

RCoVL/MR/2006/02

## MEDIA RELEASE

**Reliance Communications Board approves re-organisation of group companies valued at a market cap of Rs 61,000 crore (US\$ 13.8 billion)**

**Chairman, Anil D. Ambani, aligns interests fully with over 2 million Reliance Communications shareholders – promoters' shareholdings at multiple levels eliminated**

**Over 2 million shareholders of Reliance Communications to enjoy 100% ownership and benefit of all communications services businesses - CDMA/GSM wireless, wireline, long distance voice, data and broadband services**

**Re-organisation through a share swap only, with no cash outgo**

**Reliance Communications to become an operating company - over 19 million individual and enterprise customers already – India's largest**

**Re-organisation based on two independent valuations by internationally reputed firms, KPMG and JM Morgan Stanley and property valuation by Trammell Crow Meghraj Pvt. Ltd.**

**Mumbai, March 12, 2006:** The Board of Directors of Reliance Communications Ventures Ltd. (RCVL), India's leading and fastest growing integrated communications services company, and a member of the Reliance – Anil Dhirubhai Ambani Group, today approved a **re-organization of the ownership structure of all its major operating companies, valued at Rs 61,000 crore (US\$ 13.8 billion).**

**The re-organization has been proposed within 5 trading days of the listing of RCVL, to expedite value enhancement for over 2 million RCVL shareholders – the largest shareholder family in India.**

The companies involved in the re-organisation include, inter alia:

- Reliance Infocomm Ltd. (RIC)
- Reliance Communications Infrastructure Ltd. (RCIL)
- Reliance Telecom Ltd. (RTL)

Commenting on the proposed re-organization, **Mr. Anil D. Ambani, Chairman, RCVL,** said, "The proposed re-organisation upholds the highest principles of transparency, fairness and corporate governance, and is **a historic milestone in our endeavour to create the most valuable India-based global communications services company.**"

## **Benefits of Proposed Re-organisation**

**The proposed re-organization will deliver substantial benefits to RCVL, and its over 2 million shareholders, including inter alia:**

- Aligning the interests of all shareholders in a single listed entity
- Achieving a simple and transparent ownership structure for all RCVL businesses
- Eliminating areas of potential conflict of interest and related party transactions
- Creating synergies by consolidating ownership
- Establishing a single currency for the Reliance - ADA Group's communications services businesses
- Allaying concerns over possible multiple listings of group companies
- Unlocking and maximising value for the benefit of over 2 million shareholders

**The re-organisation will be achieved through a share swap only, and will not involve any cash outgo.**

## **Guiding Principles**

The re-organisation upholds the highest standards of fairness, transparency, and corporate governance. In accordance with these principles:

- 1. Mr Anil Dhirubhai Ambani, being an interested director, did not participate in the proceedings of the Board.**
2. The proposed re-organisation has been timed after the listing, to ensure full price discovery of RCVL equity shares.
3. All shareholders of RCVL will have the opportunity to vote on the proposed re-organization.
4. The proposed re-organisation will be subject to all necessary regulatory approvals, including the sanction of the High Courts.

## **Methodology and Timing**

**The proposed re-organisation is based on independent valuations provided by two reputed international firms, KPMG and JM Morgan Stanley.**

**Trammell Crow Meghraj Pvt. Ltd. has advised on the property valuation.** The legal advisors to the proposed re-organisation are Mulla & Mulla & Craigie Blunt & Caroe.

**RCVL's existing equity shares will continue to trade normally on the stock exchanges, with no impact on liquidity at any point of time during the proposed re-organisation.**

The proposed re-organisation will be implemented through an appropriate scheme of arrangement under Ss. 391 to 394 of the Companies Act, 1956, involving inter alia issuance of fully paid up equity shares of Rs. 5 each of RCVL to the respective transferors as consideration for the proposed acquisition, and cancellation of cross-holdings, and will be subject to all necessary permissions and approvals, including inter alia, of shareholders, lenders, stock exchanges, High Courts, regulatory authorities, etc.

**The proposed scheme of re-organisation will be prospective, and take full effect from 1<sup>st</sup> April 2006.**

### **Business Rationale**

**RCVL's existing ownership structure, which is a legacy arising from the period prior to restructuring of Reliance Group, is inefficient, and considerably dilutes value for the company's over 2 million shareholders.**

A large number of domestic and global institutional investors have observed that the existing ownership structure is complex and sub-optimal.

**The fundamental and inherent drawback of the legacy ownership structure is that RCVL does not own a majority stake in any of its operating companies – RTL, RCIL, and RIC, which comprise the nationwide optic fibre backbone, and GSM and CDMA wireless, wireline, broadband, long distance and international voice and data businesses.**

As a consequence, **RCVL also does not own a majority or controlling stake in any of its affiliates through which the full range of business activities is carried out, including inter alia, the global sub-sea cable network, Reliance WebWorlds, call centres and data centres.**

Further, **the existing structure positions RCVL as a pure holding/investment company, with all attendant disadvantages** including:

- discount in public market valuations,
- constraints in resource mobilization, and
- tax inefficiencies.

**The proposed reorganization completely transforms this legacy structure, and gives RCVL 100% ownership of all operating companies, assets and franchises.**

**On completion of the reorganization, RCVL will become a major operating company, with over 19 million individual and enterprise customers.** This is achieved by the proposed merger of RIC with RCVL. In addition, RCVL will have three principal wholly-owned operating subsidiaries, RTL, RCIL and FLAG Telecom.

As a result, **over 2 million shareholders of RCVL will now enjoy the full benefit of all businesses in the communications services spectrum, including inter alia:**

***Reliance Infocomm Ltd. (RIC) and all its subsidiaries (where prior to the re-organisation RCVL holds only a 45.3% stake)***

- A next generation, pan-India, integrated, convergent digital network
- CDMA based mobile, fixed wireless phone, and PCO services, with over 17 million customers
- Nationwide CDMA wireless network, with coverage of over 4,500 towns across India, and 30 million customers capacity
- Wireline and broadband services, currently active in 29 leading Indian Metros
- National and international long distance calling services
- International long distance calling services, with over 500,000 customers in overseas markets through Reliance IndiaCall
- International data services, with over 600 major enterprise and carrier customers

- Nearly 1,500 Reliance WebWorld retail outlets, present in 700 Indian cities
- 6,000 seat contact centre, with multi-lingual capabilities
- FLAG Telecom, a 54,000 route kilometer submarine optic fibre cable network connecting 28 countries, spanning Asia, Europe and the US
- FALCON, a 11,500 route kilometer submarine optic fibre cable network with 18 landing stations, connecting 12 countries in the Middle East and South Asia

***Reliance Communications Infrastructure Ltd. (where prior to the re-organisation RCVL holds only a 45% stake)***

- Wireless multimedia services for over 5 million customers through unique offerings on Reliance World
- Wireless internet access services for over 350,000 customers through Reliance Connect
- Over 200,000 sq. ft. of multi-location Internet Data Centre facilities
- Handset procurement, marketing, and distribution
- 60,000 route kilometer terrestrial inter-city optic fibre cable network connecting more than 200 Indian Metros
- 20,000 route kilometer Metro optic fibre network, providing high capacity access within major cities in the country

***Reliance Telecom Ltd. (where prior to the re-organisation RCVL holds only a 35.6% equity stake)***

- GSM based mobile phone services, with over 1.7 million customers
- GSM wireless network providing coverage in 7 circles in eastern and central India, covering nearly 40% of the country's population
- The most profitable GSM business in the country, experiencing rapid and exponential growth

**RCVL will also become the owner of the sprawling 134 acre DAKC complex, and several other valuable properties, at which its national headquarters and major business facilities are located, and which are presently owned privately.**

**The New Ownership Structure**

The new ownership structure for the RCVL Group will be as follows:

<b>Company</b>	<b>Existing RCVL Ownership</b>	<b>Proposed RCVL Acquisition</b>	<b>Total RCVL Ownership</b>
RIC	45.3%	54.7%	100%*
RCIL	45.0%	55.0%	100%
RTL	35.6%	64.4%	100%

\* RIC will be amalgamated with RCVL

**Shareholding Details**

RCVL's paid up equity share capital will increase to 2,045 million shares of Rs. 5 each, aggregating to Rs 1,022 crore (US\$ 230 million), upon completion of the re-organisation.

The revised shareholding pattern of the company will be as follows:

Over 2 million retail investors	14%
Domestic institutions/ MFs	5%
Foreign investors	
FIIs	14%
GDRs and others	4%
Promoters	63%
<b>Total</b>	<b>100%</b>

There will be no change in the free float of the company, comprising 750 million equity shares of Rs 5 each, valued at Rs 22,500 crore (US\$ 5 billion).

**Based on the closing stock price of Rs 301 as on 10<sup>th</sup> March 2006, RCVL's post-reorganisation market capitalization would stand at Rs 61,000 crore (US\$ 13.8 bn).**

**Time-line for Re-organisation:**

The indicative time-line for the proposed reorganization will be as follows:

- Board approval for proposed re-organisation T
- Approval of the scheme by stock exchanges T + 30 days
- Filing of application with High Court T + 35 days
- Court convened meeting of shareholders/lenders T + 70 days
- Sanction of scheme T + 110 days
- Filing of Court order with Registrar of Companies T + 120 days

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