S Mobility Limited

Investor/Analyst Conference Call Transcript
November 2, 2012

Moderator

Ladies and gentlemen good day and welcome to the S Mobility Ltd. Conference Call for the quarter ended September 30th 2012. As a reminder for the duration of this conference all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. At this time I will like to hand the conference over to Mr. Ravi Sathe from CDR India, thank you and over to you sir

Ravi Sathe

Good afternoon everyone and thank you for joining us on S Mobility Results Conference Call for the period ended 30th September 2012. We have with us on the call the CEO of the Company Mr. R. S. Desikan and the CFO – Subramanian Murali. Before we begin I would like to add some of the statements to be made in today's discussion may be forward-looking in nature and a statement in this regard as available con-call invite which was e-mailed to you earlier. We will begin the call with opening remarks from the management following which we will have the forum open for an interactive question and answer session. I would now like to invite Mr. R. S. Desikan to share with you some perspectives for the performance and development in the Company.

R. S. Desikan

Welcome to the Q1-FY13 earnings conference call. I have with me here on the call Mr. Murali who is the group CFO and President Finance for S Mobility the holding Company. I also have with me on the call the CEOs of the three business units, Mr. T.S Ramakrishnan, Mr. Krishna Kumar and Mr. Saket Agarwal as well as the respective CFOs of our Devices, Retail and VAS businesses. To begin with, the last quarter was a turnaround for the Company; after being in the red for almost three quarters, we have turned positive and that has been a welcome change. More than that, in addition to a swing of almost Rs 8 crores from the loss of around Rs 3.7 crores to a profit of around Rs 4.5 crores, the cash position of the Company has significantly improved, which Mr. Murali will brief you about.

Let me now get into each of our three business units, including the outlook in each along with the environment that we are operating in. Let me begin with Devices; which is perhaps one of our biggest business units. In this segment, we market and distribute our own branded handsets. The total handset business in India is estimated at around $10 billion currently. 20% value of the total pie comprises of smart phones where as only 10% constitutes the smart phone market share volume wise. This is the fastest growing segment in the whole business.

The remaining 80% by value and 90% by volume represents feature phones. In addition to the above mentioned categories, last year, we also witnessed the emergence of another intermediate category in the market called smart feature phones but unfortunately the technology was not very well received. We faced a few difficulties with those products too. Even though the 3G roll out has been very actively pursued by all the telecom operators, subscribers are currently reluctant to subscribe to the same and 3G did not take off the way operators expected it to. They have invested heavily in 3G licenses, but the network rollout has not been commensurate with the aggressiveness with which they pursued the licenses. To that extent, 3G has not met the expectations.

Within the handset market, expectations indicate that smart phones will grow at about 35% year-on-year over the next two years. It is estimated to reach the 4 billion mark over the next 3 years from 2 billion, where the market stands currently. Feature phones will be about 10% of the market. If you look at the smart phone category - almost 90% plus is occupied by the multinational brands. This is very similar to the situation which existed with feature phones almost about 15 years ago, where the top six players occupied a major chunk of the pie leaving a very small portion for other players. But in the following five to ten years many new players entered the market. For example, Samsung did not even exist as a brand that sold feature phones 10-12 years ago when the market was dominated by Nokia and Motorola. But today Samsung is right on top because of which we believe there is always scope for new players to enter the market. There is lot of scope in the smart phone market going forward. Our own brand, Stellar Series that has the Android operating system has been a great success and we are happy to inform you that this product has been well received.

Internally, we looked at the areas of improvement over the last one year and especially the last quarter. We have a separate full-fledged team under Mr Ramakrishnan focusing towards our entire process. Significant areas for improvement were identified; one of them is the product selection and testing process, in which certain gaps within our own internal processors were identified and plugged. Another aspect was with regards to driving revenues rather than margins and cash flows whereas in the current quarter the entire focus shifted to driving profitable revenues against cash. There is a lot of emphasis both on inventory as well as cash collection during the quarter which resulted in a significant improvement in the Company's cash position apart from the profit. Hence there are some major activities which were successfully executed during the quarter under review.

During Q1- FY13, to some extent I would mention that we sacrificed some part of our revenue, to further streamline our processes with regards to right product selection, maximizing margins, the right inventory and receivables all of which will help us grow exceedingly well in the long term horizon. Therefore, the full potential of our revenue might not have been realized last quarter though we feel that it is a very good start. Henceforth, we are going to turn our attention to revenue enhancement without losing sight of the margins and cash. In addition to that we majorly rationalized the entire organizational structure aligned with the changing business realities on ground in the form of new smart phones that were introduced and various other activities that took place.

On the retail business front, as you all know we are the largest retail chain in India. In fact we are one of the very few companies not undergoing cash losses on an all India basis. One of the major changes in the environment during the quarter was the FDI in retail facilitated by the government. This is an appropriate time to look at any other possible opportunities with some of the international players. There is nothing in the pipeline for now but this can be a great entry point for us that could aid us in consolidating our business further. There are a few regional chains who do not have an all India footprint. Any FDI entering the country will be highly interested tying up with an all India chain rather than regional chains. We have established close to 900 stores and are also monitoring how efficiently they operate. We are also upgrading some of our stores to Spice Version 2 stores which are primarily geared up to meet the smart phone demand. This is somewhat similar to smart phone cafes which have been initiated by Samsung and other operators. We want to be better than our competitors in terms of in-store customer experience. We are also highly focused on the quality of revenue. The entire retail business has been poised for good growth in the future.

In terms of VAS, both revenue and margins have been under pressure. The regulatory challenges continue to remain, however the international market is still open for us. We have initially started with lower international revenue contributions compared to some of the other listed competitors. Therefore we have a longer runaway ahead of us to exploit. We believe that there are numerous opportunities that are emerging for us going forward. I will now request Mr. Murali to walk you through some of the numbers.

Subramanian Murali Thank you Mr. Desikan. I will now take you the financial highlights of the Company for the quarter ended September 2012. Firstly, I am happy to share with you that S Mobility, as you would have seen in the financial performance report, is in the recovery mode as far as the profitability is concerned. The improvement mentioned by Mr. Desikan has been achieved with focus on efficiently managing the working capital cycles, leveraging vendor relationships and focusing on rationalization of cost and overheads. The turnaround has been particularly good in the device business which alone has thrown up Rs 303 million cash during the quarter. Overall cash generated during the quarter stood at Rs 437 million. Consolidated revenues for the quarter stood at over Rs 5,438 million translating into 1% increase over the corresponding quarter last year and 6% sequentially. As Mr. Desikan mentioned, we might have sacrificed certain part of the revenue for profitability of cash. Profitability has improved largely on the back of efficient cost management that reflected in the overheads which is a significant 21% lower than what it was in the quarter ended 30th September 2011. We have witnessed significant cost reduction and an improvement in gross margins in the Devices business. Consequently the earnings before interest deprecation and tax stood at the Rs 119 million as against Rs 15 million in the last sequential quarter. Profit after tax was Rs 45 million as against the loss of Rs 37 million in the last quarter indicating a swing of almost Rs 82 million during the quarter.

With regards to the performance of the device business, S Mobility sold 1.5 million Spice branded handsets during the quarter, translating to a 28% increase in volumes sequentially and 6% year-on-year. The significant increase compared to the last quarter ended 30th June 2012. The S branded handsets achieved an ASP of Rs 1,311, down 4% compared to the corresponding period last year, primarily due to higher sale of Spice branded feature phones which are priced in the affordable bracket. Revenue in absolute value grew sequentially by 23% from Rs 1,591 million end last quarter to Rs1,965 million. Gross margins have improved by 200 points sequentially, primarily on account of a well augmented product portfolio and efficient management of foreign exchange fluctuations during the quarter. We launched the 'Stellar' Series of Android phones at affordable prices which Mr. Desikan mentioned in his speech and these have been well received by our audience. We expect these handsets to continue to contribute significantly to our revenues over a period of time as they are soon gaining acceptance amongst tech-savvy consumers who want powerful devices for an affordable price.

We continue to witness significant sales from feature phones which are mainly purchased by consumers who are less data dependent and who limit their usage to phone calls and SMSs only. We have been successful in stopping our losses in the device business. EBITDA for the device business stood at positive Rs 113 million during the September quarter as compared to an EBITDA loss of Rs 56 million in the June quarter, indicating a swing of almost Rs 169 million. Our efforts were channeled towards controlling inventory, account receivables and overheads, which enabled us to achieve better operating margins and strong cash generation. The device business achieved a PAT of Rs 122 million during the quarter vs a loss of Rs 15 million for the quarter ended 30th June 2012. Overall, we continue to focus on improving revenues without compromising on margins and continue to have a tighter management of working capital.

Moving on to the Company's retail business, as you know we recently setup Spice Version 2 retail stores which gives the consumer a far superior shopping experience. We already have 24 stores in the country. The arrival of Spice Version 2 stores will facilitate in driving higher ASP's and also boost brand recall value amongst our consumers. During the quarter we also tied up with Huawei to market, distribute and retail Huawei co-branded Android smart phones through our Hot Spot retail stores and online stores namely Saholic.com. This will lead to improved overall gross margins and revenues in the smart phone segment. We have showcased sustained performance with regards to the sales of multi-branded devices and volumes showcasing overall growth. Revenues from retail grew 15% year-on-year from Rs 2,696 million in the September 2011 quarter to Rs 3,092 million in the quarter under review. Sequentially there has been a revenue drop of a negligible 2% due to lower volumes led by a seasonal impact.

The ASP through our multi-brand retail stood at Rs 5,173 increasing 3% sequentially and 23% year-on-year. This is fundamentally a reflection of an increase in sale of 3G enabled handsets and smart phones. In fact 59% of our overall share value is derived from smart phones of all the products sold at our retail stores with ASPs of smart phones alone at over Rs 13,000 during the quarter. Again this is an increase of 17% year-on-year and quarter-on-quarter. Of course during the quarter under review, there is a lot of pressure on gross margins with various vendors which has resulted in a negative EBITDA in the retail business at Rs 37 million as against a positive EBITDA of Rs 6 million in the preceding quarter. This is a result of provisioning done in the current quarter for inventory obsolescence; towards which we are now more conservative. With regards to the retail store presence, it continues to grow and currently stands at 871 stores in 147 cities across the country.

On the value added services front revenue growth was a bit muted, up 1% sequentially primarily on account of overall stagnation and operator VAS revenues across. However, we continue to witness increased contribution from our operations outside India, which is currently at 25% of the revenue for the quarter under review as against 16% in the same quarter last year and 22% for the quarter ended 30th June 2012. The increased contribution is coming from an aggressive expansion in the emerging markets like Africa, South East Asia, LATAM and MENA. EBITDA margins also dropped to 8% in the current quarter versus 22% in the corresponding quarter last year on account of profitability under pressure due to a combination of lower revenues and higher content costs. Certain one time costs incurred during the current quarter has also affected our profitability.

Our efforts are on track – to renegotiate content contracts, to increase share of non-telco revenues and also reduce costs by changing delivery infrastructure, rationalization of over heads, etc. We will continue to focus towards content monetization, mobile internet based services, enterprise mobility solutions and on International markets as we believe that these are our key growth areas.

To conclude my remarks, I would like to state that S Mobility has in place a sound platform and the scale, competitive position and presence to drive growth and enhance shareholder value. We have put in place all the building blocks and while the environment may continue to be competitive and present its share of challenges we remain confident of our capabilities. I will now be able to discuss your queries and suggestions. Thank you very much.

Moderator Thank you very much sir. We will now begin the question and answer session. Anyone who has the question may press * and 1 at this time. We have the first question from the line of Rajat Gupta from JP Morgan, please go ahead.

Rajat Gupta I just had a question on your percentage of devices split across different ASP ranges. It would be really helpful if you could just split them across the Rs 2,000 to Rs 5,000 range or Rs 5,000 to Rs 10000 range and above Rs 10,000.

R. S. Desikan Are you referring to the device business or are you referring to the retail business?

Rajat Gupta Both.

T. M Ramakrishnan We have procured and distributed 85% in the 0 to Rs 5,000 range and 15% of our handsets are above Rs 5,000 category in the last quarter.

Rajat Gupta How would you categorize these as smart phones or smart-like phones and which mobile operating systems are these based on?

T.M Ramakrishnan We provide Android handsets above the Rs 5,000 price mark. In less than Rs 5,000 segment, we provide 2G i.e. Edge Android and then feature phones, i.e. touch phones and the bar phones.

Moderator Thank you. The next question is from the line of Rajeev Sharma from HSBC Securities, please go ahead.

Rajeev Sharma Firstly, I want to understand the estimated handset replacement market and your understanding in terms of the pick-up of handsets – i.e. percentage on smart phones side and the status of the industry practice which decided to do away with feature phones completely. Is there a consensus or any progress that you can talk about with regards to this?

R. S. Desikan Firstly, the total handset market approximately ranges in between 180 million to 200 million per year.

Rajeev Sharma This is a replacement or this is the total market?

R. S. Desikan No this is the total market. Within this range, the split between smart phones and Feature phones is approximately 20% and 80% by value respectively. By volume, it would be 10% and 90% respectively.

Rajeev Sharma So 90 will be feature and 10 will be smart?

R. S. Desikan That’s correct. Smart phones form only about 10% by volume and 20% or $2 billion in value for the total country.

Rajeev Sharma There were some discussions with regards to promoting only smart phones and to do away with feature phones as without doing so smart phones will never pick up with respect to sales.

T.M Ramakrishnan I can give you some estimates, now currently from 180 million, the overall phone market will grow to 335 million. We still have 60% of the market that we can target for feature phones. We need not shut down the Feature phone business; we just need to focus on the separate market for feature phones.

Subramanian Murali To further add to this, recent industry reports indicate that the feature phone segment will not phase out for the next three to four years. The smart phone market is going to grow at a rate of more than 100% year-on-year. Feature phone market may remain stagnant or show a single digit negative growth. The feature phone market is worth $4 billion and is not a small market. It is not a market that will dilute in the next 10 years. The smart phone market on the contrary will grow at CAGR of 80% to 100% for the next two three years.

Rajeev Sharma Okay, just trying to understand that you know we are witnessing subscriber net additions reducing and the run rate is currently closer to may be 6 million, 5 million going forward. If the total market is worth 200 million, does 140 million comprise the replacement market?

R. S. Desikan During the last three four years, replacement cycles have gained momentum. Earlier people would change their handset once in three years. Currently in urban areas including India, it has reduced to once a year. In some cases, in certain age brackets, it can be as low as 6 or 9 months. The average may stand at 1 year in urban areas. In rural areas, that number stands at 2-3 years, which is rather encouraging for us.

T.M Ramakrishnan I would like to add to that. The replacement is going to grow exponentially mainly because technology is improving on a daily basis. So the shelf life of the handset is not more than 3 months with regards to acquiring a handset with better technology at the same price. So that is why replacement market will be headed by the youth and will grow exponentially.

Rajeev Sharma What is the percentage of S Branded handsets sold in your retail chain for 2G and 3G handsets on a YoY basis, both in your retail store and your handset business?

Krishna Kumar On the retail side we are seeing an exponential growth in the smart phone sales; by volume 20% of the total sale is from smart phones.

Rajeev Sharma What is the split for 2G and 3G smart phones. Both on your handset side and your retail side compared to last year?

T. M. Ramakrishnan 3G smart phones in the corresponding quarter last year, stood at 15% volume wise. The rest of the percentage comprised of 2G phones. Edge Android phones contributed to 10% of the volumes and the balance constituted of feature phones. Within the Feature phone category, nearly 60% of have the GPRS facility and the balance is without GPRS.

Rajeev Sharma Is the combined percentage of 3G enabled and smart phones not more than 25% in both of your businesses as of now?

Subramanian Murali Only for the device business. On the retail side it could be close to more than 50% for the 2G and 3G enabled handsets.

Rajeev Sharma What is the 3G enabled handsets and smart phones with regards to the percentage of sales on the retail side?

Subramanian Murali The smart phone I think I have mention in the opening remarks also, the smart phone sale within our retail store is more than 60% last quarter, by value.

Rajeev Sharma I am just interested in the volume. If 100 phones are being sold in retail, what is the number of 3G enabled and 2G handsets?

Krishna Kumar The 3G enabled smart phone would be about 30% of the pie.

Rajeev Sharma And 3G feature phones would be?

Krishna Kumar There is no 3G feature phones. 3G phones are smart phones.

Rajeev Sharma So this is on the retail side 30% and on the device side this number is 20%, right?

Subramanian Murali It is less than 15%.

Rajeev Sharma Lastly, what has been the traction with regards to tablets on a Q-o-Q basis on the retail front? Which product is doing well and what are the kind of volumes you see?

Subramanian Murali On the device front, we have not recently launched any new tablets. We sold a significant number of pieces at the beginning of this year, and we will be launching a new range of tablets in the on-going quarter. We haven't sold anything significant in the last one or two quarters on the tablet side.

Rajeev Sharma What about on the retail side?

Krishna Kumar On the retail side we are definitely seeing a strong demand for tablets. Demand is growing at about 50-60% quarter-on-quarter.

Rajeev Sharma What would be the absolute numbers from your end on the tablet this quarter and what are the kind of average margins you make on these products versus smart phones?

Subramanian Murali I think it won't be possible to share margins on individual products and individual sales numbers. There is a demand for tablets which is growing at more than 50% quarter-on-quarter or year-on-year. As far as Spice tablets are concerned, we will be launching new tablets in the coming quarters. So unfortunately we cannot share margin details. All I can share is that smart phone margins and tablet margins are comparable.

Moderator Thank you. The next question is from the line of Santosh Katera from Meriss Advisors, please go ahead.

Santosh Katera My question was regarding the retail side of the business. You have increased your store number from 869 stores to 871. So you have increased by only two stores. Your actual strategy was to reach about 2,000 stores in next couple of years, but you have only increased to about four stores quarter-on-quarter. Any logic behind cutting down on this expansion?

R. S. Desikan As I mentioned in the beginning, we are focused towards the quality of revenue rather than the quantity. We are capable of establishing another 500 stores but will bleed on all for the next two years. We need to find the right balance, we are trying to upgrade a part of our stores to Version 2 stores where we achieve higher ASPs that will lead to better profitability. It is a very common feature in the retail industry to discontinue unviable stores which are not profitable in the long run. The numbers that you have seen are the numbers which are actually net of new stores opened and the old stores which have been weeded out. We need to find right balance, during the last couple of quarter our emphasis has been to improve the overall EBITDA and profitability rather than just focus on more stores and topline numbers.

We need to find the right balance and as we arrive at equilibrium and stabilize the existing ones, certainly we will be looking at new additions in both organic as well as inorganic.

Santosh Katera Can you give me a sense of how the average revenue per store per month has improved, over the past one year? With regards to your strategy of cutting down on non-profitable stores?

Subramanian Murali There has been a year-on-year revenue growth of over 10% in the same store sales growth. This is net of whatever stores we closed on a quarterly basis. That's the kind of improvement we are witnessing on a year-on-year basis.

Santosh Katera Can you give me idea of how Saholic has been doing and what percentage does it contribute to your retail business?

Subramanian Murali Saholic is a very recent start up. It has started very recently and in fact it became part of Spice Retail only in the period under review. So the revenue contribution is not very high. Our objective is to get traction for our online store and link synergies with our offline stores. If you remember even when we talked about establishing 2,000 stores in the last couple of years it was both organic and inorganic and we are still looking at the opportunities. It is not possible to increase stores from 800 to 2,000 only through organic growth. It has to be a combination of inorganic also. As and when we get good opportunities, we will always evaluate them.

Santosh Katera So all these stores that you are talking about, all of the stores are owned by the Company or some of them are franchised?

Subramanian Murali A part of them are franchised. Out of 890 stores almost 50-60% are owned and the balance is franchised.

Santosh Katera When it comes to the devices business, we see that the Feature phone business has been improving in comparison to your smart phone business. This seems to be a little counterintuitive given that the smart phone business has been increasing comparatively at a much higher pace. Any reason why the feature phone business has been doing well and your smartphone business has been stable?

T. M. Ramakrishnan After last three quarters which showcased disappointing performance, we have decided to focus first on our product portfolio and our key strength over the last 6 years has been the feature phones. We decided to continue with the same strategy. We have introduced small quantities of smart phones and have witnessed the liquidation of the entire stock. Thus, the acceptance of smart phones has been improving and this trend will be seen in the coming quarters.

Moderator Thank you. The next question is from the line of Chinmay Sapre from CRISIL, please go ahead.

Chinmay Sapre Just wanted to understand the handset segment. While the improvement in EBITDA margin can be attributable to the improving gross margins, we have also seen a sharp cut in branding expenses. Wanted to understand the nature of the cut in branding?

T. M. Ramakrishnan The first thing is that you would not have not seen any TV campaigns but then we have spent enough money on below the level campaigns which is promoting products at a localized level and retail counters. Yes, TV campaign we have not come up with and then in good markets or big markets we have also spent on paper advertisements. So it's not that we are completely away from promoting our products, we are just getting our distribution right and are well focused on delivering in the upcoming quarters.

Chinmay Sapre What kind of impact would this have on the sales growth?

T. M. Ramakrishnan We have exhibited growth.

Chinmay Sapre Going forward?

T. M. Ramakrishnan Going forward, we are looking at the two-prong strategy. As far as Feature phones are concerned, we are setting the system right. As far as Android phones are concerned, 80% of the customers who buy it actually research on the device online and then initiate their purchase. We are aggressively focusing on digital campaigns and once we attain a certain volume, you will see our ads on TV as well.

Chinmay Sapre Talking about the margins in the retail segment, you mentioned that you had a negative EBITDA this quarter due to pressure on gross margins and also certain one-time costs. Could you explain this more in detail?

Subramanian Murali Yes. The retail business depends on margins from various vendors and also depends on the mix of products that we sell within our stores. Sometimes vendor products have lower margins and some vendors have a higher margin. So the combination and the mix of vendors and products depend on our overall retail sale. During the last quarter, we had some issues with margins from some of vendors which were low. We had to take provisions on inventories which were stored for longer on the shelves of retail stores in the last quarter. This has been done more on a conservative basis with in the last quarter. Thus, EBITDA was negative.

Chinmay Sapre Can we expect to see an improvement in gross margins going forward due to the certain issues with some of the vendors?

Subramanian Murali Yes, this is exactly the area we are working on. Our objective is to increase the margins with our vendors. Our objective is to increase the margin and also avoid the same issues in future. We are not certain whether this will have an immediate impact in the next quarter or the next, but yes this is an area we are working on very seriously.

Chinmay Sapre With regards to the retail segment, I wanted to understand your targets for next store organic addition this year and going forward?

R. S. Desikan This year we plan to organically add about 60 to 80 stores, at the minimum level.

Chinmay Sapre Okay. So this would be for FY13?

R. S. Desikan Yes.

Chinmay Sapre Since you have added two stores in this quarter, can we expect an acceleration in terms of store addition in the next couple of quarters?

R. S. Desikan The challenge with the new store is that when a new store is opened, typically for the first 6 to 12 months there is a significant amounting of bleeding which has an impact on our P&L which we are usually prepared for. When margins and volumes go up, certainly we can afford to open more stores. Our overall objective is to improve the consolidated EBITDA and we are taking a cautious approach to strike the right balance.

Subramanian Murali So you may not see a significant increase in the number of stores in the current financial year at the net level.

Chinmay Sapre Wanted to understand in the VAS segment, while we have seen margins decline because of domestic factors, wouldn't the increase in international proportion of revenues act as a support to the fall in the domestic margins?

Saket Agarwal It's about the international contribution which is at 25% for now. And quite frankly if we were not to have international revenue increase, domestic numbers have been rather flat as compared to the corresponding period last quarter. There has been mayhem in the sector where domestic players have suffered a drop of 20% to 30% in revenues. With such level of drop, it is impossible to show better margins even taking into consideration the level of international contributions which is at 25% only. Over time, 25% is expected to further increase to more than 50%. We will witness the ecosystem stabilize with better EBIDTA margin additions via international revenues.

Moderator Thank you. We have the next question from the line of Vikas Munoth from Munoth Financial Services, please go ahead.

Vikas Munoth With regards to the smart phone, S Mobility is working with Android handsets currently. How do you foresee Windows going forward about one year later? Do you think Spice will get into windows or not?

T. M. Ramakrishnan We won't be getting into windows immediately, but yes, projections show that Windows is going to grow and overtake Android. We are ready for that. We have to adopt the technology and our distribution will take care of the rest of it.

Vikas Munoth What will be your distribution strategy? Do you have the same distribution network for your smartphones as well as for feature phones?

T. M. Ramakrishnan The main focus will be on the seven states which comprises 70% of the smart phones sales across India. We have a separate strategy in those places. Depending on the financial capability of a distributor, we might have separate or continue with the same.

Vikas Munoth Will you be approaching well known regional stores like UniverCell or Poorvika or would you be going through the distributor?

R. S. Desikan In the regional stores, we already have a 5% to 10% share of the counters.

Vikas Munoth Within your retail, what is the percentage of Spice smart phones which sells among the smart phones?

Krishna Kumar Spice smart phone contributes about 5% of our smart phone portfolio sales

Moderator Thank you. As there are no further questions I would now like to hand the conference over to management for closing comments.

R. S. Desikan You have seen the actual performance for the last quarter and we believe with the new setup that we have, and people and the systems and the focus we have already put in place, we believe that we are on the growth path to exploit all the opportunities which are present in the market place for us.

Moderator Thank you very much sir. On behalf of S Mobility; this concludes the conference.