

# Reliance Communications

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## *Investor Presentation*

*August 2009*

# Forward looking statements – Important Note

This presentation and the discussion that follows may contain "forward looking statements" by Reliance Communications Ltd ("RCOM") that are not historical in nature. These forward looking statements, which may include statements relating to future results of operation, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of RCOM about the business, industry and markets in which RCOM operates. These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond RCOM's control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of RCOM. In particular, such statements should not be regarded as a projection of future performance of RCOM. It should be noted that the actual performance or achievements of RCOM may vary significantly from such statements.

# Contents

## Reliance Communications – an integrated telco

- Wireless
- Infratel
- Globalcom
- Enterprise
- Home
- Key takeaways

## Complete range of telecom services

Wireless



- ❑ 5<sup>th</sup> largest wireless operator in the world (customer base in a single country)
- ❑ Only Indian company to offer nationwide both CDMA & GSM services
- ❑ Largest network covering a billion people in India
- ❑ Services offered includes Mobile, Home phones, PCOs, Datacards, etc

Infratel



- ❑ Largest portfolio of multi-tenancy towers with 4x tenancy
- ❑ Integrated solutions including towers, optic fiber, network management, etc

Globalcom



- ❑ World's largest submarine cable network with presence in 60 countries
- ❑ Wide range of services include Capacity services, MPLS-VPN, Ethernet, Managed services, etc

Enterprise



- ❑ One stop shop for all kinds of enterprise connectivity solutions
- ❑ >50% market share in high growth data products
- ❑ Services offered include MPLS-VPN, Centrex, Data centers, WiMax, etc

Home



- ❑ Only Indian DTH operator to provide services in 6,500 towns
- ❑ Services offered by leveraging the existing infrastructure

## Strategy

### Objectives

### Action Plans

#### Customer Growth



- ❑ Latest congestion free Next Generation network for highest quality
- ❑ Attractive plans & offers

#### Revenue Growth



- ❑ More revenue streams from new product launches
- ❑ Increased revenue from new service streams like GSM (share of VAS & In-roaming revenue)

#### Integration & Convergence



- ❑ Focused participation in the entire value chain of telco business
- ❑ Would also be participating in the new technological developments to provide one-stop shop for all communication needs

#### Profitable Growth

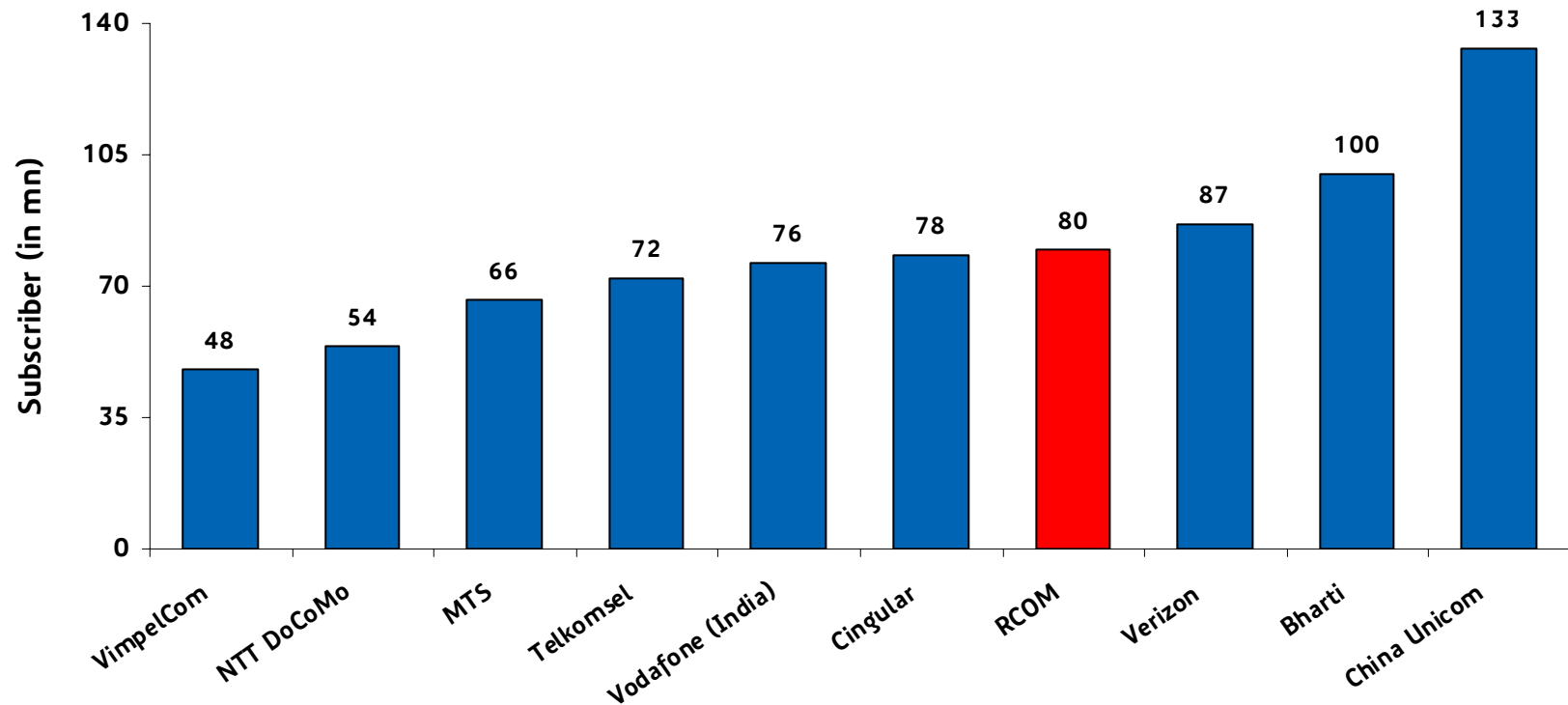


- ❑ Profitable & sustainable growth
- ❑ Leveraging existing infrastructure for new launches leads to stable margins

**Focused & profitable growth**

## 5<sup>th</sup> largest telecom operator in the world

(China Mobile is the largest operator with 488 mn subscribers)



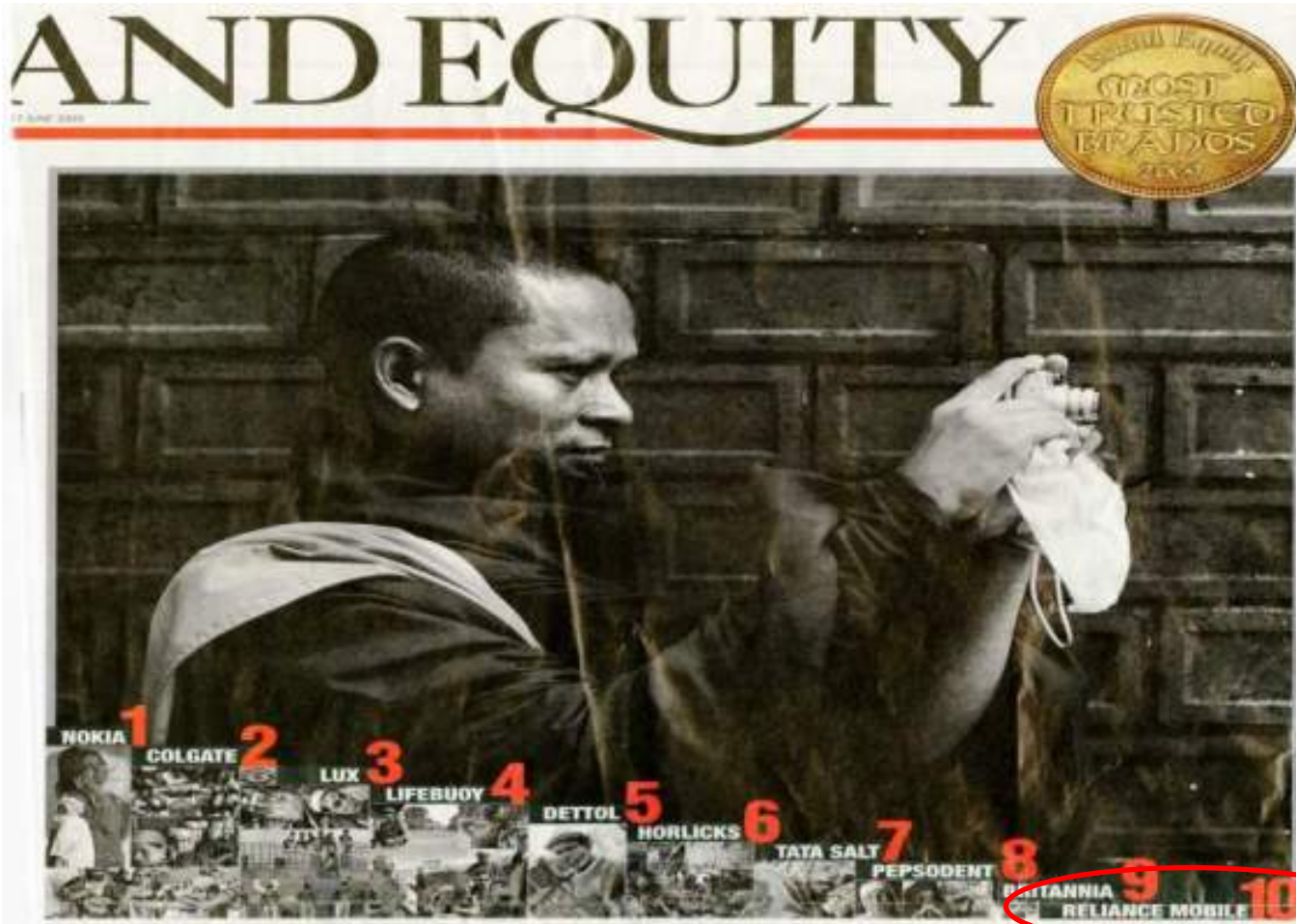
Ranking by customers in a single country

Source: Company website

**Youngest to achieve this milestone in 7-8 operator market**



India's No. 1 network is now also...



..."India's most trusted service brand" – Economic Times

## Recent performance

### Financial Performance

	1QFY10	Q-o-Q	Y-o-Y
Revenue (Rs. Mn)	61,452	0.4%	15.5%
EBITDA (Rs. Mn)	24,525	2.9%	9.0%
Net Profit (Rs. Mn)	16,366	12.5%	8.3%
EBITDA Margin	40%	+1.0ppt	-2.4ppt
Net Profit Margin	27%	+2.8ppt	-1.8ppt

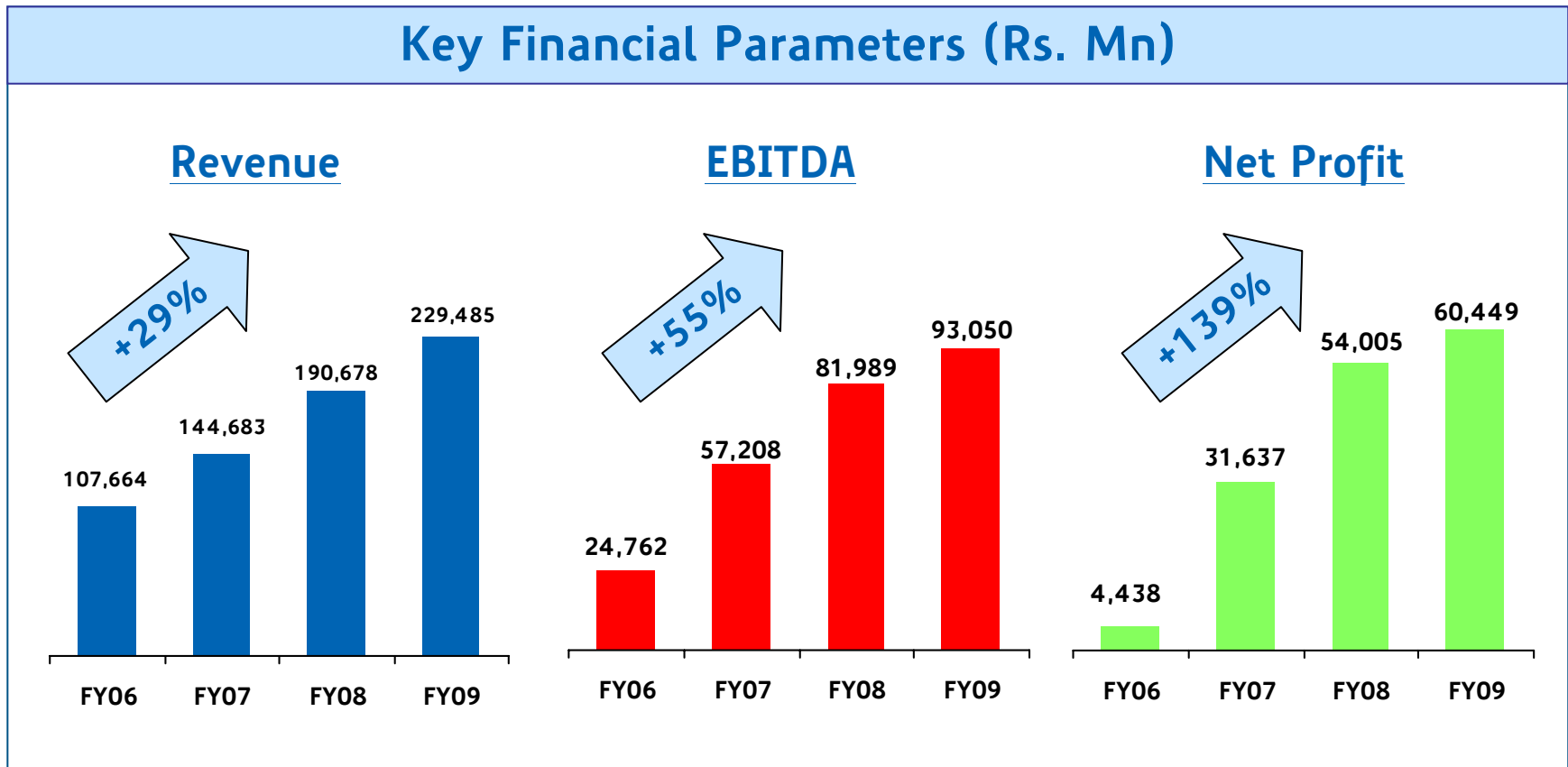
### Balance Sheet Strength

	(Rs. Mn)
Assets	960,000
Networth	377,000
Gross Debt	315,000
Net Debt	221,000
Net Debt to Equity (x)	0.59

**Maintaining the strong growth momentum**

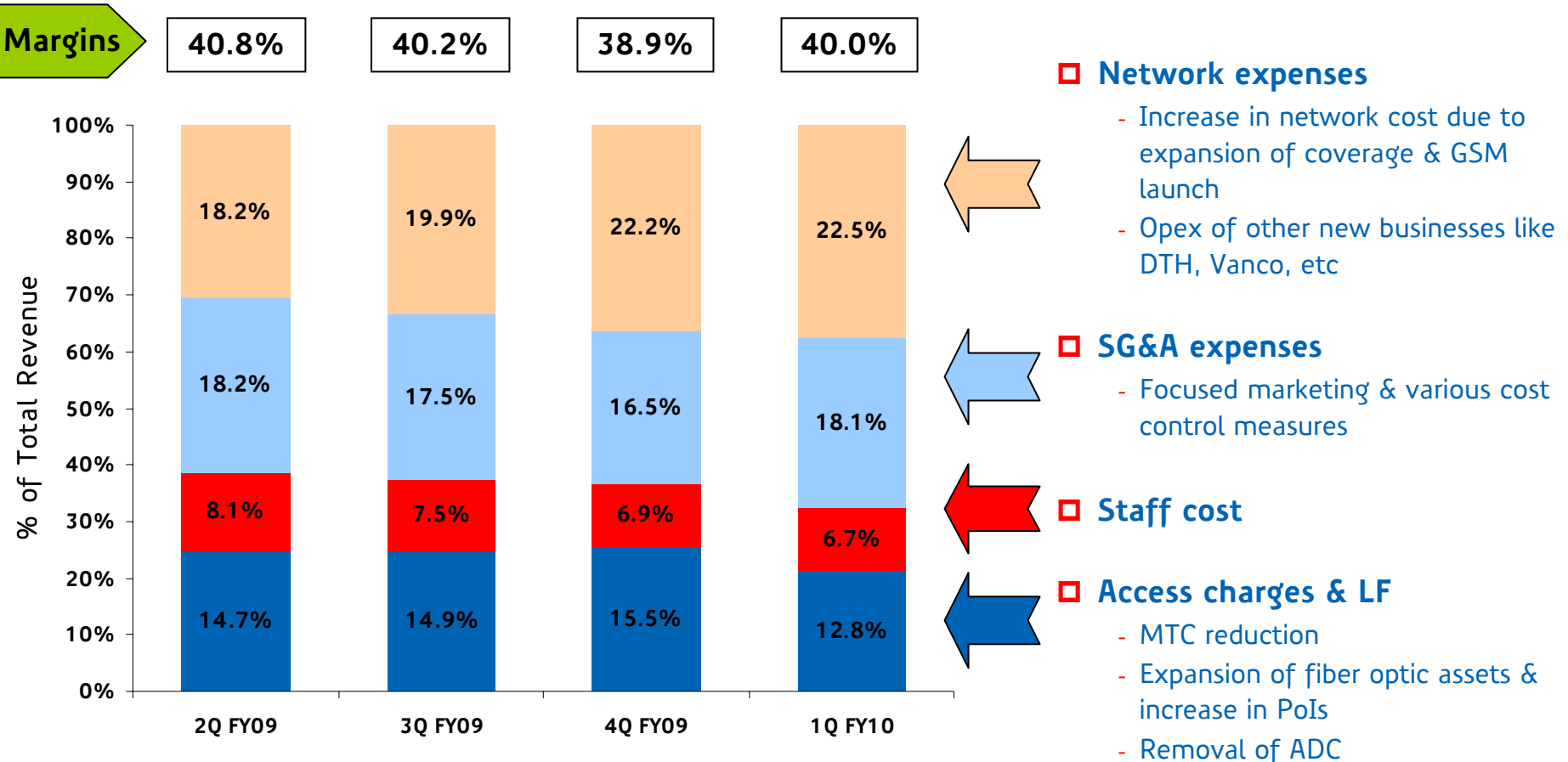


## Financial Highlights



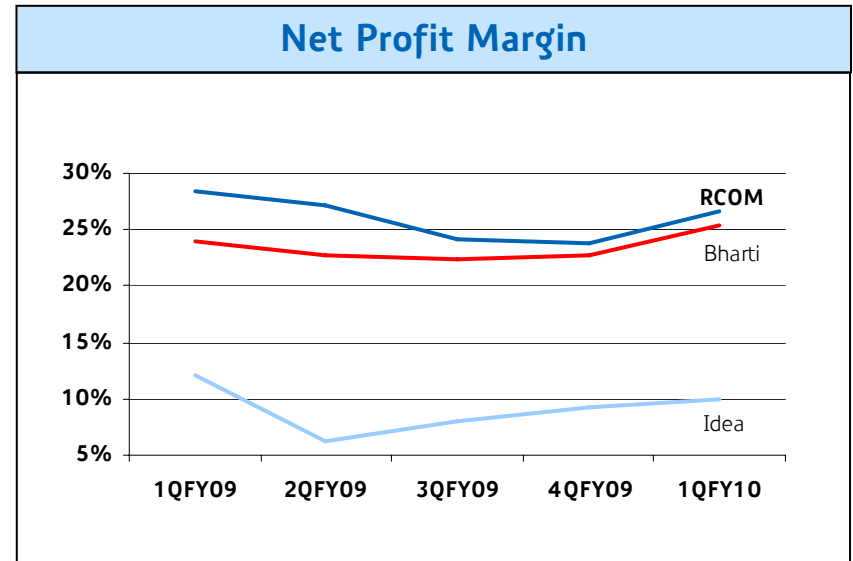
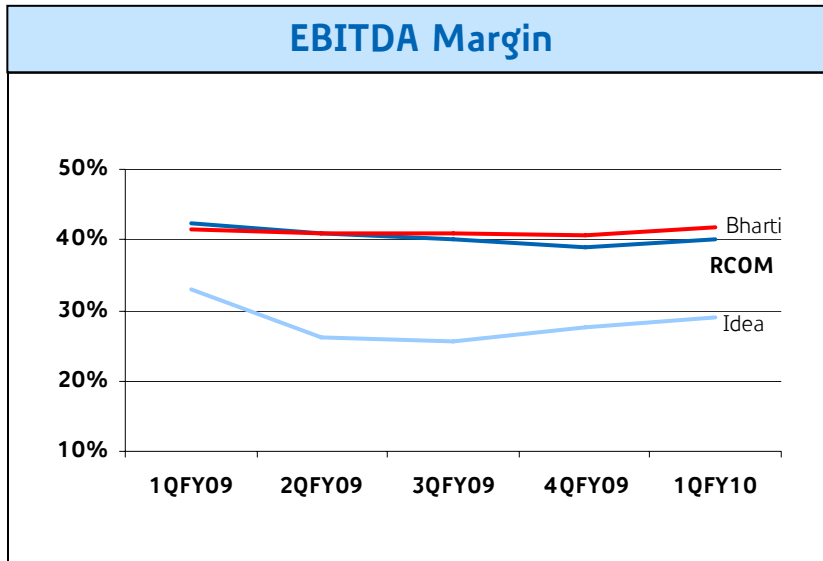
**Consistent & Substantial increase in profitability**

## Cost management (% of revenue) with stable margins...



...inspite of launch of multiple new businesses

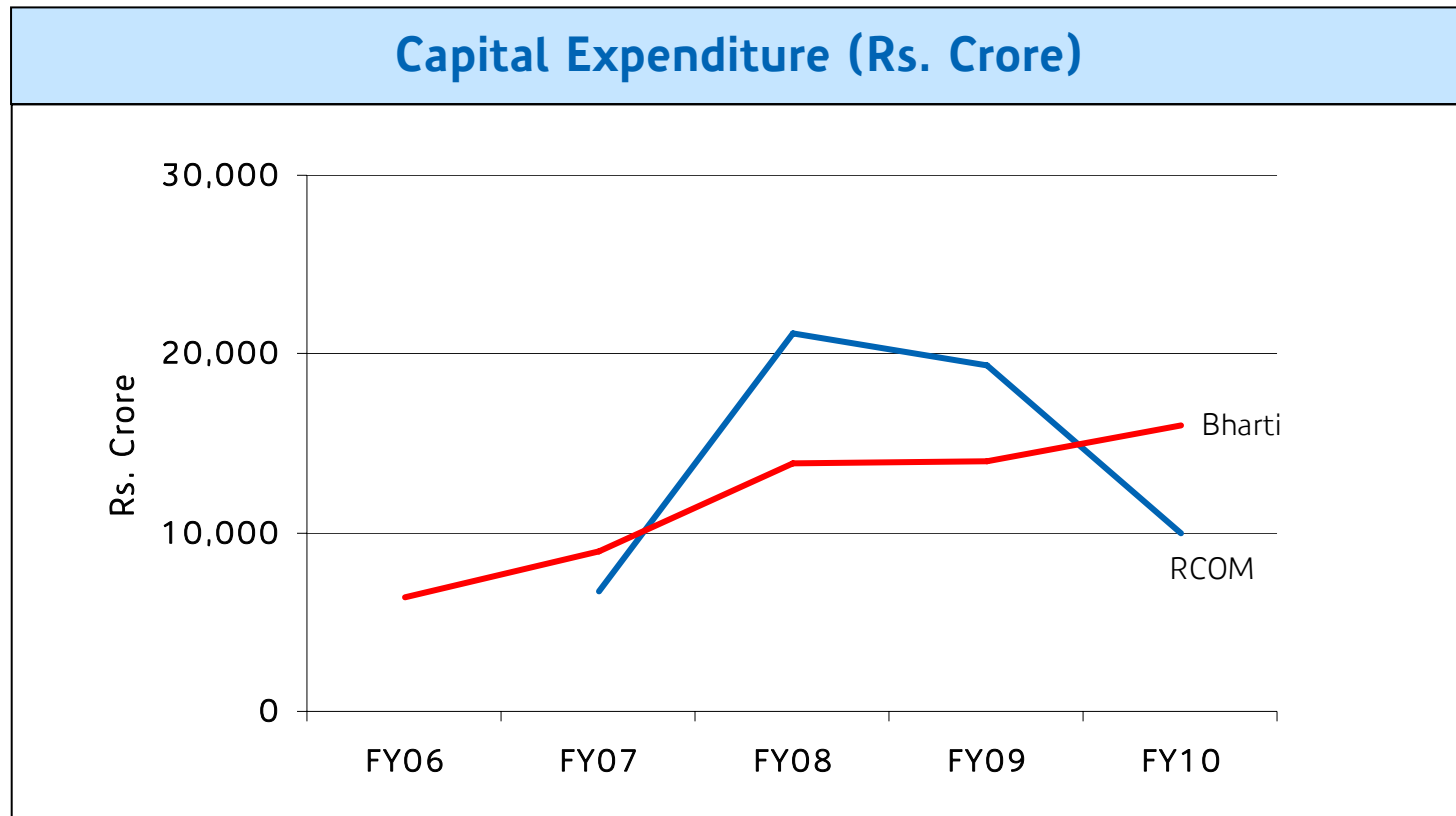
## Profitability



- Among the highest margins in the industry in spite of the launch of several new businesses
- Aimed at leveraging common infrastructure to protect/enhance margins

**Profitable growth**

## Capex intensity coming down significantly...



Note: FY2010 capex amount is the company's guidance in the earnings call

Source: Company reports

**...moving towards FCF positive**

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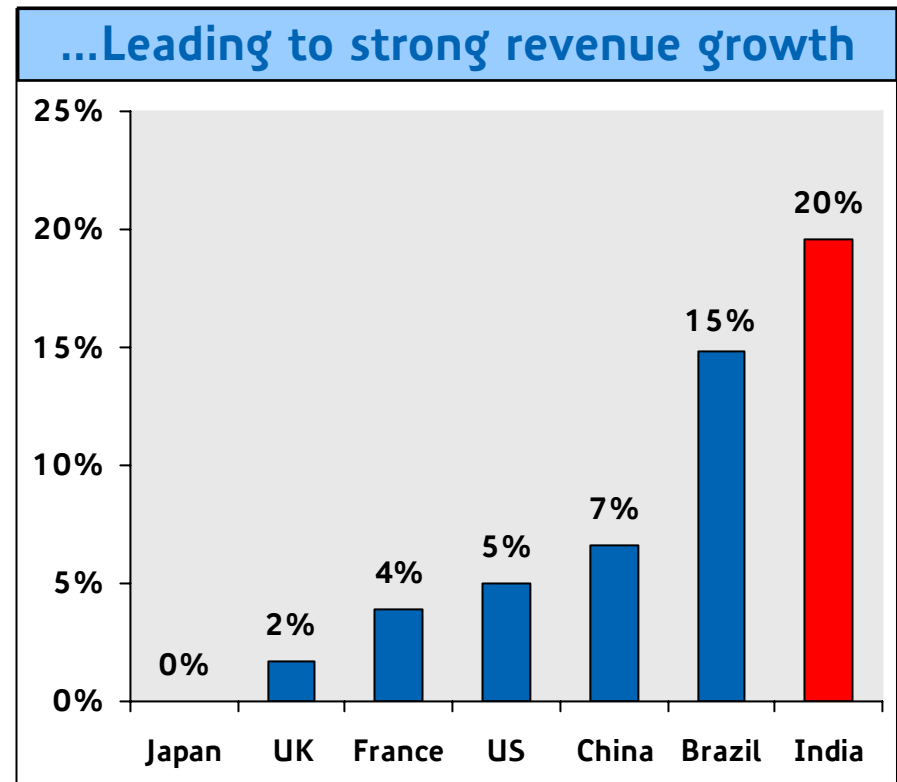
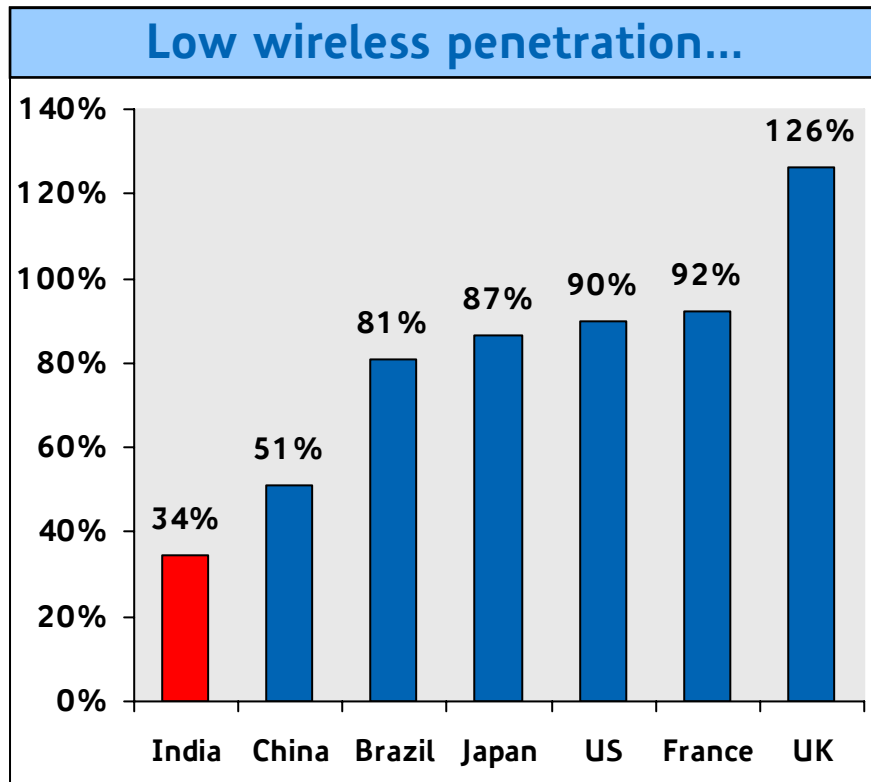
## □ Reliance Communications – an integrated telco

### Wireless

- Infratel
- Globalcom
- Enterprise
- Home

## □ Key takeaways

## Targets the largest untapped population in the world

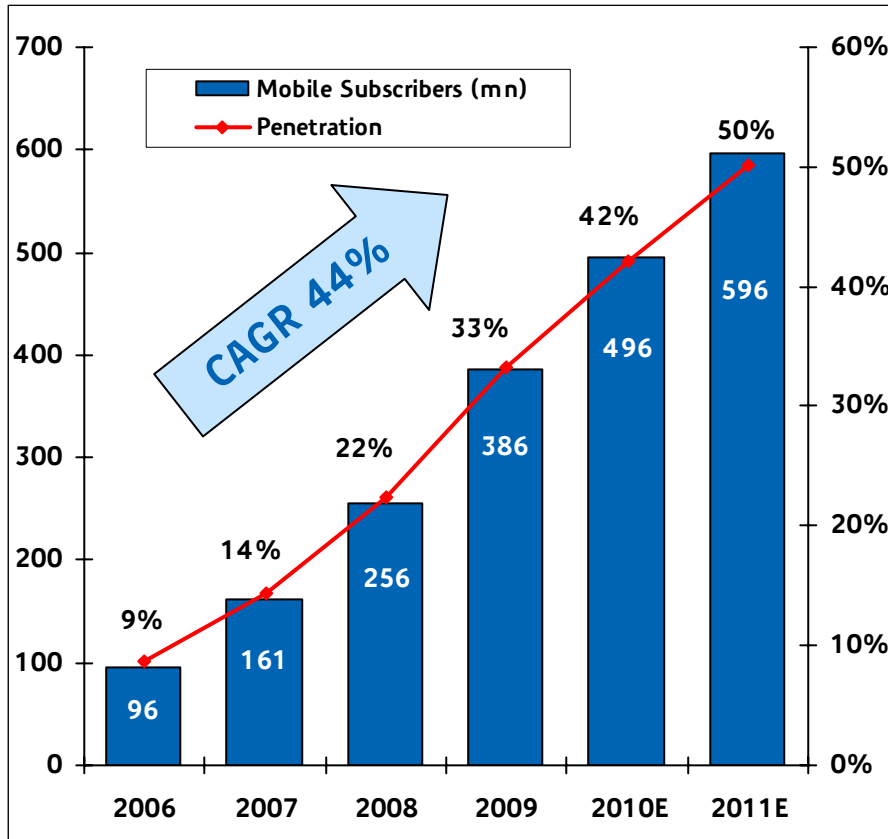


Source: Merrill Lynch Global Wireless Matrix, March 2009

**Low penetration + High Revenue growth = Huge opportunity**

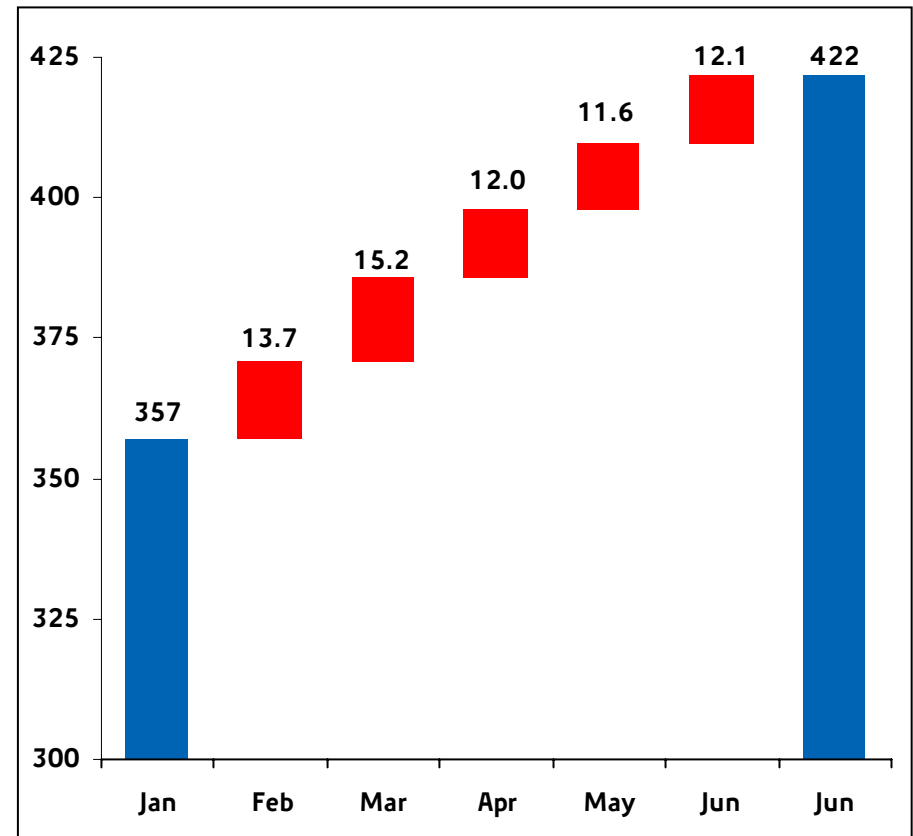


## Mobile subscribers in India to cross 600 mn in 2 years...



Year end March 31

Source: Industry estimates, COAI, AUSPI



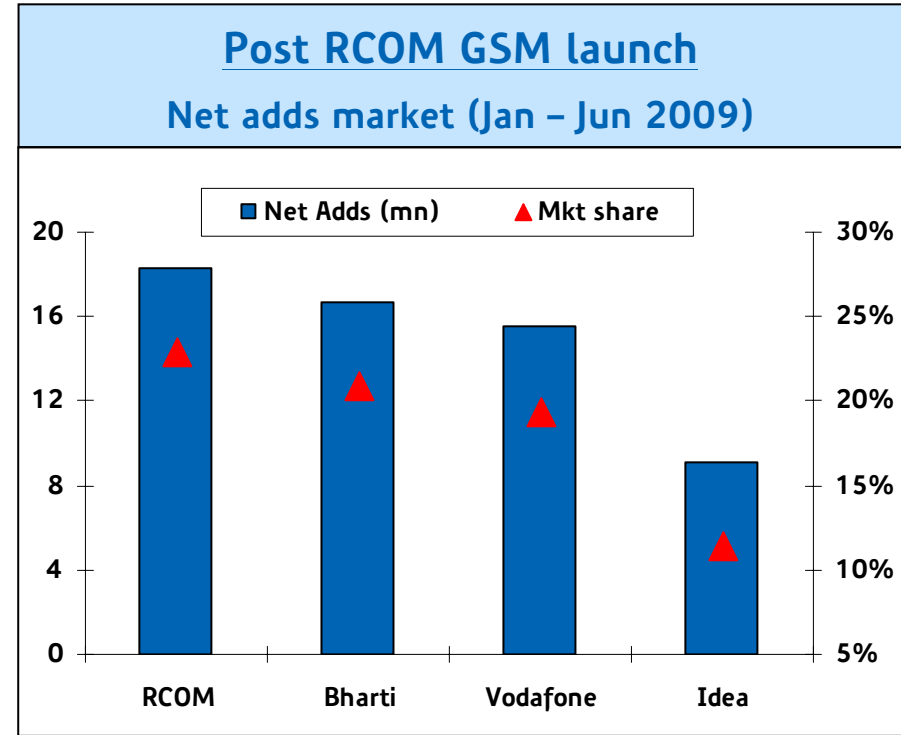
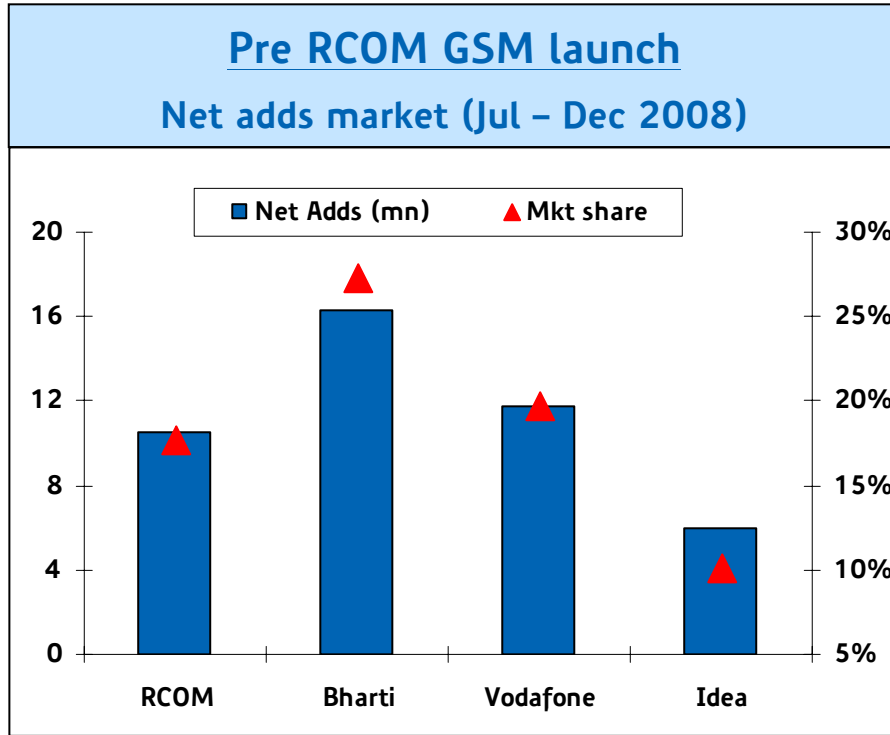
...even then there will be 600 mn unserved people in India

## RCOM: One of the fastest growing wireless companies globally

- ❑ **Among India's top 2 operators with 80 mn wireless subscribers**
  - Prepaid subscriber additions drive growth – 94% of total subscribers
- ❑ **Key Performance Indicators**
  - EBITDA margins among the highest in the industry – 39%...
  - ... despite among the lowest tariffs in the world...
  - ... backed by very high Minutes Of Usage – 915 million minutes per day



## Net adds market share



- ❑ RCOM had a significant increase in net adds market share from 18% to 23%
- ❑ Bharti & Vodafone lost market share during the same period

**Significant acceleration in RCOM net adds post GSM launch**

1

\*

\*CDMA

**Mobility**



**Wireless Data**



**Fixed Wireless**



**PCO**



**80 million  
Happy customers**

**Market leadership  
in all segments**

**... shall replicate success with nationwide GSM service**



24,000  
Towns

600,000 Villages

1 Billion Indians



**CDMA**



**GSM**

**Seamless coverage wherever you go**

India's billion people can now expect an unbeatable choice and value proposition across....

1. Coverage

2. Quality

3. Customer Choice

4. Handset Range

5. Service Breadth

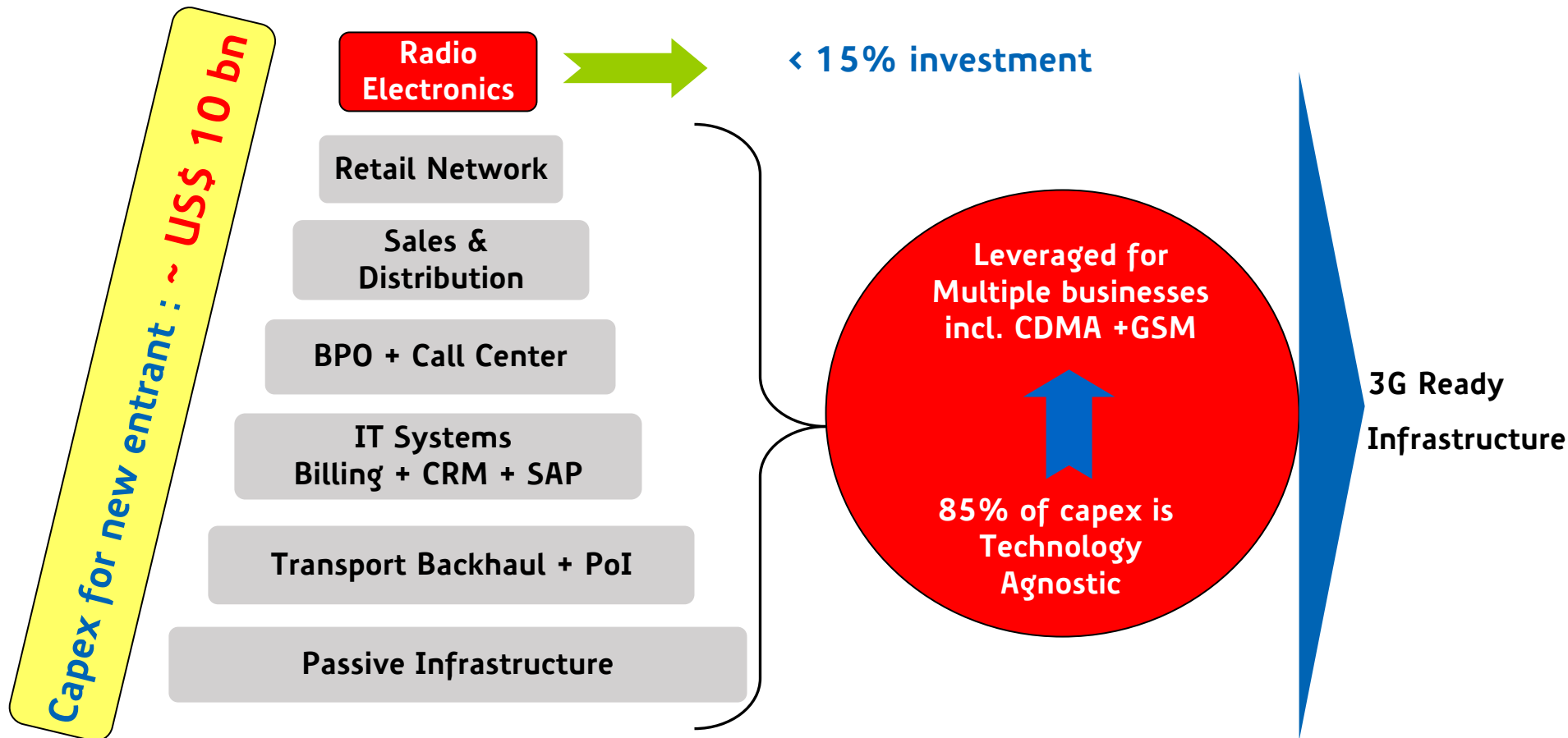
6. Int'l Roaming

7. Value Added Services

**Reliance GSM – Set to redefine mobility landscape in India**



## GSM network exploits huge capex and opex synergies



**Nationwide GSM service at marginal incremental cost**

## Dual network offers additional market share levers

Existing growth momentum

- Industry monthly net adds of 8 - 10 mn GSM subscribers
- Impetus from network expansion in semi-urban/ rural areas



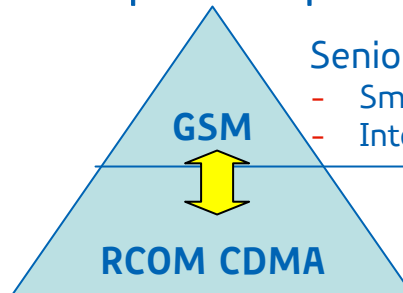
Cross technology  
On-net plans: Unique  
Service offering



Mobile Number  
Portability (MNP)

### Broad Market Segmentation

#### Corporate Requirement



Senior executives

- Smart phones
- International travel

Field force

- Large on-net talktime
- Remote email access

Retail/Family  
Similar CUG family plans

RCOM will bring both segments on-net, driving customer value & stickiness

Customer churn

CDMA ↔ GSM

Incumbent GSM → RCOM GSM

Probability

Low

Customer has invested in Handset

High

Customer neither loses number  
nor investment in Handset

**Unique advantage: Competition can't replicate**

## Drivers for additional revenue market share

International  
in-roaming  
revenue



VAS revenue



Thru GSM  
Handsets  
Ecosystem

- ❑ Participation in rapidly growing ~US\$ 1 bn international in-roaming market
  - ❑ Currently enjoyed by few GSM incumbents
  - ❑ Extremely profitable segment
- 
- ❑ GSM non-voice revenue contribution ~10% with SMS contributing ~5% vs ~1.2% in CDMA
  - ❑ Attract high SMS/VAS usage groups who also look for trendy & sleek multimedia handsets
- 
- ❑ Mid to High-end range handset users contribute higher ARPU (incl. international roamers)



**Significant revenue upside from GSM launch**

## Most comprehensive wireless portfolio

	Technology	
Advantages	CDMA	GSM
Spectrum efficiency	Unlimited usage plans PCO & FWP	
Wireless Data capacity	Mobile internet dominance ATM & PoS	
Multimedia/Video capability	Near 3G experience	
Handset range at all price points		GSM ecosystem – 75% of Indian mobile sector
International Roaming		High ARPU segment In-roaming revenues

**Only company to leverage strengths of both technologies**

## Best positioned to serve all customer segments

Segment	Need	Technology	Supporting factors
Light pockets	-Low handset prices -Primarily incoming & low outgoing	GSM/EDGE	-Presence of 2 <sup>nd</sup> hand handsets -SIM Distribution reach
Business and Enterprise	-E-mail -Browsers -Office tools -Roaming	GSM/EDGE	-Mid and High end handset range -International Roaming
Lifestyle aspirants	-Multimedia -Design (look & feel)	GSM/EDGE	-Mid and High end handset range
Anchored users	-Fixed wireless -Data speeds	CDMA	-High data speeds possible with 1X -Low cost to operate limited mobility
Data hungry users	-Data speeds	CDMA	-High data speeds possible with 1X
Value seekers	-Value seeker of Handset and Minutes	CDMA	-Minutes bundled with handsets

## Netconnect Broadband Plus



**Introducing India's fastest Internet.**

Now speed has a new icon.

- Wireless Broadband for laptops and desktops
- 3G service faster with speed upto 3.1 Mbps
- Seamless service across 20,000 towns and 4.3 lac villages

Call 1-800-000-7000, SMS 'WID' to 55454

**RELIANCE Netconnect**  
Broadband+

USB Modems

### Competitive differentiation

- ❑ Fastest internet broadband service of up to 3.1 Mbps in India's top 35 cities
- ❑ Seamless handover & connectivity through CDMA 1X in over 23K towns and 6 lakh villages covering 90% of the Indian population
- ❑ Wide reach compared to limited reach of wireline networks
  - Broadband coverage expansion the wireless way
- ❑ ARPUs are 3-4 times higher than the voice usage
- ❑ Increased capacity utilization in CDMA network
- ❑ Easy availability & instant activation within minutes compared to few weeks or even months in case of wired broadband

**Fastest internet connectivity under wireless platform**



## Service Innovations: First to reach the market

### Unlimited local & STD calls



### Mobile TV



### Yahoo on Reliance



### Internet on the move



### MBlog



### MBanking



### MPay



### Micro-billing



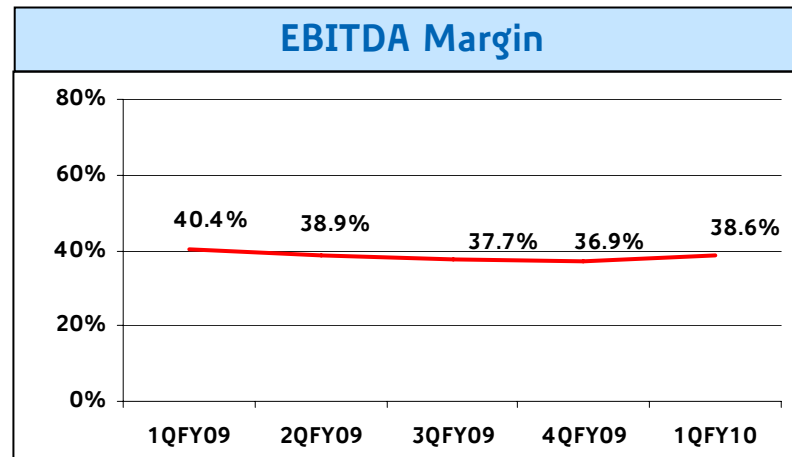
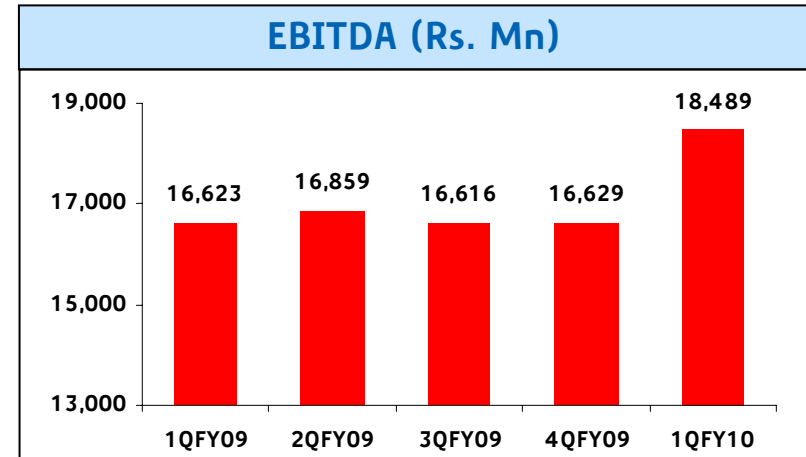
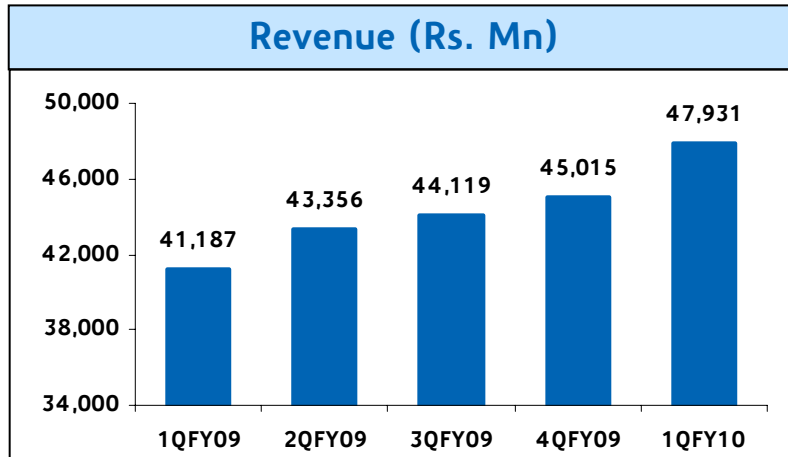
## Multi-channel customer delivery system

- ❑ World-class design , fit out & ambience at 2,000 exclusive retail showrooms on High streets/Malls
- ❑ High Quality Reach & National footprint through 5,000 distributors & 1 million retailers
- ❑ 5,000+ Direct & indirect outbound sales force to cater to customers at their premises
- ❑ Dimensioned to handle over 35 mn sales transactions annually



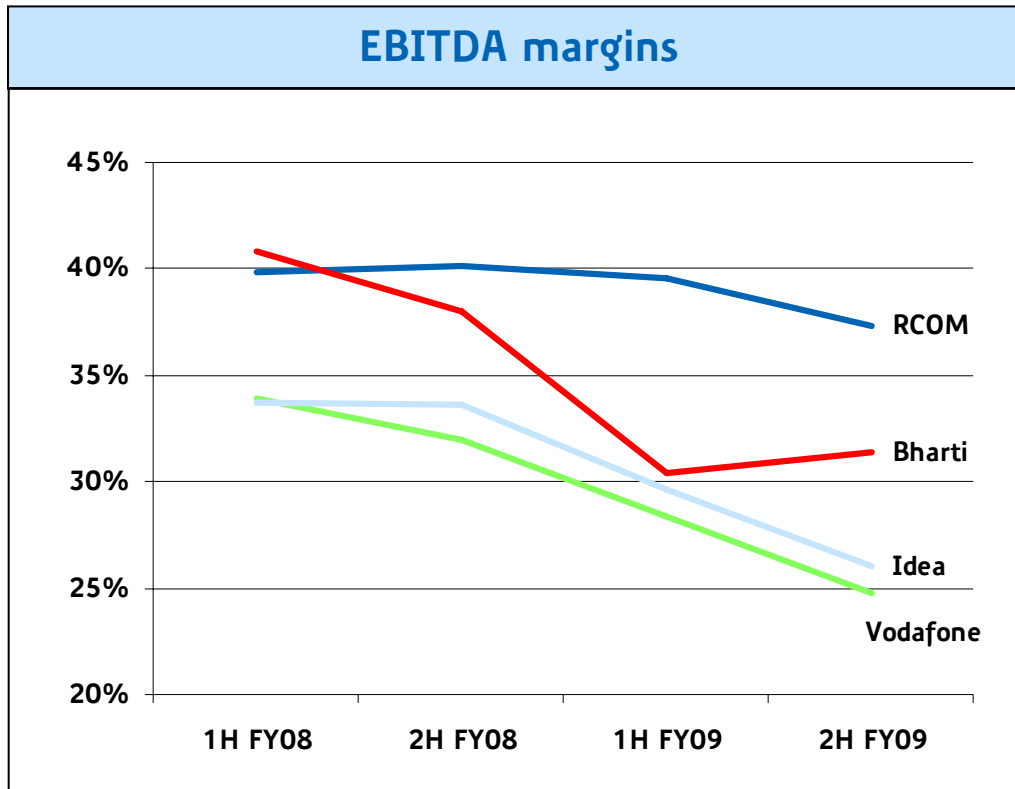
**By far the largest retail distribution network in the industry**

## Financial Performance



**Strong momentum in GSM drives profitable growth**

## Wireless EBITDA margin comparison



Source: Company reports, Analyst report

### New launches - FY2009

- RCOM GSM - 14 circles
- Bharti - Nil
- Vodafone - 7 circles
- Idea - 2 circles

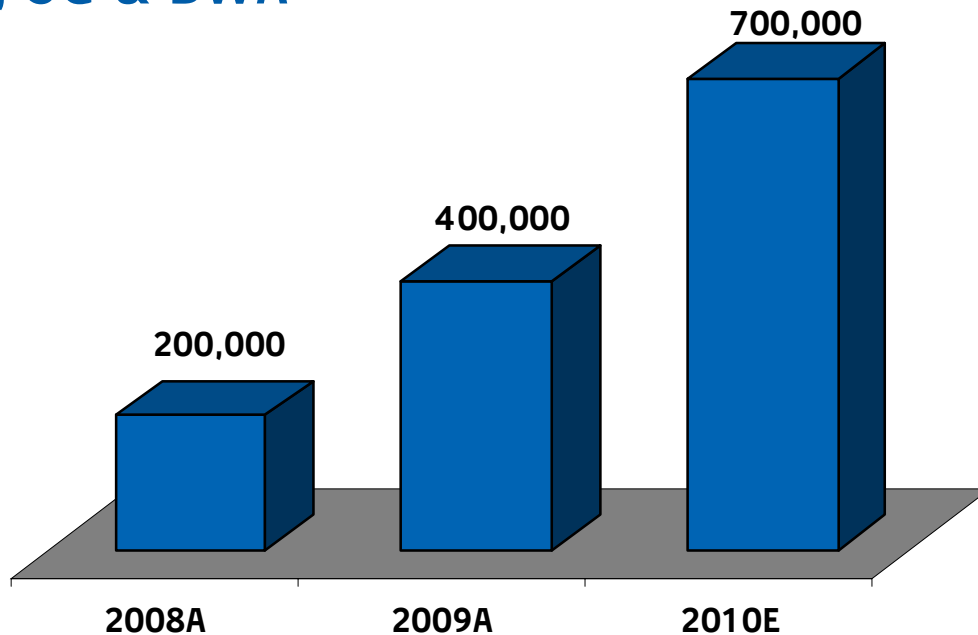
**Margins to improve with new revenue streams**

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## Infrastructure Tenancy Slots – Market

2G, 3G & BWA



Source: Industry Estimates

RITL Ground based tower

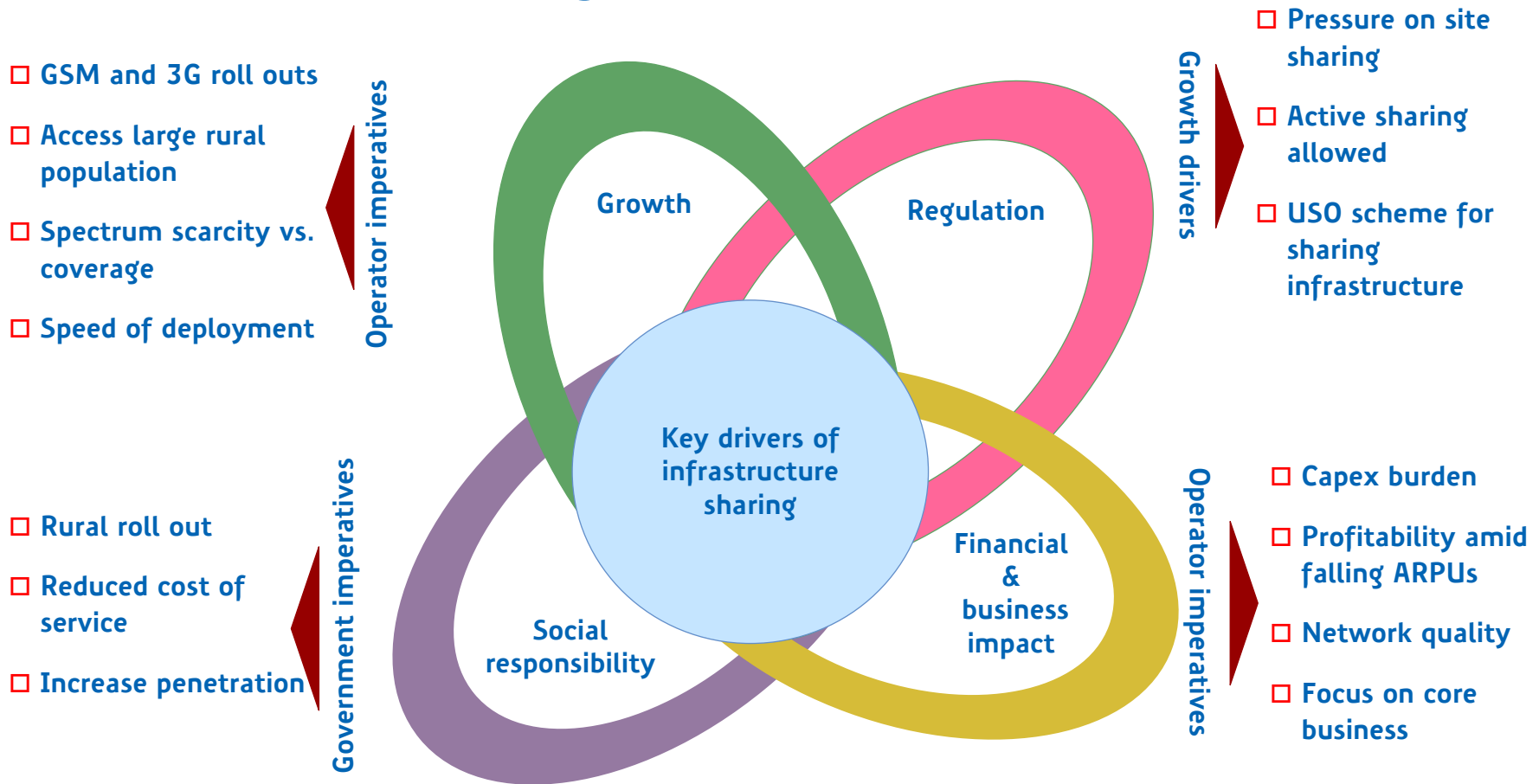


RITL Roof top tower





## Infrastructure sharing



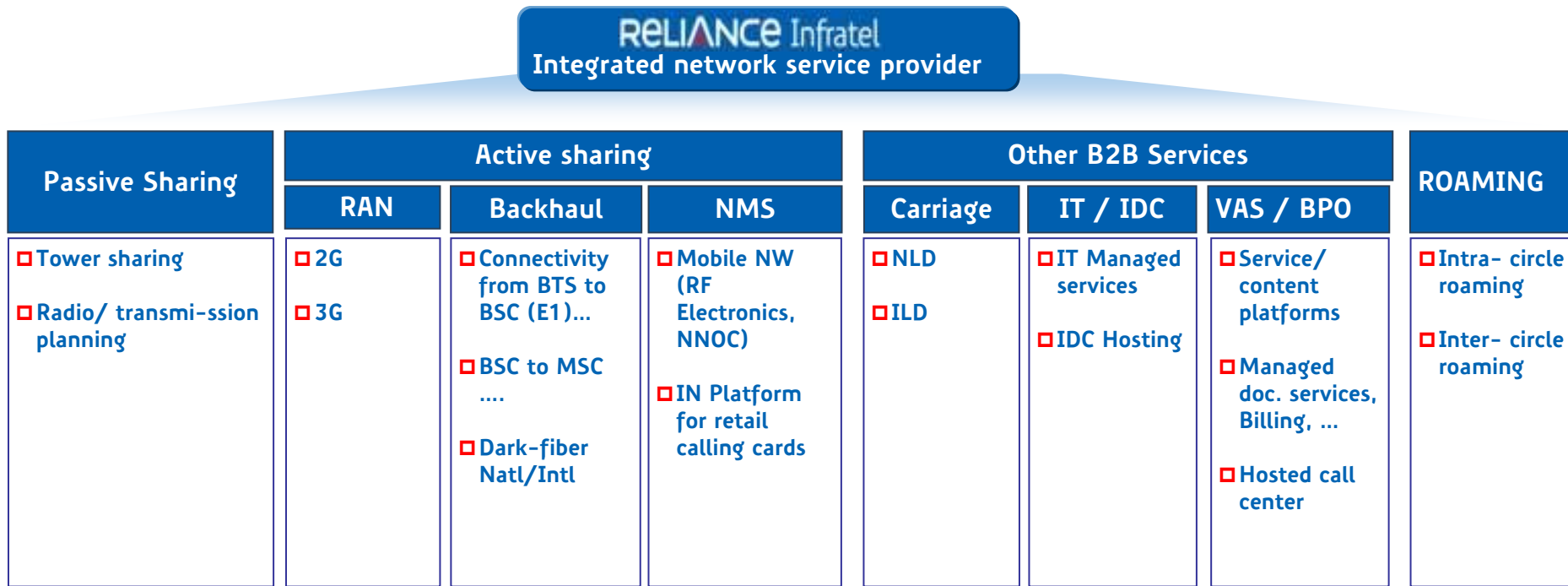
**Infrastructure sharing – All drivers are in place**

## Infrastructure overview

- ❑ Operational in all 22 circles
- ❑ ~50,000 multi-tenancy towers as on June 30, 2009.
- ❑ Anchor customer (Reliance Communications) driven strategy
- ❑ Current captive tenancy of 1.6x post our GSM launch; will further increase with the 3<sup>rd</sup> party tenants agreements
- ❑ Financial performance (FY2008)
  - Revenue: Rs. 14,566 mn
  - EBITDA: Rs. 6,746 mn; Margins: 46.3%
  - Total Assets: Rs. 117,205 mn

**Aim to be a preferred infrastructure provider for new operators**

## Offerings across network value chain



- ❑ **Significant expertise developed in all product service offerings**
  - Service provider for RCOM as third party client
- ❑ **SLA based service delivery**

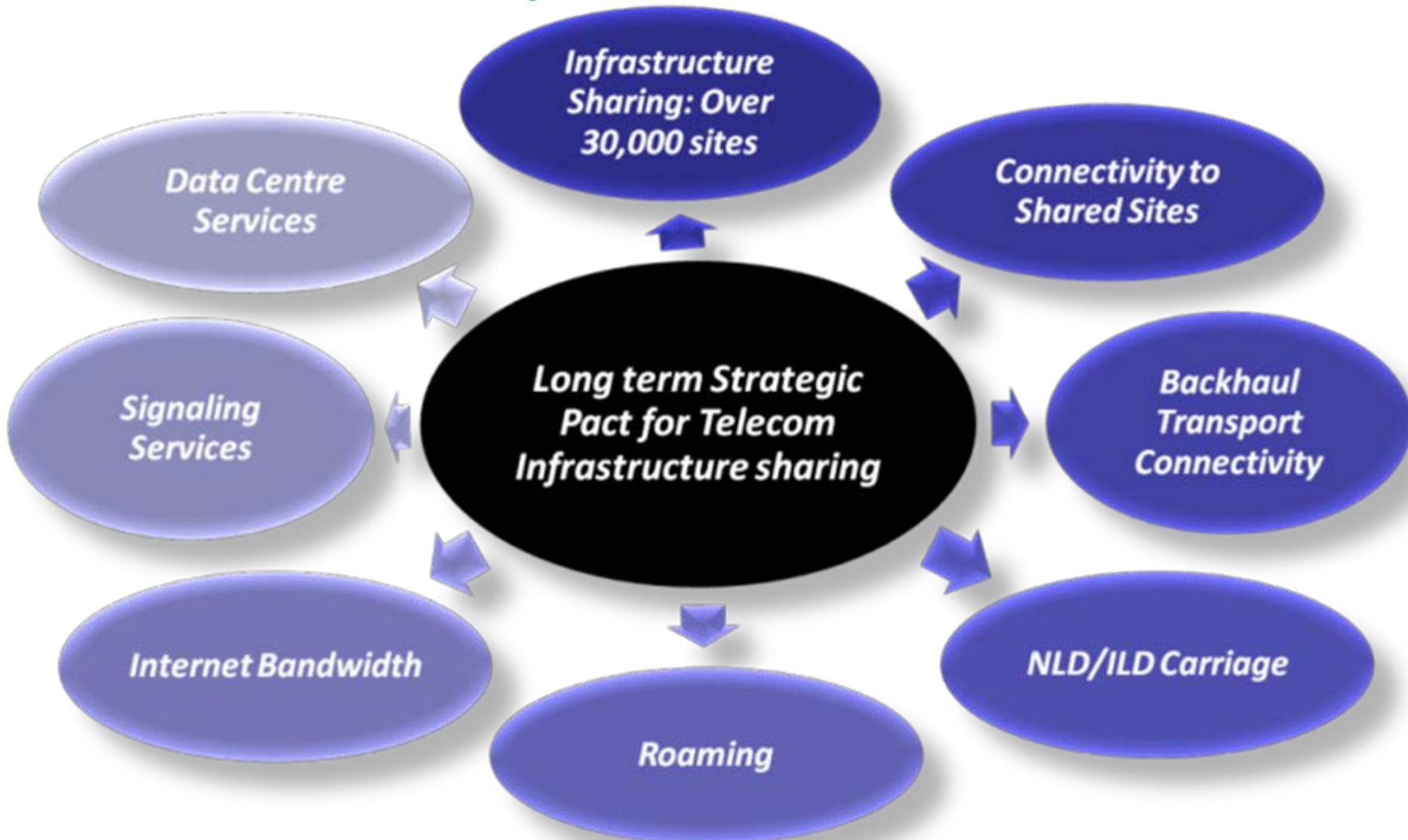
## Competitive Positioning: Unmatched capability to provide integrated service offering

RITL competitors	Passive Infrastructure**	Active sharing			Other B2B services				
		Equipment	Back-haul	NMS	ILD/NLD	VAS	IT	BPO	
Operator owned tower Co.s	√	x	√	x	√	x	x	x	Portfolio focussed at passive sharing + few value added services
Independent tower Co.s	√	x	x	x	x	x	x	x	No capability to provide active sharing or backhaul
Network Equipment Vendors	x	x	x	√	x	√	√	x	No passive, active or backhaul sharing capacity

\* As on FY '07  
 \*\* Includes site planning, housing, management of lease contracts, site management activities (conditioning, electricity provisioning etc)  
 Source: Company websites, Internal Analysis

GAP in service offering

## RITL-Etisalat DB Infrastructure deal



## Highlights of the Partnership



## What it means for the Partners...



- ➔ *Key Agreement – leverages RCOM's capabilities for a swift & cost efficient roll-out*
- ➔ *Enables focus on Market, Customer and Service orientation Strategy*
- ➔ *Asset Light Business model, enabling extensive network rollout with Opex sharing advantages*



- ➔ *It enhances RCOM group revenues by Rs 10,000 Cr.*
- ➔ *Opportunity for monetization of assets & improvement in capital productivity*
- ➔ *Opex efficiencies and utilization*

**A win-win pact**



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## ☐ Reliance Communications – an integrated telco

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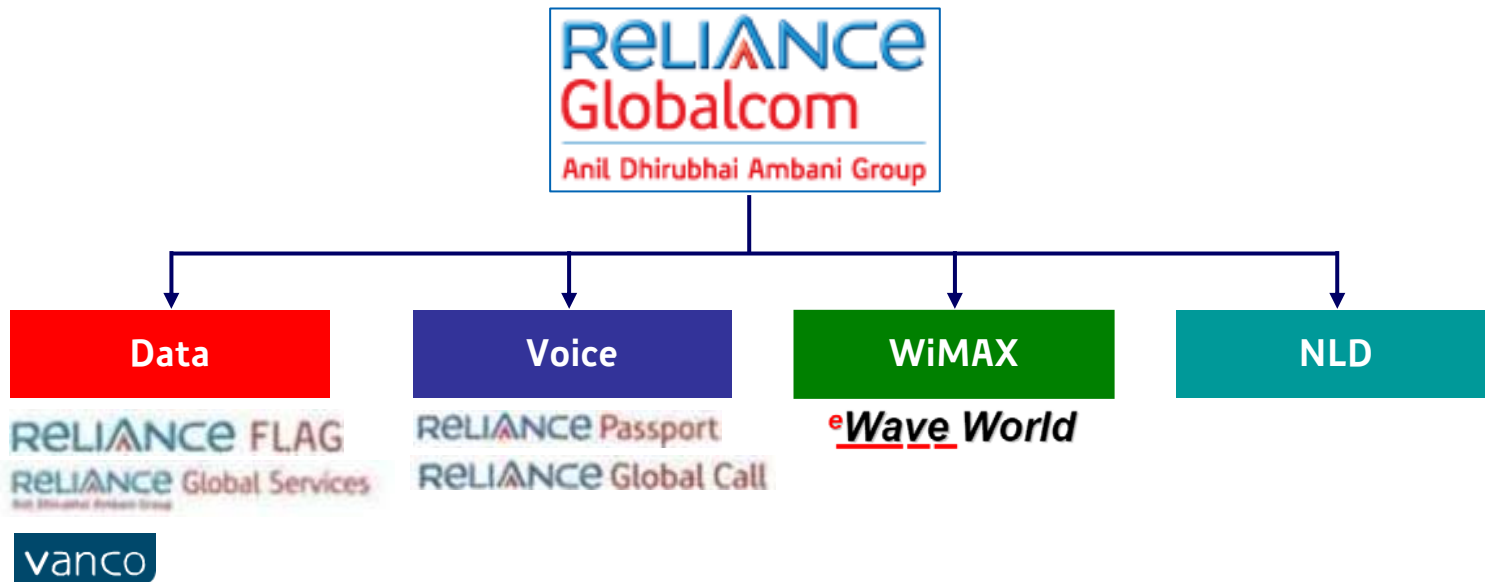
**Globalcom**

## ☐ Key takeaways



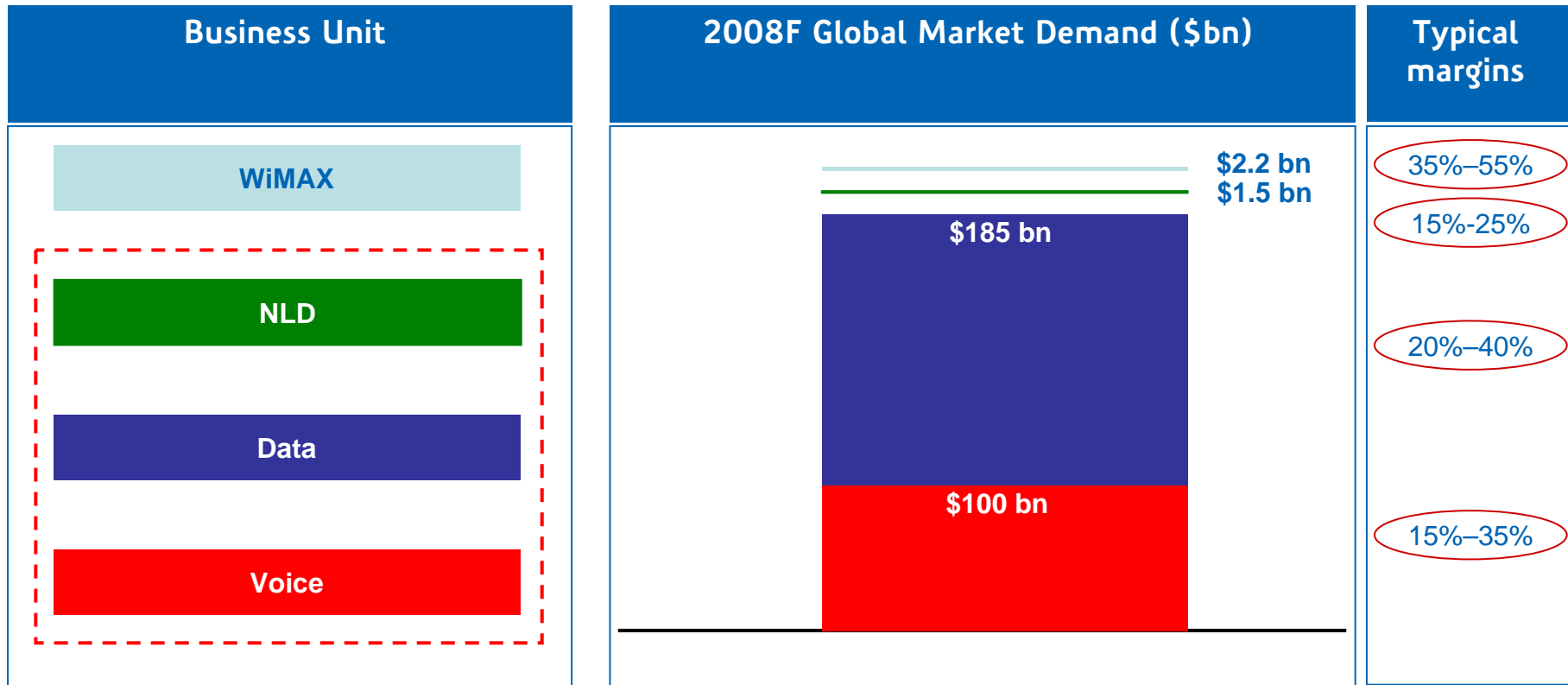
## Business structure

- Completed restructuring of our services under four core business segments of Data, Voice, WiMax and NLD



**Accelerate growth into \$290 Billion communications market by providing comprehensive voice, video & data network services**

## Market potential



Sources: Telegeography, Ovum, Gartner Research

**Addressable market revenue is ~US\$ 290 bn with EBITDA in range of 15% to 55% based on service and geography**

## Voice Business

### Global Reach

- ❑ Retail services in U.S., Canada, U.K., Australia, New Zealand, Hong Kong and Malaysia.
- ❑ Reliance Global Call offers Calling services for 200 countries across the globe.



### Innovative Product Suite

- ❑ Reliance Global Call
  - International Calling Service
  - Web based service delivery, fulfillment
- ❑ Reliance Passport
  - Single SIM for 110 countries with free incoming calls in 57 countries



**RELIANCE**  
Global Call

### Leadership Position

- ❑ Market share of 30% for ILD wholesale inbound traffic
- ❑ Over 2.2 million customers for Reliance Global Call service.
- ❑ Usage of Reliance Global Call accounts for 40% of total retail market calls from the United States to India.

**Market leader in International Long Distance**

## Voice Business – Plan to drive profitable growth

### Continued Product Innovation

#### ❑ Value adds to drive retention and usage

- Loyalty and reward program
- Money transfer services
- Entertainment and content features

#### ❑ Launch new products like:

- Web based Audio and Video Conferencing

### Expand Customer Base

#### ❑ Expand retail reach to new territories like Bahrain

#### ❑ Aggressively target Enterprise customers through cross sell and up sell through Reliance Vanco sales team

**Maintain low cost leadership while aggressively growing business**

## Data Business

### Unmatched Capabilities

- ❑ Global presence in over 60 countries. World's largest IP optical network
- ❑ Leadership in Global Ethernet (Yipes) and MPLS VPN (Vanco).
- ❑ Among top 3 IDC suppliers



### Blue Chip Customers

- ❑ Diverse base of over 200 carriers, ISPs and content providers.
- ❑ Over 1,200 Blue Chip enterprise customers.

### Leadership Position

- ❑ Ranked amongst top 5 in Global Network Service Providers by Gartner.



**Among Top 5 Managed Network Services providers**

## Data Business – Plan to drive profitable growth

### Vertical Expansion

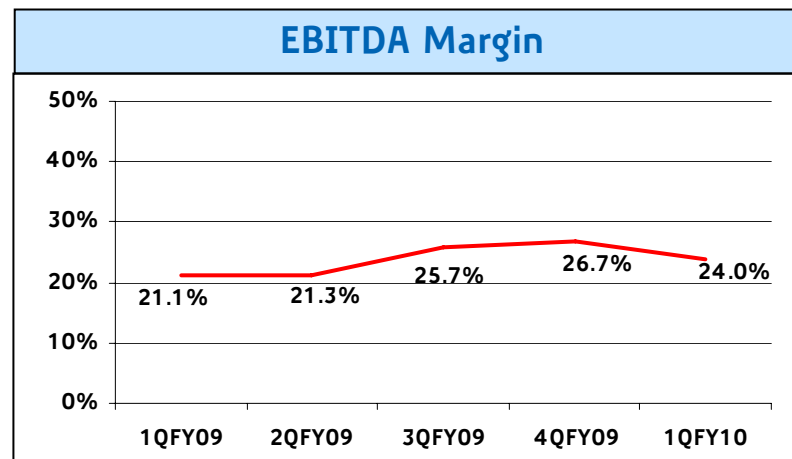
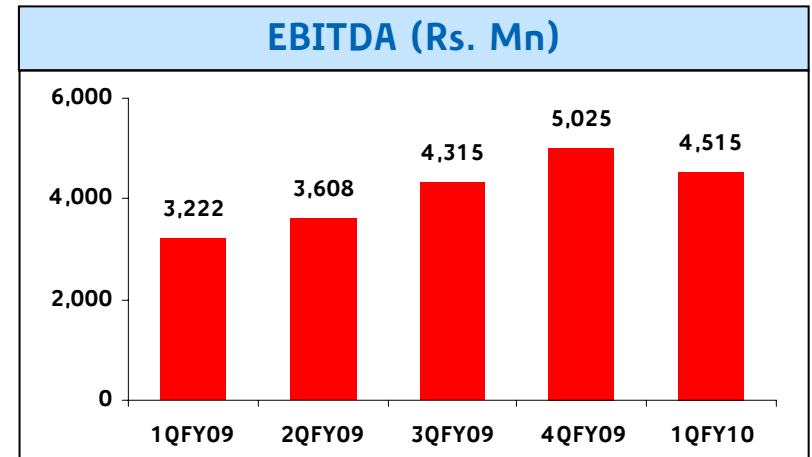
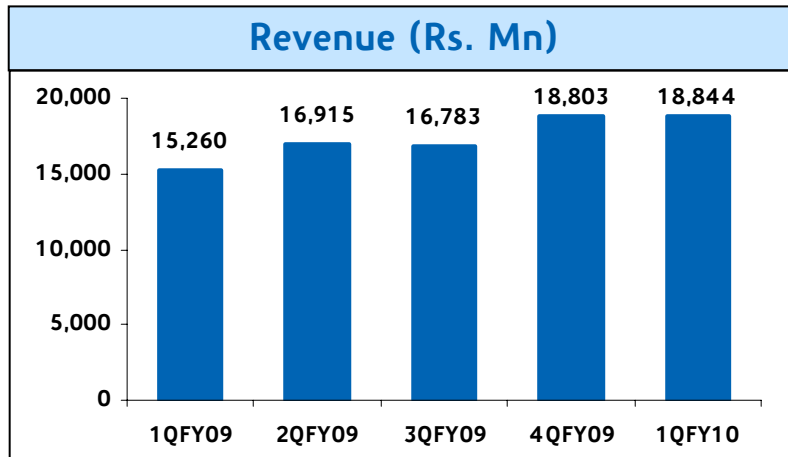
- ❑ Enhance revenue contribution from higher margin value added services
- ❑ “Sell to, sell through, sell with” channel partners to extend the customer franchise

### Horizontal Expansion

- ❑ Expand Geographical Coverage:
  - Reach of cable network
  - VPoPs
  - Product suite
- ❑ Low risk investment strategy based on securing pre-build commitments

**Maintain low cost leadership while aggressively growing business**

## Financial Performance



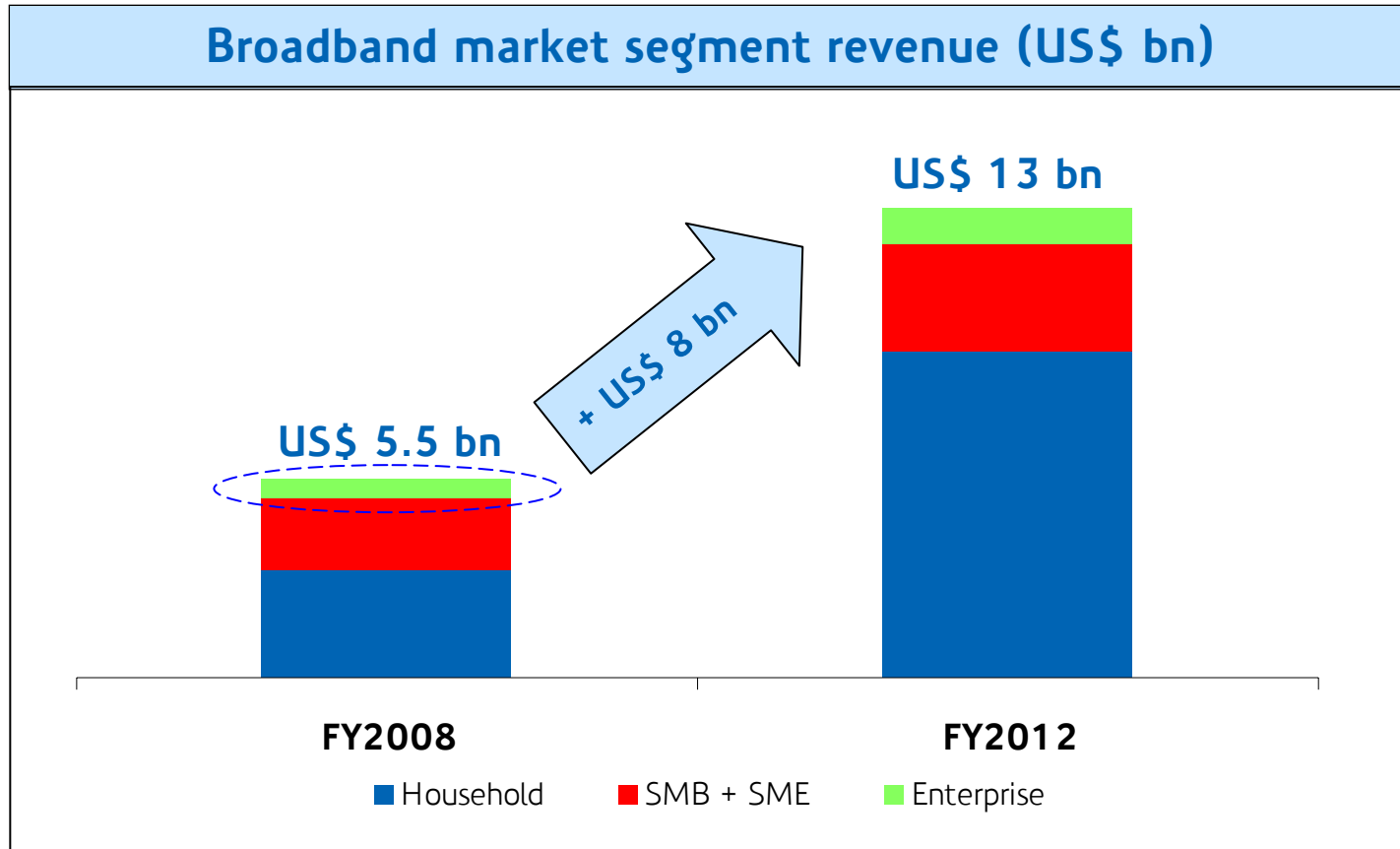
**Consistent growth with stable margins**

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- ❑ Key takeaways



## Underserved market: Provides strong growth opportunity



Source : Industry Report

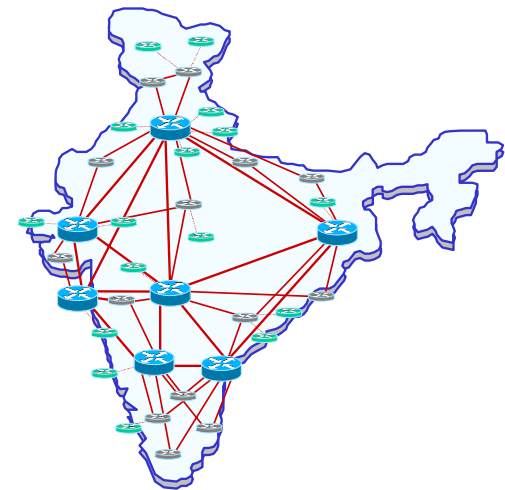
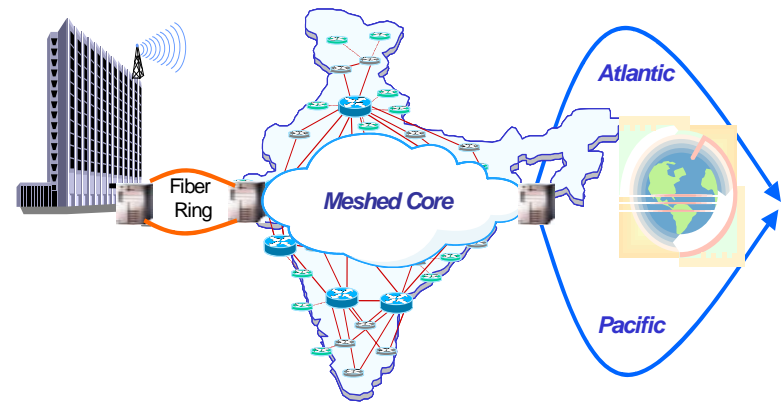
**Indian Market to grow to US\$ 13 bn in the next 3 years**

## RCOM: Best positioned to drive growth

- ❑ >50% market share in highest growth data products like IDC, Centrex solutions, VPN, etc
- ❑ 1 Million buildings connected across top 44 cities to our fiber network, to cross 1.5 mn by next year end
- ❑ Have built the largest capability in India to serve >7.5 mn Voice & Data customers

### Who do we Serve

- ❑ Servicing over 900 of top 1000 Enterprises
- ❑ 250 MNCs and 50,000 SMB businesses
- ❑ Over 1.4 mn access subscribers



**India's leading provider of enterprise services**

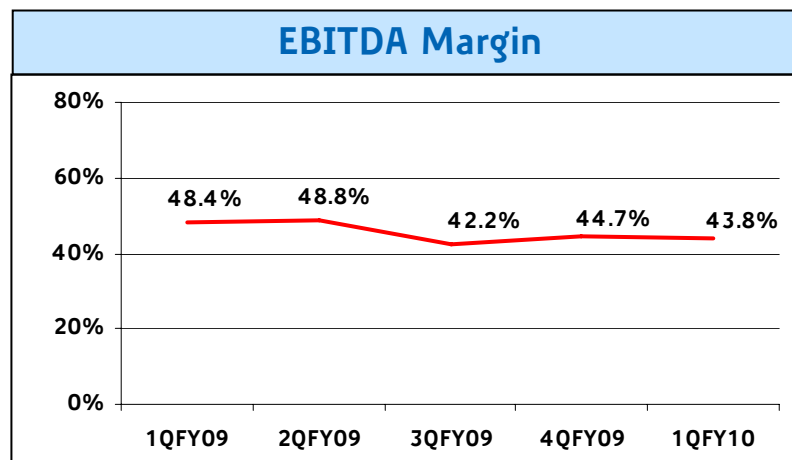
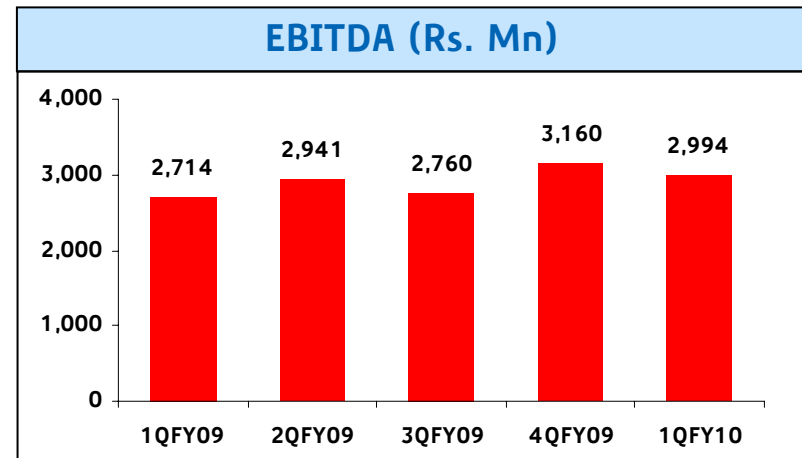
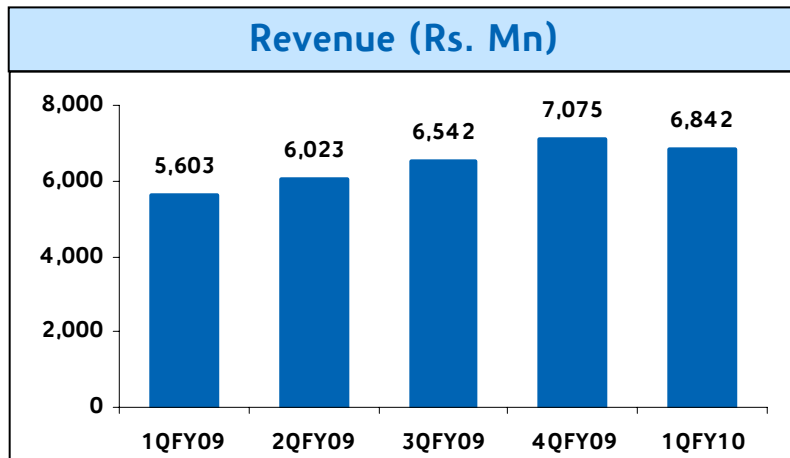
## IDC: Largest in India with >60% market share

- ❑ Six data centres with level 3+ accreditation
  - more than 300,000 sq ft of facilities space
- ❑ Hosting >20,000 systems and >1400 terabyte of information
- ❑ Geographic redundancy
- ❑ Wide & complex application hosted
  - Core Banking, ATM/ Internet Banking
  - Complex ERP/ SAP Applications
  - Complex Intranet/ Customized Apps.
  - Large Messaging Applications



**Expanding capacity 4 times to cater to fast growing demand**

## Financial Performance



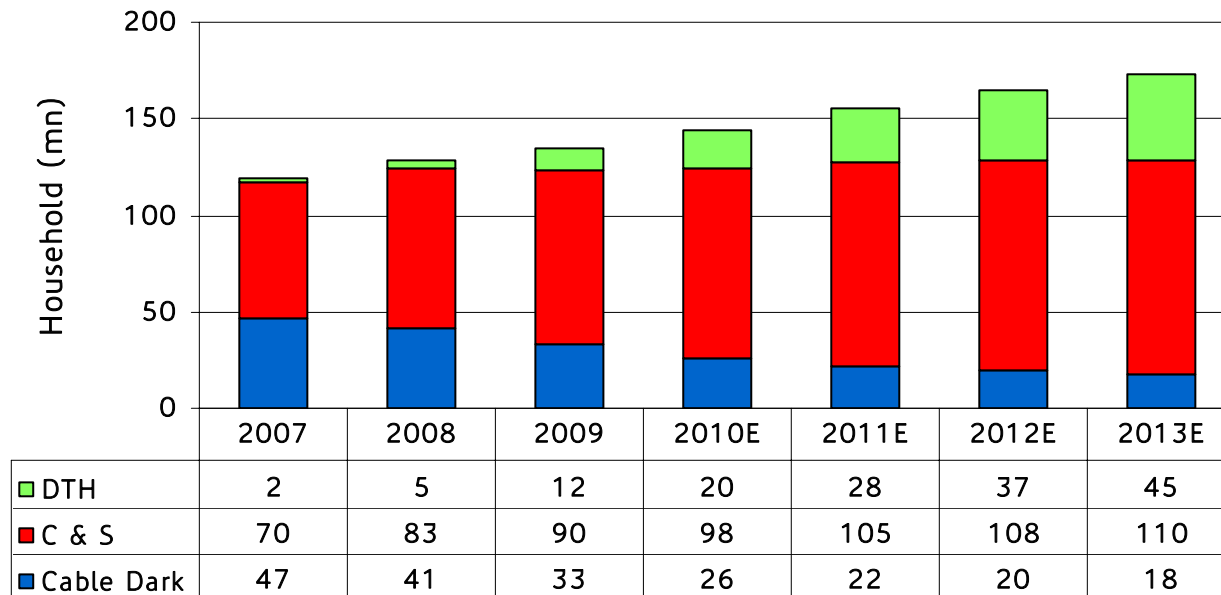
**Consistent growth with strong margins**

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## Indian Market (as of June'09)



(Mn)	2007	2008	2009	2010E	2011E	2012E	2013E
Total TV HH	119	129	135	144	155	165	173
DTH (%)Share	2%	4%	9%	14%	18%	22%	26%

Source : Industry Estimates

**DTH penetration at 9%; likely to double to 18% by 2011.**

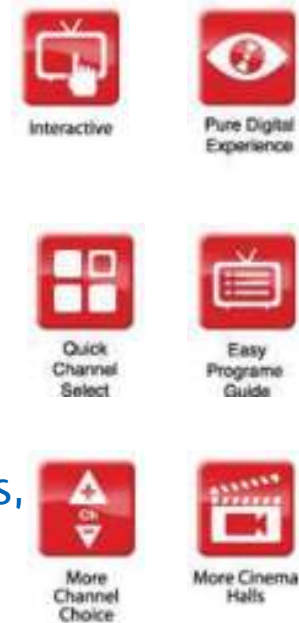
## Big TV (DTH) – Commercially launched

### □ Key service differentiators

- More channel choice
- Pure Digital viewing
- 32 Cinema channels
- Easy program guide
- Quick channel select
- Interactive applications (iNews, iGames, iCricket, etc)
- Superior MPEG 4 technology

### □ Pioneering HD experience in India

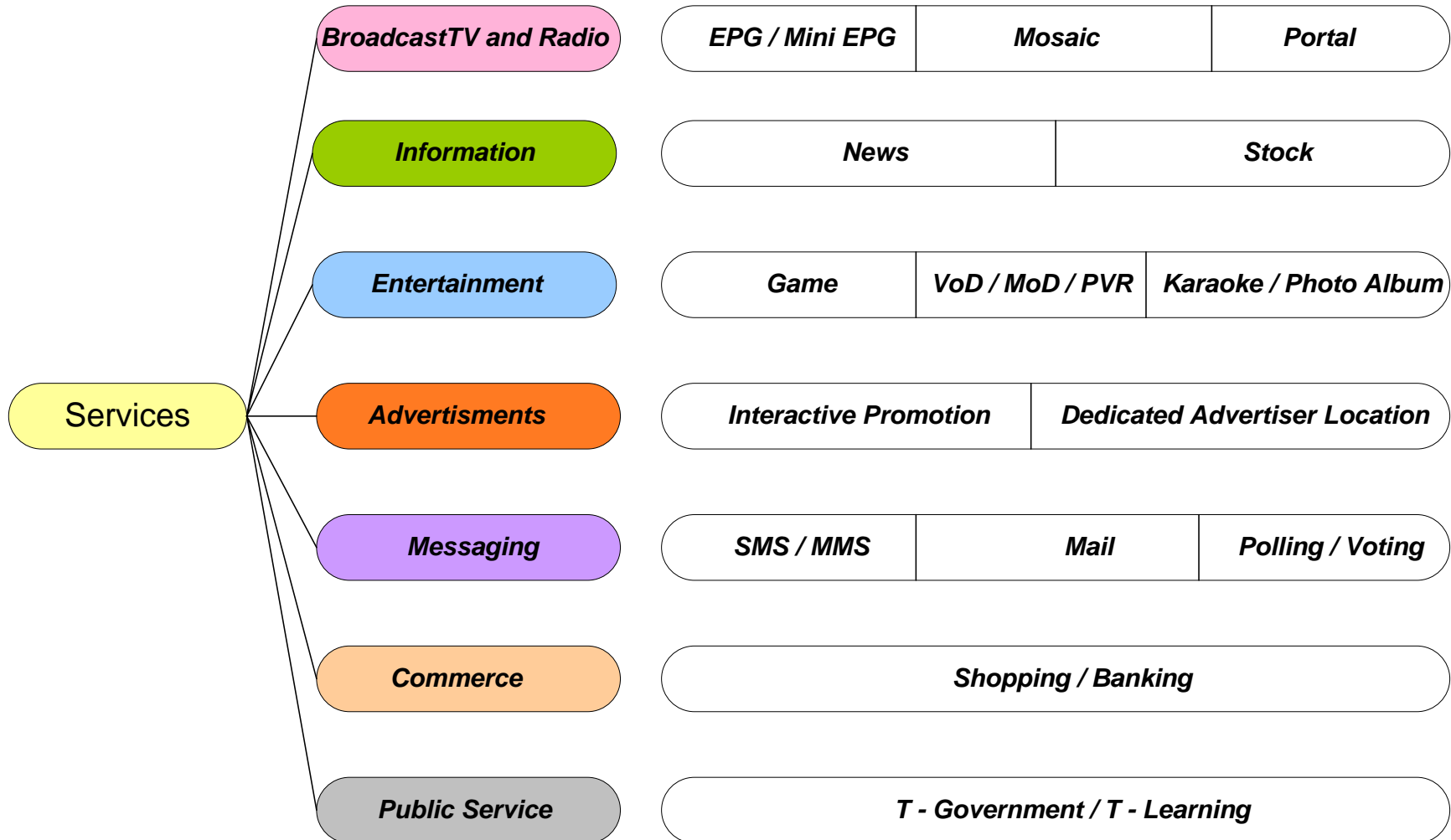
### □ Pioneering DVR – "Watch when you want"



**Ho Toh BIG Ho!**

**Digital viewing experience will create revolution in TV entertainment platforms**

## BIG TV Services: Complete suite of services





## Distinct Edge over Competition

### PRODUCT

	Cable	Dish TV	Tata Sky	Airtel	Sun Direct	<b>BIG TV</b>
Technology	Analog	MPEG 2	MPEG 2	MPEG 4	MPEG 4	MPEG 4
No. of Video channels	80-90	208	172	165	172	204
Exclusive movie channels	1-2	7	5	12	0	32
Program Guide	Nil	Traditional table	Traditional table	Traditional table	Traditional table	Next Gen Easy-to-use

\* As on 30<sup>th</sup> June 2009

## Interactive Services

iStock



iCricket



iGames



iAstro



iCooking



iNews



# Contents

- Reliance Communications – an integrated telco
  - Wireless
  - Enterprise
  - Infratel
  - Home
  - Globalcom

**Key takeaways**

## Key Takeaways

### Drivers for growth

- ❑ Continuous improvement in subscriber and revenue market share
- ❑ Further improvement in capacity utilization and capital productivity
- ❑ Greater emphasis on network quality, customer service and customer experience
- ❑ Huge growth opportunities in Infratel, DTH & IDC
- ❑ Time-to-Market advantage for launching new & unique products & services



### Impact

Increases the Revenue generating ability

High EBITDA margin Businesses improves the overall profitability

Robust pipeline of business to support growth

**Integration of Telecom, Media, IT will be levers of tremendous future growth**

Thank you