancing user experience for both voice & data customers

- RCOM is focused on sustaining and extending its established leadership in the Indian enterprise space across IDC, Internet & MPLS
- RCOM has taken significant strides in its evolution to a pre-eminent cloud player in the Indian enterprise segment with investments in solution development and strategic partnerships
- RCOM maintains its market leadership in the NLD & ILD segments and is focused on sweating its extensive infrastructure assets on the ground
- RCOM continues to invest in partnerships & infrastructure growth in its global operations to emerge as a leading global cloud infrastructure player
- RCOM initiated major programs to improve overall operating efficiencies through outsourcing of network management and call centre operations. We shall continue to explore avenues to extract maximum efficiencies across our scale of operations
- RCOM is actively working on various initiatives to improve operating metrics, to de-leverage the balance sheet to achieve continuous enhancement of shareholders' value

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

Operator:

First in line we have question from Mr. Rajiv Sharma from HSBC. You may go ahead, sir.

Rajiv Sharma

Thanks a lot for the opportunity. Just a couple of questions from my side. You mentioned about these MiFi plans, MiFi devices, with four hours of battery back-up and all. So is this an initiative which has been taken in this quarter, or will be taken this quarter or it's been there for quite some time? And can you also help us understand the pricing of these plans in comparison to your mobile data, how cheaper it is? Second question is on the fiber sale transaction with Jio. So out of Rs. 1,200 crore, how much of this has been booked this quarter? And where is it reflecting in numbers? Thank you.

Gurdeep Singh

Thanks, Rajiv. As you all know 800 MHz band is a superior spectrum and it allows us to have better indoor coverage. For the past several quarters we have remodeled the business to use and drive more & more data services and products on this spectrum band. We are further enhancing the scope and delivery through the spectrum by including Mi-Fi, Mi-Fi routers, etc., which we are in the process of launching soon.

I will not be able to share exact plans and how cheaper or comparative they are, but I can say they significantly enhance consumer experience. They will help us garner home data share of the revenue, and our mobile devices, they come with a battery backup so you can literally carry them anywhere, so it's like all your data services are on the go.

Punit Garg

With Reliance Jio, there are two contracts as far as fiber optic network is concerned. One is on the national long distance, and another one is on Access Network, i.e. the City Network. For both the contracts, the work is still in progress. We expect to complete the work in the next quarter or so. Thank you.

Rajiv Sharma

Just to follow-up, Punit. So out of the Rs. 1,200 cores, anything has been recognized as revenues as of now?

Punit Garg

I think over the last few quarters it has been part-recognized and we are receiving the money as per the work deliveries, and acceptance.

Rajiv Sharma

So can you share how much of this has been recognized?

Punit Garg

I don't think we give the details of the breakup of that in any quarter.

Rajiv Sharma

But that is reflecting in the India business?

Punit Garg

That's s right, under Indian operations it has been reflected and accounted for.

Rajiv Sharma

Just a couple of other questions, has your net-adds declined, so there was negative 3.8mn, I understand there was cleaning of subscriber base sometime back in 2012, 2013 also. So what is this? And your 3G sites are stagnant or flat at 11,659. So is it fair to assume that you are trying to extract more from less and you're just holding Capex for some time because of auctions?

Gurdeep Singh

Rajiv I'll answer in two parts. Coming to the net adds, we have always maintained that we continue to have healthy and paying subscribers on our network. I did share a couple of quarters ago, that being a challenger brand in GSM and at a time when the dual and triple SIM phenomena was at its peak, there were consumers who had multiple SIMs. And we did keep them in the network for more than the time permitted by the TRAI as per mandatory guidelines, hoping to win back those customers. And I think over the period of time, we have decided to tighten the timelines and come in closer to the TRAI norms. As a part and parcel of that process, while we continued efforts to win back the customers, we also continue to weed out the customers, who do not respond.

However, since there is next to negligible activity on some of these customers, they are non-revenue bearing, so there is no impact on the revenues. On the contrary, it helps us to clean up & free the numbering resources and also lower our cost that we pay by the various licensees for having these subscribers on the network.

So that is part one to your answer. Part number two, coming to the near static number of 3G sites, well, as you are aware that we have upfront invested in 3G at the time when we launched. Secondly, we hold largest metro footprint in our 3G footprint, which really doesn't have scope for expansion because you are well covered and you have a capacity which you can cater to for a while to come.

And we also believe that in the markets wherever we do not have 3G sites, the markets still have to come up to the level of smartphone penetration for us to be able to expand the networks further.

So clearly, at this moment, we are milking the assets that we have on the ground, but going forward, yes, the 3G rollouts is inevitable.

Rajiv Sharma

If I can ask just one last question?

Gurdeep Singh

Yes please.

Rajiv Sharma

In your initial comments you mentioned about spectrum trading and sharing being allowed. So how confident are you that this gets allowed, post this auction, because the government is sitting with another 15 megahertz of spectrum in 3G? And any trading transaction can change the pricing for the government because it creates another reference mechanism?

And second is, which spectrum will you benefit from trading? If it's 850 MHz band, it will be just valid for five, six years, so do you think there will be takers for five years?

Gurdeep Singh

Well, Rajiv, all I can say at this moment is that we would not like to comment more on sharing and trading as we are in the process of now getting underway to the auction and our clear focus is right now to be financially prudent while we re-acquire and beef up our spectrum portfolio. You know that in all our seven circles we have supportive and fallback spectrum in both across 800 MHz and 2,100 MHz. We are quite unlike many other operators who either have spectrum or don't have it at all.

So I think today, we have far more options to evaluate in a financially prudent and a disciplined manner. We would stay focused on the current auction for now. I don't think I would comment into anything to do with auctions at this time, or the change in regulatory framework.

Rajiv Sharma

Okay, Gurdeep. That's very helpful. Thanks a lot.

Gurdeep Singh

Pleasure, Rajiv.

Operator

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

Gaurav Malhotra

Hi, thank you for the opportunity, just a couple of questions. One is just to follow-up on the fiber network, so Rs. 1,200 crore of contract which was signed up and which was securitized, can you just let us know when that is going to start getting reflected in the P&L? And the second is on your Global business, if you can just give us some update as to we have seen the revenues bounce back but the margin seems to be under pressure, so anything on that would be helpful? Thank you.

Punit Garg

As far as receivables under long distance fiber optic agreement is concerned, we have announced in the previous calls that the securitization has already taken place. As far as intra-city access network agreement is concerned, we said that we are delivering and collecting the cash as and when acceptance happens, so there is no securitization in that particular case.

Gurdeep Singh

In our Global Operations, revenues have mainly increased in the Voice segment, which is comparatively a lower margin business, and that is why our margins were under pressure.

Gaurav Malhotra

Okay, thank you.

Operator

Thank you, sir. Next in the line we have Mr. Aryn Pirani from Deutsche Bank. You may go ahead please.

Aryn Pirani

Thanks for taking my question. I just want to come back to the profitability in the Global operations, I understand that it's a business which is lumpy in nature and quarter-on-quarter comparisons may not be useful. But what is a normalized level of profitability say over a year or over two years that we should look at in this business, because profitability level of the business has been quite volatile for you for the past two years.

Punit Garg

Let me just say a few things on that. The Global operation includes the GCX revenue and EBITDA as well as Global Voice which is the Voice revenue outside India which we collect in our companies. I would like to explain you the two one-time charges which we have incurred during this quarter, one of that is more of an accounting entry than really any impact on an annualized basis on our books. Basically like we have a USO fund contribution in India, we have similarly USF contribution in USA and in that they take the total revenue of the business and if the domestic revenue to international revenue is lower than 13% then you are exempted out of that contribution. Earlier they used to do the calculation on an annual basis, but in this year, they've started doing this calculation on a quarterly basis. And in one particular quarter we have hit the limit and hence we were out of that band. Thus we paid around Rs. 35 crore as part of that. But on an annualized basis, on a three quarter basis, we are already exempted from that, so we would get a refund in the next quarter for our contribution. So that's an accounting entry, number one.

Number two, there are one time charges with respect to access which we have made and that is also on account of separation of these companies, because they were earlier one Group Company. Now they are working on a non-discriminatory basis which is required in most of the countries, we have actually

levied those charges and have sent it back. Hence, on a consolidated basis in RCOM there is no difference.

But when you look at the Global operations and Indian operations, that minor difference has come in this time, which is also of the tune of same amount of Rs. 40 crore to Rs. 50 crore.

Bill Barney

And then just to follow-up, we actually had a growth in both EBITDA and Revenue in the quarter. So we actually had very, very strong quarter and we are planning on a fairly strong fourth quarter. So most of the offset, you're seeing is related to this one-off charge in the voice business. But our underlying data business which is a majority of the business was very healthy and continued to expand in the quarter.

Amyr Pirani

Thank you sir. That one was very helpful. Thanks a lot.

Operator

Thank you sir. Next in line we have Shweta Dixit from Nomura. You may go ahead please.

Shweta Dixit

I have just one query regarding your depreciation. Your depreciation has come down, what is the adjustment regarding that? And how should we see it going forward?

Manikantan Iyer

The depreciation is in fact Rs. 948 crore, a Rs. 5 crore variation from the previous quarter. This is on account of additional capitalization during this quarter.

Shweta Dixit

Okay, thanks.

Operator

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

Kunal Vora

Thanks for the opportunity sir. I just wanted to get some insights on your free Facebook offer. So, do you get anything in return from Facebook for the free Facebook access which you are providing? And what are your thoughts on the churn levels, you might attract some customers for the free Facebook offer initially. But is it possible that we might see some increase in churn subsequently once you discontinue this offering? Thank you.

Gurdeep Singh

Thanks, Kunal. Kunal, as you know that, only 30% of telecom users use Internet and I've been saying this repetitively that the Internet market to come under 2G and 3G is the multiple of the market that we're handling today. And hence one would have to look into the user capability issue, device issue, language vernacular issue, or was it affordability issue? Or is it just the bill shock issue. I think at this point in time, it's very important to bring every telecom user to the Internet and make them the Internet user and in that regard I'm happy that we tied up with Facebook. We have a common vision of bringing Internet to all. And as a part of this process, the product is designed through a special technology platform that we have jointly created, which helps us to optimize the sites and make them merely a very, very, low bandwidth hungry sites, put the content of travel, education, healthcare, jobs, government services, weather, agriculture products, pricing, et cetera, which is in a meaningful fashion what consumers can access without any data charges.

Now, this applies to all our customers whether they are existing Internet users or not. And we hope, with this, we will be the first company to make every user of Reliance an Internet user, which we believe should help him or her improve their lifestyle, improve their productivity and open up more avenues for their growth.

We see increase in consumer stickiness because of this. And we believe over a period of time as the familiarity to the basic sites – the 33 sites that we have put together initially increases, we will increase the number of sites. As the familiarity goes up, a certain percentage of those will move into becoming full-fledged Internet users, and hence will mature to sign up the data plans and pay for the data plans. We see this as a huge beneficial program for RCOM in giving us a differentiated position at our point of sale for acquisition of customers and through the glue of the free net we have offered the retention and the loyalty.

Kunal Vora

Thanks, sir. Just a couple of follow-ups, so what will be the validity of this offering? Does it have a limited validity or it's like open ended right now? And do you see any cannibalization of your existing data, like paying customers? And if not, then why not? Thank you.

Gurdeep Singh

Well, this is not a promotion. So this is a product philosophy and a belief and a vision. So this will continue for many years to come. Secondly, yes, there could be a potential of a small cannibalization. But if you look at the largeness of the disproportionate acquisition that we will be able to make on the ground, as this is currently exclusive with Reliance which gives us a tail wind and a head start to the market, it will more than offset.

Kunal Vora

Understood, sir. And did Facebook or any of the websites which you offer free access, do they pay you anything or you can't disclose that?

Gurdeep Singh

The partnership with Facebook is to grow and make every Indian to use Internet. I think 'Internet access for all' is our vision. And in this partnership we are together committed. I'll not be able to share who commits and spends what expenses, but all I can say is this is a powerful vision and an idea in itself which both the companies believe.

Kunal Vora

Understood, thank you very much sir.

Operator

Thank you, sir. Next in the line we have in Aryn Pirani from Deutsche Bank. You may go ahead please.

Aryn Pirani

Thanks again for the opportunity. I just want to get back to something that you have been talking about in the past; that is your minutes growth. Though the minutes have stabilized, I just want to get a sense as to, is the process of weeding out extra minutes over, and what do you feel could be the industry minutes growth over the next say 12 to 18 months? And would you grow in line with that or would you see that your growth will continue to be below industry, as far as minutes growth is concerned?

Gurdeep Singh

I'll answer this in two parts, and yes, our effort to continue to reduce free and promotional minutes will continue because we still believe there is a difference between the headline tariffs and the special tariff vouchers' sizing. There is still some more room left to bridge that. We will continue to do that. And besides this we also believe there is a scope for the tariffs to move up between 4% to 6% over the next 12 months. So expect the tariffs going northward. Both of them coupled together with no elasticity on minutes, now that we have gone past that stage, should bear well for the minutes growth in the future. And we are very hopeful that we should be in line with the industry trend as we move forward.

Our 'GSM+Data' revenues, now constitute ~74% of our wireless revenues. In the GSM business, we will continue to perform or outperform the market in terms of quarterly growth and also grow our minutes in the network.

Aryn Pirani

Okay, sir. Thanks for that response.

Operator

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

Pranav Kshatriya

Hi, thanks for taking my questions. I have two questions. Firstly, on your inter segment, basically the Global revenue has grown by around 22% but that is not reflected in the bottom line. Why exactly this inter segmental revenue has increased so drastically?

And my second question is on global voice revenue. You said that global voice has seen a strong growth in this quarter, so what portion is exactly contributing to the growth? That's it. Thank you.

Manikantan Iyer

As far as global EBITDA is concerned, it contains a one-time element of cost of around Rs. 35 crore on a prudent policy basis, which we'll be entitled to receive back in the forthcoming quarters.

And the second one, you asked us on the elimination. In this case please note that the termination rates have been revised, to comply with the transfer pricing requirements between Global and Indian segment. That is why, the eliminations have gone up. However, this will not have any impact on either net revenue or the EBITDA of the Company.

Punit Garg

As far as global voice is concerned, one of the important factor is that the international voice revenue outside India has grown over 50% on account of growth in transit and hubbing revenues, as mentioned in the opening remarks. And this business is a low EBITDA business in the low-single digit.

Pranav Kshatriya

Thank you so much.

Operator

Thank you sir. Next in line, we have Priya Rohira from Axis Capital. You may go ahead madam.

Priya Rohira

Hi. Good afternoon to the management team. I just wanted to understand more on the Capex front; is there any revised guideline over there? And secondly, I just wanted to check on the Global Operations, the one-time expense, is it Rs.35 crore or is it one item towards USF support and then one towards the access which makes it to Rs.75 crore? So I just wanted a clarification over there.

Gurdeep Singh

Thanks Priya, just to answer your question on the Capex guidance, it remains in the range of about Rs. 1,500 crore.

Punit Garg

On the global voice one off charges, around Rs. 35 crore is on the USF front, which we have paid and we will receive the refund in next quarters. There is a one-time access charge adjustment which is in tune of around Rs. 50 crore.

Priya Rohira

So cumulative is Rs.85 crore out of which Rs.35 crore will get recovered?

Punit Garg

That's right.

Priya Rohira

Sure. And the other clarification which I wanted, the supply of towers to R-Jio, do we consummate it entirely in Q4 for which we can look at monetization. Would that be the right way to look at it?

Gurdeep Singh

Yes Priya, we are looking at completing the handover of tenancies to Jio to either in this quarter or it may spill over to April. And post that, we will take up the securitization.

Priya Rohira

Okay, that's helpful. Thank you and wish you all the best.

Gurdeep Singh

Thank you.

Operator

Thank you madam.

Gurdeep Singh

Mamta if there are no questions, I would just want to recapture a few points for everybody's benefit.

Operator

No sir, you can go ahead.

Gurdeep Singh

Okay. I just want to recapture for the benefit of all since we have been talking for several quarters. As you would recollect that about four quarters ago, we said that we are going a circle specific go-to-market strategy. We will put increased thrust on data. We will continue to weed out non-revenue paying subscribers and align them to cost to sell. And we will have a special focus on the CDMA business, especially in the light of the growing handset ecosystem.

I'm happy to share with you the following facts; the strategy is now fully in an execution mode on the ground and has started to bear the fruits. And this was the first quarter of a complete strategy in action on ground. It has largely happened due to focused execution.

First; 74% is now 'GSM+Data' business and we continue to see the momentum of growing in line or ahead of the industry. Second; 26% is the revenue contributed in wireless by the CDMA voice and I'm happy to share that this is the first quarter when the CDMA voice for the full quarter has shown stabilized revenues. And this is largely coming on the back of improved handset ecosystem and we expect the ecosystem to only get stronger and thereby helping us to start growing these revenues. I see one more quarter of the stability of CDMA revenue

and after that; we will see CDMA adding back to the growth of the overall wireless revenues.

Our data thrust of “3G speed @ 2G rates”, “One India One Roaming” plan to get high value customer our, “zero plan” and the contract plans are now the category creations of the industry. Our recent thrust to add social networking part to the data packages, our initiatives on Facebook free Fridays and our huge initiative to bring to India in partnership with Facebook the Internet.org will help our trust and belief to continue to gather leadership positions in our data market.

So going forward, we are very hopeful of stronger business results on wireless. And on CDMA, a spectrum, which is a superior band on 800 MHz sub 1 GHz, will be further strengthened by the launch of slew of devices starting from MiFi, MiFi routers and going down to the dongles. We will have a complete range of devices to gather leadership in this market.

Vinod Sawhny

Yes. Okay, so let me thank everybody who is on the call today and we will connect with you next quarter to share an even better set of numbers across all our businesses. Thank you once again.

Operator

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