

OnMobile Global Limited

Investor Conference Call – Q2

27 Oct 2009

Operator:

Thank you for standing by and welcome to the OnMobile Quarter 2 earnings conference call presented by presented by Mr. Arvind Rao. 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.

I would like to hand the conference over to Mr. Arvind Rao. Over to you sir.

Arvind Rao:

Thank you very much and welcome to the quarterly earnings call. Over here in Bangalore we have Sanjay Uppal who is our President and COO, we have Rajesh Moorti our CFO, Mouli Raman, CTO & Co-founder, we have Sandhya Gupta Head of Investments and M & A and we have Praveen Kumar who is in charge of Investor Relations. We would like to start this call with a little bit of background because before we get in to the number I just like to give people a perspective on what is going on in the domestic telecom industry, because it is important to have that as a context to view our numbers in. Now, in looking at this you must remember that today roughly about 70% of our revenue comes from India, now while that number has decreased from 100% about 3 years ago, it is still a very significant part of our business.

When we look at the Indian telecom sector, all of you are well aware of what has been happening in this sector to a large extent and that is obviously been reflected in both the PE multiples and stock prices of the leading telecom operators. Now when we look at it we believe that the telecom industry in India is going through, what I could call, as a major change process right now, largely because of the quality of subscribers that are coming on board in terms of people who have got very low balances, people who are recharging everyday or every two days. There are whole bunch people who have multiple SIMs and they keep switching SIMs based on which telecom operator's plan is the best plan for making that particular call and all these have implications in terms of revenue growth relative to subscriber growth. Most of the telcos have shown good growth in subscriber numbers but that has not reflected in the revenue growth. Now we believe that the telecom sector is going to go through some difficult times in the near terms and I believe that there will be M&A consolidation over a period a time, there has to be, but it is going to take a while. It is not going to happen in the immediate near term and in the process of that consolidation, the waters are going to be a bit stormy. There is going to be sort of a huge amount of price led competition and that has got some implications for us. Now when I say some implications, we are seeing two trends. On the one hand in the near term and most of these telecom operator's senior management clearly has got other priorities and somewhat I would say distracted by focusing on strategies to handle both new entrants as well as what is the new pricing war. So there has been some distraction

that we have noticed in terms of senior management. On the other hand, we are also seeing that the operators have even more emphasized their dependency and their looking for VAS as a savior to pull themselves out of this industry trend.

So it is very heartening for us to see that operators are actually approaching us in India asking us for just about every product that we have in our stable, even if it has been half developed or not fully tested and what can be rolled out in the near terms to ramp up revenues. And when they talk to us about revenues these days, they are not interested in what product do you have for 30, 40, 50% growth in revenues. They are looking for 2x, 3x growth. So there is tremendous pressure on us to accelerate the pace of our R&D and our innovation and our product roll out and help them meet their needs. Now the challenge is going to be that in terms of VAS promotion because lot of them marketing dollars and marketing rupees are going on their new pricing plans and their new strategies, how much of that will be devoted and dedicated to VAS remains to be seen. But the overall trend over there we are seeing is quite positive in terms of the interest levels and their receptiveness to increase their dedication and their commitment to VAS.

So in the talking points that was sent out as a backdrop to this investor call, one of the things to look at, if you look at item number 1, you know the most important point from this table is that when we look at the growth in VAS as reported by Indian operators over the last 4 or 5 quarter is roughly in range of 22%, overall. Whereas if you look over the same timeframe, the growth in OnMobile domestic revenues has actually been 36%, which is almost 50% higher than the VAS growth of Indian Telco operators.

Now that is one positive sign which means inspite of the overall industry trend, we have been able to keep the momentum going and we will talk a little bit more about it as we go on, but as far as the domestic sector goes, the Indian sector, the only reason why we have not grown faster than what we should have grown at is because we have terminated doing business with one India operator, so that has essentially gone from what it was in December to January timeframe to essentially 0 today.

So basically we are recovering from that, our revenues from other operators are ramping pretty well, both in terms of revenue growth and market share growth. We will very soon cover up for this. So I don't see a long term effect of this thing, but there is near term one of two quarter dips because of that effect.

Now, that's the back drop for this whole sector. On the international front I am happy to tell you guys that we are seeing, as I have said before, unlimited customer demand for our products. Everywhere we go, we are getting very strong receptiveness. The track record is solid. So on the international side its going actually gang busters and the only thing that is holding us back over there is our ability to execute and to roll out more operators in parallel and in simultaneous deployments and Sanjay Uppal will talk a little bit about that as to what our capability is, but on the international front there is absolutely nothing

but good news as far as we concerned from a business standpoint. And we will give you guys some flavors of the Telefonica project as well which is very large and is a central of our international expansion program.

Now coming to point number 2 which is the material new developments from customers, for the first time in OnMobile history an international customer, and this is one of the European customers, core customers that came to us with the Voxmobili acquisition that we had done two years ago. The level of the business that we are doing with them has steadily increased from quarter to quarter, year to year. So much so that today, they have broken in the top five customers for OnMobile. So that is the very positive sign for us and while the top 5 customers for OnMobile have traditionally been dominated by the India Telcos, the writing along is on the wall, in that probably two or three years from now, at least two or three of those slots will be international operators and no longer Indian operators. So that is very positive sign for us that we are succeeding in our diversification program and derisking the dependency on India based revenues.

The second point is the kick off on the first three Telefonica operators, for this I will ask Mouli Raman talk a little bit because he has been talking lead on this Telefonica. Mouli you want to just comment on the Telefonica.

Mouli Raman:

So, what we are seeing on the ground with the Opcos of Telefonica, Latin America, is that they are very excited about what we have to offer. As you know there are 13 countries and over a period of next about 15-18 months we are going to roll out many of our services in these countries. We have divided in to three phases and the first phase will go live before April of next year and this is going to be between January and April and the subsequent roll outs will happen over the next about 12 to 15 months. That is briefly an update on Telefonica.

Arvind Rao:

Okay. We can talk a little bit more in the Q&A section on Telefonica. The second large international contract that we have is the work that we are doing with Vodafone globally and to give you an update on that I will ask Sanjay Uppal to just give you a quick update on our Vodafone global deal.

Sanjay Uppal:

Hello everyone this is Sanjay Uppal. First thing I wanted to say was that for all of these deployments that are happening outside of India, we have instituted a parallel deployment process that Arvind had touched upon and this parallel deployment process will allow us to go out and roll multiple customers at the same time. This is quite critical because we

are now touching geographies that we had not been in before. So Telefonica falls under that. Vodafone also falls under that. At the last call that we had, we had told you that we were rolling out our first in an operator in Europe and am very pleased to say that for that Vodafone operator the deployment on time. It was on schedule and after the deployment, we have exceeded targets and we are the number one penetration in that country in five months of deployment. So that is good news. Now the second one has gone live as well, that it went technically live last month and that deployment also followed our parallel deployment process and has also gone live on time and on schedule. And as you know these deployments have reasonably quick break even time. So once we get in there and we deploy on time and schedule then the pay back period will come after those services go live. Now beyond that we went live in a competitive deployment for a leading operator in the UAE. Now what we were doing here is we were actually rolling over or swapping out our competitive deployment and we did that again on time and on schedule following the same parallel deployment process that we had put in place and this one as well, because it was a competitive deployment, we were tracking very closely what was the penetration level that we were able to achieve in comparison to what was previously in place for that operator and we have been able to increase the penetration levels after the swap over and the deployment.

Arvind Rao:

Sanjay just one sec. I just wanted to say one thing to add to what Sanjay you know the Telefonica transaction is slightly different from Vodafone in that Telefonica is a forced deployment if you want to call it in 13 countries where our technology ring back tone solution, voice portals is going to be deployed in 13 countries, it is just a matter of time as to how fast we can roll it out. In the case of Vodafone the deployment is based on the Vodafone operators' listening to our story being encouraged by headquarters, but they have to make the call say 'yes' we want to go ahead with OnMobile or not. It is not a forced deployment.

So the first two deployments that have gone live in Romania and Vodacom, the fact that they have shown such outstanding results is actually of great sigh for us. Because what has happened is the flood gates are now slowly opening up. In fact we are being pursued by Vodafone Hungary, Vodafone Czechoslovakia, Vodafone Australia, Vodafone New Zealand, Vodafone Egypt. They are pursuing us, saying that hey can we also roll out quickly because they have seen the first few results. So, the momentum in the Vodafone transaction is actually picking up quite on track and we are quite positive and feeling good that this is better than what our forecast was going in to it.

Sanjay Uppal:

Yeah thanks Arvind. So just moving on to look at what we have been doing in India. We signed a letter of intent for deploying our music and voice portal services in an

existing operator that rolling out GSM services. We have done similar thing for SMS services at a different operator who is actually a new entrant in to the India market. Now if you look at execution within India, we have been able to migrate two former Spice Circles that is Karnataka and Punjab, both are relatively large circles, on to our platform and that too was done on schedule. As Arvind pointed out at the last call we had said that they was some internal restructuring going on with one customer, that is an Indian operator, and with that customer we have this quarter mutually terminated business and so that has had an impact on the numbers that Rajesh will be walking through.

Arvind Rao:

So do you want to go through all products?

Sanjay Uppal:

So let me move on now and talk about what developments are there on the product side and I think on the last call what we had pointed out is that we are seeing product synergies between what we have been doing on the search and discovery side and on the music and entertainment side and what we have been doing on the social networking. So I am going to highlight a few those. The first one is we have released the OnMobile Family Calendar Add on to network address book. The network address book is part of our social networking offering and there is a number a Tier I operators in the west that have launched services based on these address books. So we have actually led the pack over the here by adding the family calendar add on and launching the first connected community for a leading mobile operator in Germany. Now what we have done on the business intelligence side we have launched our OnMobile churn management product at one of the leading operators for RBT.

As you folks all know, churn is the primary concern not on just on the core business but also for the value added services and through our understanding of what the end consumer will do in terms of both predictively looking at churn but also looking at churn that is on call, we have been able to reduce this churn by about 10% which is very significant and we are talking this result to an operator that is in the Asia Pacific region in Indonesia to look at churn reduction on their core service.

Next point again on the unit that does social networking is that our phone backup has been quite successful in the number of the operators worldwide, but one of the difficulties was that the phone backup is handset related because there is client that needs to go on the handset. Through our engineering working we have been reduce the footprint of that client using some new technology and now we can address a much wider set of handsets which will really help markets where the handset is not prepackaged and comes out with the operator including the Indian market. So this phone back 2.0 which now includes both the iPhone as well as android versions has been deployed this quarter, not just across

different operators in Europe but we are also deploying new versions in operators here in India.

We have been talking about the AdRBT product for a while and that has reached the next stage in deployment. The results from the first circles have indicated a very good conversion rate and by conversion rate here, I mean someone who hears the Ad, between hearing the Ad and actually taking action on what that Ad had been asking for, that conversion rate has reached a preliminary 7%. Now as you folks know from advertising stand point a 7% conversion is actually very good. So if we continue on that part we believe that it could disruptively affect advertising industry in general. So while it is a preliminary result, I believe it's a very positive result that we have been able to garner in a short period of time.

Arvind Rao:

Sanjay just to add to that. In most of these marketing response rate as you know are typically in the range of 1% to 1.5%. So today we have almost about 250,000 active users on our AdRBT project. We have been rolling it out slowly, very cautiously because this could be very large, it could be disruptive, and we want to make sure we get it right with no negative effects. The customer we have been doing it with Vodafone India is also very cautious and careful. So the initial results even the 7% drops to 5-6% it still going to change the way advertising is going to happen in India and as we have said we have got a couple of twists in this which are very unique from a technology standpoint. One is the whole cost of interactivity. So when people hear an Ad they can respond to it impulsively in real time by just pressing * and responding to that ad. So that is one key feature of this thing.

The second thing over a period of time is where the user, and this is the long tail of advertisers like a small restaurant can come in through the web and place an Ad which is played only to people in the neighborhood of the restaurant. So it opens up the whole large market of local advertising which does not have the budget or wherewithal to go with the standard broadcast advertising media of bill boards or magazines, print or television.

So we see this product of ours, AdRBT could actually disturb both the traditional advertising industry as well open up a completely new advertising market, which could be very large.

Sanjay Uppal:

Yeah just to follow on to what Arvind was saying, it is the placement of the Ad when the person is listening with undivided attention to what is going on on the phone, but also it is the targeting part and the targeting part if you look up ahead on what I talked about in churn management, you combine the intelligence that we get from that on to what we are

doing in terms of AdRBT, that is the more segmented targeting which has really not been done effectively before in these kind of platforms. So we are really looking forward to continued positive results from this product.

Now moving on to messaging, we have our new universal messaging platform that was launched this quarter. We have already had 7 successful deployments and what this messaging platform does, it combines all the different forms of messaging in to one and really the benefit is that we can roll out messaging now in a much quicker way. We can also roll out it from the deployment standpoint in terms of quality. We can roll it out with high levels of quality and this is again from a worldwide perspective that you know messaging is continuing to grown and there are different forms of messaging that we have incorporated in to this universal messaging platform. Now moving on to our voice platform, we have added a capability called multi party conferencing that we will talk about more in terms of applications the next quarter, but this multi party conferencing facility will open up a new suite applications that operators can run so that will be peer to peer as well as peer to back end types of applications that will make use of this conferencing facility.

On the speech front, one of the focus areas that we have is on local languages and what we have done with our unit in France is that we have come up with new tuned versions of 4 South Indian languages and the recognition accuracy of these local languages is actually higher than any other competitor that we have been able to find in the market. Now we are doing the recognition part everything from what we call bottom of the pyramid, so these are low level handset for which all the recognition is done inside the network to smart devices where there is a balance between where the recognition is done for example on an iPhone device, we have come up with an innovation where part of the recognition is done on the client and the remainder part is done on the server and the amount of information you transfer between the client and the server is actually a very small limited amount of information and even with that we have been able to launch this product which is the balance client server speech recognition and we have gotten our first customer, which is a customer that does yellow pages and this is in Europe for this technology.

Now last thing before I turn it over to Mouli, is as you know we have a plan to attract and incorporate first party application developers on to our platform. We call that the OnMobile developer network and this quarter we have reached 200,000 users in two months for one those applications. That application is a very popular application called Antakshari and for those of you folks who know how to play, we have come up with the phone equivalent or rather our partner has come up with the phone equivalent of Antakshari. It runs very well on our platform and it is been able to get a very good growth in a short period of time. Now in subsequent quarters, we will talk about other applications as well that will be put on our OnMobile developer platform. So to sum it out on the product side, I think we have been busy this quarter. We have come up with some dramatically new innovations. We have been able to continue to add features and

products on to our existing stable base and so we just wanted to give a glimpse of that. Now I will turn it over to Mouli for him to add some commentary as well.

Mouli Raman:

Yeah I will take you through some of the developments on the organizational side. The first one is Sandeep Ganguly who was heading our Indian private operators and Partap Bernard, head of Data Product Unit India, they have left us and they have left us for some personal reasons and as well as they are going to start something on their own too. So what we have done is to ensure that the transition between them and the incoming team is smooth and we have ensured that there is minimal impact on the operations. On the offices front, we have opened a new office in Sri Lanka. On the awards and recognition, Arvind has been awarded Data Quest Path Breaker of the year award which is a significant achievement for us and it is testament to OnMobile as an organization. And other one is we have recently been awarded ISO 27001 information security certification and what this essentially does is our ability to work with very large operators world wide to give them comfort on the security measures that we have and so essentially what we realized is that for us to operate, start working with very large operators worldwide we need to do this and we have done this now.

On the next section, which is others, Sanjay talked about this. Since we are scaling from about 20 countries to 45 countries in a very short period of time, we have come out with what is called a parallel deployment process, where in this a combination people from the local countries as well as from mentors from India as well as the associated processes and we have started to do this many of our deployments and is working well. The next item is that recently you may have seen some transfer or shares from Arvind. Arvind do you want to just briefly touch upon that.

Arvind Rao:

I just wanted to clarify that basically I have not sold any OnMobile shares. Whatever was done and shown up on sheets is a transfer from me in personal name in to a couple of tax planning companies that I own. So it is basically for tax planning purposes, it has absolutely no sale of OnMobile shares. My overall percentage ownership in the company continues to stay the same. Going forward what we have decided to do because we have discussed this at the broad level as well is some of the other large companies who have gone this way before as Infosys for example, they have something called as a systemic sale program for senior management, where there is a orderly process where people take approval and they sell, pick a number, one crore rupees worth of shares every quarter or something purely for liquidity purposes and we are looking at whether we should institute something like that in case people do want some form of liquidity for personal reasons. But other than that we don't see any, there is no liquidation from any of the senior

people, speaking for myself at least for sure and for the people here, long-terms prospects of the company we continue believe in it whole heartedly.

Now we will talk a little bit about on the TRAI directive and then we will get in to the numbers. So TRAI, Sanjay you want to talk on it.

Sanjay Uppal:

Yeah last time what we had told you folks is that there was a reasonable impact on revenue across the board because of the first set of directives that had come out. Now as a response to that both us as well as couple of industry groups as well as individual operators were called by TRAI to come and represent what the impact of that directive would be on the industry and we are actually pretty happy to say between the operators and us on the VAS industry side as well as the industry groups, we were able to discuss and prevail upon TRAI that this original directive was quite stringent and they should come up with a revised directive that was more relaxed but would still keep with the original intent of not confusing the end customer or consumer and then not fooling them in to sign up for a service. So what that new directive is, it is less relaxed. It does not require double confirmation and our view is that as the directive is going to start getting implemented and rolled out in the next 30-45 days or so, then we will be able to see a lesser impact than we had said would happen originally. So we will actually see that the dip that did happen that we think that dip there would be some recovery for those operators who had rolled out the most stringent version of the directive and that recovery would happen in the quarters to come. But for those operators that had not rolled out any changes, there would be some dip that we would see. We are unable to predict what that dip would be, but we expect that it would be less than what the original more stringent directive was.

Arvind Rao:

Let's now get in to numbers, I will ask Rajesh Moorti to walk us through the numbers, I think we will go through in the process in which we have written this on our talking points that has been circulated to all of you and then we can take questions. The only thing is that on point number #6 before getting in to the financials, if you look at the nonfinancial KPIs which is really what I would call as the leading indicator of our business as opposed to the financial numbers which in my mind are nagging indicators. There are positive trends on almost every dimension you look at. Subscriber reach today which we have is roughly around almost 700 million people and the way we are going right now with the Telefonica deployment and Vodafone deployment, more than likely before of the end of this fiscal year, we should be able to cross almost a billion which is absolutely, in my mind, is a great achievement. The other thing which is positive is that out of that huge subscriber reach what are the number of unique users and active RBT users that we have. I mean those trends are also positive and all indicators point that those

numbers are only going to go up. We have been able to control to some extent the number of employee, so as you look at our reach and over a time our revenue growth as well, we have got a very conscious effort in house to control our headcount growth and actually do more of automation and product scaling. So you can see that in our employee numbers as well that we have been able to keep a lid to some extent on the growth in the employees. And again the last thing is our geographic diversification which is reflected by the number of the countries that we are live in is also going up slowly but now once we start launching the Telefonica, the count will start taking up step improvement in that number. So with that I will ask Rajesh to walk you through the numbers.

Rajesh Moorti:

Thanks Arvind, good morning everyone. Before I go through the financial numbers again I just want to reiterate what Arvind said earlier is the back drop of what's happening in the industry, what is happening in the value added services space addressable market for us and also like how we have been grow or actually maintain our market share in most of the telecom operators where we have our presence. The numbers for the quarter, we have the revenue of Rs. 109 cores, operating profit of Rs. 5.3 cores and a PAT of Rs. 9.9 cores. Without getting in to the specifics of these numbers right now, I would like to reiterate what we had mentioned last time is that our business cannot be seen on a quarter to quarter basis and to give more visibility and clarity on how the performance of the company is, we have started splitting up our business between core business and investments and again I want to mention what is the definition of the core business here. The core business is the one which is up and running for more than one year post launch of a product or post launch of a new customer account, because our typical experience is that it takes roughly a year to recoup our investment either in terms of people, travel cost, hardware deployment, and anything which is less than one year, that investment obviously affects our overall business performance.

So if you look at point #8 of the talking points that clearly highlights a few things. One is that, while operating expenses have increased in this quarter the fundamental reason for that is the investment that we are making in to the new international deployments. Arvind, Sanjay and Mouli talked about it. It is particularly Telefonica deployments, Vodafone deployments and others customer deployments that we have in APAC. That is one primary reason why that investment bucket has gone up from around 9 cores last quarter to 16 cores. Number 2, we had made a policy change in terms of depreciation and I would like to take a minute to explain what we have done. Bulk of our capital investment is in to servers and telephony cards. We have always followed the depreciation policy of 3 years across the board, whether it is server or it is laptop or it is telephony cards, but our actual usage experience and also what the vendors have certified, what the telecom operators do around the world, indicate that we were extremely conservative. The actual useful life is north of 6-7 years. In fact the vendor also is willing to give us a warranty for that kind of a period. We have now restated our

depreciation policy only for the cards, which is not really an IT equipment, it is a telecom equipment and which is now depreciated over 5 years. So whatever impact of the change in deprecation policy has been accounted in this quarter and that is roughly 50 million positive impact. If you look at our other income and expenses line, we have an additional 20 million other income. We had incubated a company called Verse, which stands for 'vertical search', which was a 51% subsidiary of OnMobile. Given the kind of growth this business has seen and the capital needs of this company, we actually got a third party investor to invest in that company to fund this future growth and we have diluted a small stake. So this investment has paid us many times over and that also proves a concept that while OnMobile is trying to do a lot of new product innovation that we would also fund and support entrepreneurs who have excellent ideas and also can work with us using our customer reach not only in India but in the international markets, and that has fetched us 20 million that is accounted in our other income. The last item is on taxes. You would have seen our tax rate has come down quite a lot in quarter one but I would rather set back and request all of you to look at the weighted average tax rate for the first half because again the other income that we have got on sale of investment in Verse has no tax. There was some write back of some provision of last year because we had made excess provision in the last financial year for taxes and on submitting the tax returns that provision was no longer required. That benefit has flown into this quarter. The effective tax rate for us is actually around 27% and that is what it would be going forward. The other point that I want to highlight is that our international revenue has actually gone up from around 22% last quarter to 27% this quarter and that is broadly about the financial statements.

Arvind Rao:

You can open up the floor for questions.

Operator:

Certainly, sir. At this time, participants who wish to ask the questions please press *1 on your telephone keypad and wait for your name to be announced.

I repeat if you wish to ask a questions kindly press *1 on your telephone now.

First in line, we have a question from Mr. Srinivas Rao from Deutsche Bank.

Srinivas Rao:

Thanks to the management of OnMobile. I have couple of questions but starting off on the core business, there has been so to say a fall in your EBITDA margins in the core business as you reported in the point 8 of your talking points. Would you like to throw some light on the manpower cost, which has kind of increased quite significantly and

even other opex on a sequential basis, so is this the number, which will be the run rate for the full year.

Rajesh Moorti:

In terms of the manpower cost, we have accounted for the entire cost of the variable pay, normally accounted on a quarterly basis, last quarter there was a minor write back, so what you see in quarter two is the sustainable kind of a number.

Srinivas Rao:

So, manpower cost this is the number which we should annualize for the full year.

Rajesh Moorti:

Yeah. That is right.

Rajesh Moorti:

Obviously, as Arvind mentioned that we look out our head count number very very closely. We are looking at all ways and means to improve the productivity further but given the international expansion that we are doing and the new product businesses that we are getting into there would be additional manpower requirement but that is reviewed very very closely. So this number plus any head count additions in the coming quarter is what you can use.

Arvind Rao:

Srini, also a couple of things. Historically, in the past if I look at two years ago, three years ago, we had compensated people much more with stock options rather than cash. Now, that we have got listed and with FBT and all that we are de-emphasizing the whole ESOP program to a large extent, which means that people who are way under market, their compensation is being moved more towards mark to market. So what you are seeing is the reflection of that, so there is going to no more such sort of increases and that our current levels will continue to stay the same at a unit price level. The second part of it apart from the unit price is the quantity and that is the one we are taking and hammer and tongs, with a view of doing far more automation, so that we don't need to expand the number of headcount as we scale up our revenue. So over time, we consciously track revenue growth versus head count, CTC growth, and we are making sure those numbers are sort of diverging, so that product scale economies start kicking in.

Srinivas Rao:

Thanks. Second question, you know I had was on your India revenue, which has now fallen sequentially for two quarters. Any outlook for the next two to three quarters? I mean, based on, let me put it this way, are we seeing increase in revenues from the operators barring the one which you have terminated?

Arvind Rao:

That is what I told you at the beginning of the call. If you look at VAS revenues which have been declared by the publically listed companies, which is Airtel, Idea, Reliance Communications, and we have the insights into the private companies as well. If you look at the growth is VAS revenues that those companies are experienced over the last four or five quarters, which is end to end, it is in the range of 22.4% where over the same period of time our domestic revenues have grown at 36.1%. Just to put it in perspective.

Srinivas Rao:

Sure.

Arvind Rao:

Now, you can infer from that whatever you want to infer in terms of growing market share and the rest of it. What I can tell you is the following. One is clearly, there has been an effect on our domestic business of stopping of doing business with one telecom operator. So that is clearly a loss and probably somewhere in the range of 8 to 12% or so of our revenues, that has been a material loss for us, which has affected us in the first and the second quarters of this fiscal year. The second point I want to make is on all other operators, revenue lines are pretty good and they are continuing to show upward trend, market sharing trends are also positive. We have no sort of complaints on any other front. So it is a matter of time before this loss in this one customer is digested and overcome by the momentum trend in all the other operators. So, absolutely, I have no concerns about this at all.

Srinivas Rao:

Thanks, Arvind. Thank you very much...

Operator:

Thank you, Mr. Srinivas. Next in line, we have Mr. Gourav Malhotra from City Group.

Gaurav Malhotra:

Hello... Yeah. Thanks for the opportunity. I just have a one small question that if what we are seeing in the voice segment, the increase in the competition, what is your take of the trend or the risk that this competition spills on to the VAS segment in terms of say lower tariffs and have you being seeing any operators trying to push for, say a lower revenue share given that the low profitability in the voice rates right now. Thanks.

Arvind Rao:

Okay. Couple of things. First of all, you know we have a vested interest, so you have to take whatever I say over here with a pinch of salt but for most telecom operators VAS is the golden goose today, so I don't think any of them are going to take any rash move to sort of slash pricing for any such thing, that is point number one.

Point number two is, clearly, if you look at it, step back for a minute. In 2001 and 2002, when we started VAS in India, at that time person to person voice call rate was something like 15 to 20 rupees a minute. Today they are about 1 rupee a minute or less. Over the same period of time, voice portal call rates have moved from 6 rupees a minute to almost 3 to 4 rupees a minute, if you want to take a blended thing. So the decline in VAS rates over the same the same period has been nowhere compared to the drop in the core business. And at the same time people have noticed that there isn't much price elasticity for vast users. Is that trend going to hold indefinitely into the future? I don't think so. People are going to change the pricing but they are going to change it in the manner that it does not affect the overall P x Q. So what are we seeing in trends. We are seeing in trends that a lot of people are talking about should we move from 30 rupees a month to 1 rupee a day. If you do some price change like that, you are going to find that you P x Q actually goes up dramatically because you are going to open up service market to a huge number of subscribers who cannot afford 30 rupees a month. So we are looking very positively at that.

The second thing to remember is that when you do these sort of pricing changes, okay, from a VAS stand point compared to a core telecom standpoint, the cost structure of that is completely different. I mean, the telecom operators may have huge investments in the network infrastructure, in OSS, BSS, billing systems, and customer acquisitions. We don't have all those costs. The bulk of our costs come through content and stuff. So our resilience in the VAS sector is much higher to any change or decline in pricing, which will improve the P x Q and allow us to maintain margins in spite of a unit pricing drop.

On the point you asked about, which is, are you seeing any telecom operator trying to squeeze us on the revenue share, so far we have not seen any of that and the reason is as follows. First of all, we have already at revenue share prices, which are fairly low, if you look at around the world. Again, as I can tell you that our Indian revenue shares are

much lower than the revenue shares that we are getting in the international markets and the people are aware of that. They are also very aware, they are all rational investors, these large telecom operators, they understand that if we are to invest significantly in R&D and give them a new products, we need to have certain amount of pricing in order to do that. So we at our scale, we have not seen any tremendous pricing pressure because most of the scale economies and the volume discounts have already been built in as of today. Now, that may happen for some of the smaller players, but at the scale that we are talking about, we do not see a huge trend in our unit pricing scheme with any of the teleco operators.

Sanjay:

I think you know, in the VAS space, a lot of the pricing is also related to the pace at which you roll out new applications and services, which is not true under core service. So core service happens to be less differentiated and has more price sensitivity and more price competition than what we expect on the VAS side, which is why as Arvind pointed out, the product innovation is quite important and we continue to have a very healthy pipeline of new features and applications and when you do that then, really there is no way to compare with another undifferentiated product, which is really the case more on the core services side.

Gaurav Malhotra:

Okay. Thanks.

Operator:

Thank you, Mr. Gourav. Next in line, we have Mr. G. V. Giri from IIFL Capital.

G. V. Giri:

Hi. I have three questions. One is can you describe in a bit of detail the status of the press * to copy, who has implemented to what extent and in the next two quarters for example is any one left to implement and when will the revenue impact happen.

Number two, in your KPIs, you seem to be concentrating on RBT. Your call volume is almost constant at about 10 billions calls despite the number of users going from 33 to 40 million in the last two quarters.

Number three, can you give any light on your Vodafone countrywise signings.

Arvind Rao:

Okay. Let us deal with it in the reverse order. Let us do the Vodafone thing. So as of today the two deployments that have gone live, which we have publicly announced is

Vodafone Romania, which is our first Vodafone deployment in Europe and that is why it is very important because we have had discussion with several European countries and all of them are just waiting for the results from the first European deployment because usually what happens is there is some skepticism saying that this operator, that operator has tried RBT in Europe and it has not worked, so why is that you guys are going something different in Asia and will it really work in Europe.

Now, we have disproved that in Romania where the results for the first five months have been absolutely stunning and completely in line with the results that we have seen in Asia. So those results, once they start going into all the other European operators, we are hoping that, that is going to break the dam and open up several other customers who are now more receptive to launching services with us.

The second one is Vodacom, which is the largest operator in Africa and over there again, that is going to be our flagship customer in Africa. We have launched through them in South Africa, which is their home base and they have been extremely happy with the results which went off like clockwork in terms of deployment, everything is on track. We are now also on track to launch AdRBT with them in the next six to nine months and they are rolling it out into other Vodafone countries, which are related to South Africa. So overall the results are very positive. Now, the interesting thing for me is that Vodafone as a company, we have a very strong internal group of VAS managers across all their different Opcos, who regularly share best practices, advice on what is working, what is not working, and what we are seeing is that suddenly in the last month, as these results from Romania and Vodacom have started spreading within the Vodafone network, we are getting calls from people saying that, hey we had this discussion six months ago. At that time, we will luke warm. Now, we are actually pretty hot and when can you guys come over and talk to us about deployment.

So overall the momentum trend on the Vodafone contract has gone up and we can see that in the next six months it is only going to continue going up further. So that is the Vodafone contract, if I have answered that completely.

The second in reverse order, the second one was if your RBT users was gone up from 33 to 40 in the last six months, why the number of calls has stayed the same. I believe, first of all we should, when we do this the next time, we should may be write this to two decimal points because I am sure there is some increase in that.

Mouli Raman:

There are a couple of reasons. One is that it is the result of same user having multiple SIMs as well as, if you look at the number of incoming calls per user per month, it is sort of reducing basically, it used to be 10 to 12 calls before but it is now reducing. These are the two main reasons why it has come down or why it has stayed same.

G. V. Giri:

Okay and the press * to copy.

Sanjay Uppal:

Press * to copy, there are two aspects to it. One of course we talked about the TRAI detective. So the TRAI detective which is now, you will have to have two buttons to press and that's going to have an impact. We don't know how much but it will be less than the double conformation. Now, press * to copy has been rolled out. If you think about how press * to copy works, it is an in-network component, that is, if you call somebody within the same network and there is a component of which you call somebody in a different network. As far as in-network goes, the recognition or the mapping on to the song that you hear and that song becoming your RBT, that mapping is actually pretty good because it is the same network. As far as cross operator press * to copy works, that is not quite up to par yet, so we still think that there is a reasonably significant improvement that we can see from future press * to copy conversion rates particularly as the mapping between a song from one network gets mapped on to a song from the network of the caller. Now, the technical reason that this is true is because the metadata of the two content management systems don't completely match today and we have some technical innovation that we might talk about on the next call of how we can get that matching to work towards speech recognition accuracy.

G. V. Giri:

Yeah. One other question was, you know, you have plans to go beyond your two large international operators and what quantum of investment in the next six to eight months might it need and how will you fund it.

Arvind Rao:

Yeah. Now over here, I contrast the Vodafone deal with the Telefonica deal. Because the Vodafone deal the investment required to launch with, say 30 Vodafone companies over a period of three years, the Capex and the investment required for those 30 deployments can be phased out and spread out based on when we sign up and when we deploy with those customers, which we have some control over. In the case of the Telefonica contract, it is what as called as a post deployment contract, where the agreement between us is that in return for certain commercials and commitments from both parties, there is a time table saying that all 13 countries will launch within a short time frame, so over there the investment is far more front end loaded and if you really look at our quarterly numbers our quarterly numbers are really being affected to some extent on an investment standpoint only by the Telefonica deal. The Vodafone transaction in reality is quite well

funded organically from cash flows and from our reserves without any undue effects. So, the question going forward is when we go and replicate these transactions with the next five or six large customers, are they going to follow the Telefonica model or are they going to follow the Vodafone model? Now, clearly our intention is to have much more of it as the Vodafone model, where we don't have to do any forced deployments, for two reasons. One is that, from a cash flow standpoint it will be onerous to do it that way and the second thing is there are limits to how many forced deployments we can take on, irrespective of the money and the Capex commitment. I think, if we went and did some three more Telefonica deals, I think, Sanjay Uppal's hair might just turn white in a shorter period of time than what it normally takes to go white. Because these deployments are not easy, I mean, if you think about putting an RBT and voice portal system in the back waters of Brazil and Mexico and Ecuador at 40,000 altitude feet where people are breathing short of oxygen and it is not easy, I mean, we have a company filled with very good engineers and all that, but it's not easy. There are limits to it and we do not have the bandwidth to take on many more forced deployment things, so that is good news. The bad news is that from our customer standpoint, when we have had these discussions with many of these families and I am talking very large families in the range of Telenor, MTN, Orascom, SingTel, their response has been, we really don't care, we don't care whether it is a Telefonica type deal or a Vodafone type deal, but we just want to replicate those big deals with you guys and get me services live and start throwing off some revenue.

So to some extent, we have much more flexibility and our approach is going to be to cut the same deal that we have tried with Vodafone but also put in some books over there, so that there is some, what should I say, I would not call it a forced deployment, but there is more of a commitment to our accelerated deployment schedule. I don't believe, based on the current discussions that we have had with many of these prospects, I don't see that we are going to have many more of these Telefonica type effects in OnMobile in the next year or two years.

G. V. Giri:

Sure. Okay. Thanks a lot.

Operator:

Thank you Mr. Giri. Next in line we have Mr. Sameer Naringrekar from BNP Paribas.

Sameer Naringrekar:

Good morning Arvind. Just a couple of questions. If you could give us some sense of what's happening in terms of the voice portal revenues. Do they still continue to trend at about 50 to 55% of the domestic or the total VAS revenues? And the second question is

related to this European data product revenue that we have seen in this quarter, what we have seen historically is that there has been a seasonal trend in the third quarter where you see a lumpiness from Voxmobili. Should we pretty much expect some sort of pay outs in the third quarter and if this current data products unit revenue would continue to flow to into the next quarter.

Arvind Rao:

The first question is on voice portal, we are staying at around 30 to 35% and it is going to stay roughly the same. I mean, we don't actively manage the share of RBT versus voice portal, it is actually driven by the market by deployment and by ability to come up with new products and innovations and features which drive revenues. In the near term I don't see a major shift in this mix between RBT and voice portal. Also, because we are coming up with new and new innovations on the voice portal, which will help us sort of maintain the balance between the two.

Sanjay:

Just to add, if you look at our international deployments which we are going to be doing over the next 12 to 18 months, the lead product is the RBT and followed by voice portal, so that way, if you look at one to two years time frame there could be higher revenues from RBT but it will be a soon followed by voice portal that is the way it is going to be.

Arvind Rao:

As regard the data products business, as witnessed in the last year, the first half of the year is smaller compared to the second half this is nothing to do with the accounting of the revenue, it is more to do with the underlying business seasonality. So, yes you would see the third and the fourth quarter for this year been bigger than the first-half of the year, but should not be dramatically different.

Sameer Naringrekar:

Just one quick followup, the 70 million additional expenses that we have seen for Telefonica, which shows up under the investments, should we pretty much look at these expenses continuing into the following quarters.

Arvind Rao:

Yeah, that's the run rate that we are expecting, I mean, it could be lower depending on, because the initial days obviously there is a lot more travel, we are trying to integrate the team working closely with the Bangalore based international deployment team and all

that. So the travel is much more, but as we get into the deployment phase and then the revenue from that business will certainly offset the incremental costs.

Sameer Naringrekar:

Okay, thank you, that answers my questions, good luck with the deployment. Thanks.

Operator:

Thank you, Sir. Next in line we have Mr. Shubham Majumder from Macquarie.

Shubham Majumder:

Hi, gents. I have two questions, one is if you could give us a sense of what the investments on Telefonica would be like over the next sort of four quarters and would you be able to sort of pin down a quarter from which you will start to see meaningful revenues starting from the Telefonica given that, you know, the pace of investment ramp up has been fairly significant and basically the problem is you know how do you sort of model the near your term investments on the new operators side, especially on Telefonica and secondly if you could give us a sense of where new deals or what kind of new deals you are looking at post Vodafone, Telefonica, and the middle-east operator. What are the new deals that you are likely to see, what are the engagements that you have right now and a quick question on depreciation, which has dropped significantly this quarter. What is the reason? Any color on the run rate or percentage of gross block kind of a thing, if you could give us some color as to how to model it going forward. Thanks.

Arvind Rao:

First is depreciation okay, over there the only major change as we have talked about in our notes is we have changed the life time depreciation on the speech processing cards, which is a piece of equipment that we use in the hardware that goes in all our systems. Now that is the largest component of the capex that we are purchasing and the reason for this is a very simple. We have been actually focusing on this for a while now because we noticed that these cards, while they are expensive cards, because we buy good quality stuff. The cards which we have deployed way back in 2002, 2003 are actually still going strong. So we have sort of always internally debated why are we depreciating these cards over three years when actually the life time is actually almost double that. That is just not right in terms of matching expenditure to revenue and revenue capabilities. In the case of servers it is slightly different, because the server life is in the range of three to four years, so we have been depreciating that over three years, so that was working out quite well. So, we have been looking at this for a while now and the audit committee and the board, as per their directions, we are very careful in terms of making sure that we are doing the right thing correctly. So we did this very detailed, we actually checked what is the life

time of each of our cards, we got data from our vendors as to what is the expected life time of cards used in deployments in their other customers world wide and we came to a point where every one was very comfortable that the useful life of these cards is actually north of five to six years and therefore it is very justifiable to move from a three year to a five year depreciation cycle for this particular asset class, which is why we did this.

Now, on the Telefonica thing rather than answering this on this call right now, here is what we are going to do because clearly the Telefonica transaction is a bit of a land mark deal for us and so what we have decided to do is we are actually going to try and profile the Telefonica transaction in a series of charts, which tries and lays out the cash flows from our investment standpoint, the capex standpoint, the revenue standpoint, and the Opex standpoint and we are actually going to distribute it to everyone and then we can do a follow up call on it, so that this transaction as a case example, all of you can see, how the cash flows really work out rather than answering it bit by bit, and because I have noticed that almost every one is asking this question and more importantly this transaction, the Telefonica transaction could actually end up becoming some what symbolomatic of the new way we do sales. Because in the past while we have gone and pitched individual operators, you know we have pitched Telstra, we have pitched MTN-Nigeria, we have pitched Orange-Poland. The new trend really given the scale at which we are operating is rather than going and tackling individual operators, is to go and approach the groups as a whole which is what we have done with Vodafone and Telefonica.

So that is the new sort of the phase in the business development cycle that we are pursuing right now and I am very happy to tell people that the initial response from people have been very strong, in fact, to code one large operator they said listen it is good enough for Telefonica, it is good enough for Vodafone, they are number 1 and number 3, is good enough for us, why don't you just do a global replace of the contract and give it to use and we will look at that as a draft contract. So, we are now in credible position to capitalize on the momentum from these two landmark transactions which is what we are planning to do in the next 6 to 12 months. But coming back to the point on Telefonica just give us a little bit of time within the next two weeks we will actually circulate a set of slides and have another investor call just to walk you through the profile of that transaction so you can understand and appreciate what the size of it is.

Shubham Majumder:

We would look forward to that Arvind and the third question on potential new transformational deals.

Arvind Rao:

You know on transformational deals, as I said, you know, in discussion with many of these groups, whether it is Etisalat, MTN, Telenor, it's across the board, Orascom, Orange, we have had discussions with most of them, in many cases we are in advanced stages of discussion and in some cases we are in preliminary discussion. My sense is that it is very difficult to predict the timing in which they could happen but again I do not want to make any forward statements or anything but you know the overall thing is the track record is speaking for itself. In that, you have to remember one thing, in the old days it was a hard sell, today actually it is getting easier and easier for us to walk in and say, hey listen, we have done this, operator X to the operator Y with Vodafone at a group level with Telefonica at a group level and here are the results and once they see that, the general response I have seen literally at the CEO and CMO level is they look around and say rather than asking for a reason why we should do the deal the question they ask their teams is there is a reason why we should not do this deal? And that is a very encouraging sign for us. I can't tell you anything more in terms of transformational deals, I think on the customer side, that's it. On the products side, we have some really strong transformational products in terms of social networking and all which we will be rolling out in the next 6 to 12 months, in fact, in a couple of international large operators they are already in line, so that's going to be transformational from a product standpoint.

Shubham Majumder:

Right, Arvind just to the last bit on the domestic side given this, the termination of the deal with a domestic operator and a little bit of sloth that you see from the TRAI mandate, is there any big new chunk of revenue line from any new product deployment either RBT or anything else that you would like to highlight from a 2 to 4 quarter prospective, that will give you a lot of stability and renewed growth in the domestic side.

Arvind Rao:

In terms of growth on the domestic side, couple of things that comes immediately to my mind clearly the first one mobile marketing and AdRBT. Okay, that roll out is number 1.

The second thing clearly is we have got implications of doing various other forms of RBT in particular, you know, reverse RBT in terms of social RBT, so there are a whole bunch of variations that we are rolling out. We also have a large play coming up in messaging in particular in terms of P2A SMS and over there we have launched some really powerful technology in terms of open-ended search, so you can send an SMS just saying something like say the word 'Infosys' and the response comes, what you want to know? Whether you want to know the stock price, you want to know the latest news announcements; you want to have a biography of management, so it is very open-ended search that we are launching on SMS, which is absolutely mind blowing and mind

breaking. So once that is ramped up, that's also going to have very large implications all over.

The third thing is going to be some form of business intelligence and over here you know what I want to say is the following. The telecom industry has a big issue called churn, which many of you are aware of. Now, we implemented this project about two years ago internally looking at RBT, saying that how do we help our customers reduce their churn on their RBT service such that the overall cost of a custom acquisition and the profitability of the RBT service is enhanced. So set up a team, we developed all the business analytics, we have got the customer data base today of about I think 110 million subscribers with data fields where we are tracking the usage, tracking their profiles and that has allowed us to use some very powerful software algorithm which has reduced churn by almost 10% on our existing RBT deployments, which is huge. And again, you know this is sort of magnitude that comes to the attention of the customer where at least one customer overseas has looked at us and said, hey you can achieve these fabulous results on RBT, why don't you apply the same algorithms and software to our core business where we are bleeding to the tune of almost 500 to 800 million dollars a year on churn and why don't you help us reduce some of that cost and we will be happy to share the saving from that with you. So we have been doing that overseas and again early results are extremely positive and the thought over here is within six month we should make that into another showcase example and roll that out as a new product offering.

Mouli Raman:

Just to add to what Arvind said on the churn reduction side, what we have done over last about one year, is to come out with algorithms which is going to identify the users who are going to churn and how we can retain them. So this, we have done a few trials and we have seen very positive results and we have already automated that so that we can scale it to a large number of operators within a short period of time. So, the impact of this we are going to see over the next about two quarters. So that is one. And the second thing is that as you know because of the low ARPU subscribers coming on to the network, we have come out with more pricing innovations as to how we can price some of the products for these customers and again we are in the process of rolling it out and we will see the impact of this in the next two quarters.

Rajesh Moorti:

We will take the last two questions now.

Operator:

All right. Next in line, we have a question from Mr. Ankur Rudra from Noble group.

Ankur Rudra:

Hi. Thanks for taking my questions, I just wanted to have a sense of, looking at your non-financial KPIs you highlighted active RBT users have been going up, unique users also have been going up. I was wondering, what was the impact of the customer loss in the Indian side of the business on these numbers.

Arvind Rao:

We do not give out customer specific numbers but again as I said the impact is last quarter and this quarter, at the best there may be a small impact in next quarter and then within another one or two quarters we would have overcome that and moved on.

Ankur Rudra:

Okay, because the number of subscribers have continued to go up, I was expecting a relative dip as a result of that so that hasn't really happened.

Arvind Rao:

Actually we do not have RBT with that customer and hence there has been no impact of the loss of customer on the RBT numbers.

Ankur Rudra:

So in which case your proportion of revenues on voice portal is lower this quarter and in the last quarter compared to the previous two quarters.

Mouli Raman:

Yes, it is. Because of that, yes.

Arvind Rao:

Again as I said before, we do not sort of manage, clearly we try to diversify and make sure that our revenue streams are diversified across customers and products but we don't actively manage to do some target saying that voice portal revenue should be 40% and RBT should be x.

Ankur Rudra:

Fair enough. I was just doing some of the back of the envelope maths on the numbers here trying to see what the realization on a per subscriber level is and it is clearly ARPU

has been declining, I can understand on the voice portal side if people make fewer calls it will decline but on your RBT side given its more of a subscription service can you explain why would the realization per subscriber that you have would sort of decline, is that because the churn is going up?

Arvind Rao:

No, if the churn is going up that is not going to have an affect from the realization, the realization is going to be affected largely if your content downloads goes down or if your subscription goes up relative to downloads.

Mouli Raman:

If you look at it the number of days the subscriber stays on the network also reflects on the RBT ARPU.

Ankur Rudra:

But RBT is billed on a monthly basis and it is not proportional billing so shouldn't really.

Mouli Raman:

No, it is not all monthly billing. We also do dynamic billing that we have given to people on a per day basis, per seven days. The bulk of it may be on a monthly subscription but in the large and growing section that is on a non-monthly subscription basis. And I believe that is the growing trend.

Ankur Rudra:

Fair enough, just in terms of your numbers you shared on point 8 of the taking points, the revenues on the investments side seem to have decreased, is it because I am comparing apples to oranges, the revenues for Q1 were different, launched in the last 12 months which is different from Q2 this time or it is just as your billing....?

Rajesh Moorti:

As we explained last time, there is a 12 month period from the time we either launched the product or 12 month period from which the customer have gone live which qualify for the investment bucket. So the investment bucket is a dynamic bucket, it is not constant and not the same set of Customers or Products would be there in the quarters.

Arvind Rao:

So as to put it this way, a customer that was launched 12 months ago from quarter 1 is no longer reflected in quarter 2. That moves into the core bucket.

Ankur Rudra:

Okay fair enough, and just one final question on the universal messaging platform you announced and you have launched 7 deployments. Can you just elaborate on that a bit what sort of messaging services are you trying to install.

Sanjay Uppal:

So what we have done over there is that we have combined what used to be different messaging platforms into the same one. That includes P2A, it includes USSD, doesn't include P2B because we do not do that. So all the prior separate messaging platforms are combined into one that really eases the deployments and we are able to get the deployments done in the shorter period of time.

Ankur Rudra:

It is effectively consolidation rather than a new sort of service launch?

Sanjay Uppal:

Yeah, there will be you now because we have one platform it will be easier for us to put new messaging services on top of that which we will be talking about in the next quarter.

Arvind Rao:

And also because of, you know, having common what I would call as technology features in particular this thing that we have launched on open ended search, once you combine all the messaging on to the same platform it is much easier to roll out a horizontal technology like search across all these messaging features.

Ankur Rudra:

Okay, fair enough, just one final question if I may, you mentioned that the penetration numbers in you Vodafone deployments are very, very positive. Could you share any sense what sort of penetration is this compared to the penetration you have got in India so far.

Arvind Rao:

It is absolutely on track, in fact compared to first 5 months of Romania versus the first five months of when we launched in India, Romania is absolutely on track in terms of penetration. What is more interesting to me is that after six months of deployment with Vodafone Romania, it has over taken local competitors who have been in the market much longer with the same service and that is the thing that is the most important thing. They can stand up after six months and say hey, we launched this service only six months ago and we have got competitors who have been in the market for one to one and a half years and in the short phase of six months our penetration and our revenue and our subscriber numbers have shot passed these guys, that is the acid test.

Ankur Rudra:

Is it because, of your realizations are a bit different from what they were pointing at, could you highlight what sort of things you have done differently which will be successful in your other markets also. Given Europe has always been a laggard in terms of RBT and voice portal deployment.

Arvind Rao:

You will be amazed, many of these RBT systems didn't have basic features like press * to copy, which we have rolled out four years ago. I want to be very clear about one thing like we have said what is amazing is when the Vodafone guys first came and saw what we are doing in India, many of the features that we are doing in India are still absolutely you know at the cutting edge of technology at a global level. I mean today you will be amazed but there are large operators AT&T in the US, you know, god knows they have got a 100 billion dollars in cash sitting on their balance sheet. They are rolling out VAS services that do not have features that we had four years ago. It's obsolete but that tells you it's a sitting duck market ready for us to go after. It is a combination of superior platform and application features and it is our unique managed services business model, which are the two things that are fundamentally going to change the dynamics of VAS in Europe.

Ankur Rudra:

Stickiness of service has remained in terms of the average length of the subscriber use.

Arvind Rao:

Yes absolutely, churn numbers and this thing are all well within this.

Ankur Rudra:

All right thanks for that.

Operator:

Thank you Mr. Ankur.

Arvind Rao:

We will finish the call now because it is already 10.20 and any other questions you can always reach out to any one of use. Thank you so much.

Sanjay:

Thanks guys.

Operator:

Thank you sir. That does conclude our conference for today. Thank you for participating, you may all disconnect now.