

## **RELIANCE COMMUNICATIONS (RCOM) ANNOUNCES ITS FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

- **Reliance Communications (Rcom) Announces Its Financial Results For The Quarter Ended September 30, 2007**
- **Rcom Emerges As The Most Profitable Telecom Company In India.**
- **Net Profit Increases By 86% T0 Rs. 1,305 Crore (Us\$ 328 Million)**
- **Revenues At Rs. 4,579 Crore (Us\$ 1,152 Million) - Up 30%**
- **Ebitda Margin Expands From 38% To 43%**
- **Return On Net Worth Expands To 37%**
- **Net Worth Expands To Rs. 21,668 Crore (Us\$ 5.5 Billion) And Net Debt-Equity Ratio Placed At A Conservative 0.16:1**
- **Aggressive Network Expansion Accelerated With Rs. 5,300 Crore (Us\$ 1.3 Billion) Capital Expenditure During The Quarter**

Commenting on the results, Mr Anil Dhirubhai Ambani, Chairman, Reliance Communications Limited, said:

"RCOM has emerged as the most profitable telecom company in India with ARPU amongst the top 2 and the highest average MOU in the country. We are committed to the world's largest telecom network roll-out this year that will enable us to cover 23,000 towns and 600,000 villages. In addition, we will now launch nationwide GSM services within a year of receiving spectrum. We are committed to support strong tele-density growth in India and will be at the forefront of affordable connectivity to 500 million Indians by 2010."

### **BUSINESS REVIEW**

- **WIRELESS**

Reliance Communications added 4.4 million wireless customers during the quarter, compared to 3.5 million in the corresponding quarter last year. At the close of the quarter, RCOM had over 36 million wireless customers. During the quarter, RCOM's Net ARPU was maintained even as rural network expansion continued unabated. Wireless revenue per minute (RPM) remained stable at 74 paise, as against an industry-wide trend of continuous decline.

Wireless business revenues increased by 45% to Rs. 3,723 crore (US\$ 937 million) from Rs. 2,574 crore (US\$ 560 million). EBITDA grew by 60% to Rs. 1,487 crore (US\$ 374 million) from Rs. 929 crore (US\$ 202 million). Margins expanded to 40% from 36%.

- **GLOBAL**

FLAG Telecom continued its momentum of major new contract wins while expanding presence into new countries and making strong progress on the deployment of its "Next Generation Network" project.

Overall long distance volumes increased by over 32% compared to the corresponding quarter last year to cross 750 crore (7.5 billion) minutes. Volumes in the international retail calling card showed creditable improvement despite increased competition and the customer base now exceeds 1.3 million.

EBITDA of the Global business increased by 3% during the quarter ended September 30, 2007 to Rs. 328 crore (US\$ 83 million). EBITDA margins increased to 25% from 24

- **BROADBAND**

The number of access lines increased to 792,000 at the end of the quarter, almost doubling from 425,000 in the corresponding quarter last year. Leveraging its network of 25,000 kms of metro fiber optic cables, RCOM expanded its wireline connectivity by 147% to more than 666,000 buildings from 270,000 buildings in the corresponding quarter last year.

New orders booked by the business during the quarter grew by 27% over the preceding quarter. Reliance Communications has a market share of over 50% of new business acquisitions in the enterprise connectivity space.

The Broadband business achieved revenue growth of 61% to Rs. 437 crore (US\$ 110 million), and EBITDA grew by 72% to Rs. 210 crore (US\$ 53 million). EBITDA margin was at 48% in the quarter ended September 30, 2007, from 45% in the corresponding quarter in the previous year.

- **CORPORATE DEVELOPMENTS**

- **RCOM to launch nationwide GSM services under existing UAS license**

RCOM received approval from Department of Telecommunications (DoT) to provide nationwide GSM services. The approval came after DoT's acceptance of TRAI recommendations that the UAS license (Unified Access Service License) should be technology neutral and UAS licensee can provide services using any technology. RCOM has paid the requisite one-time fee of Rs. 1,651 crore (US\$ 410 million) for providing GSM services on a pan India basis.

- **Value unlocked from RTIL, RCOM completes 5% equity private placement**

During the quarter, RCOM completed the sale of 5% of the equity share capital of its fully-owned tower company, Reliance Telecommunications Infrastructure Limited (RTIL). The RTIL stake was placed with 7 leading financial investors across US, Europe and Asia including Fortress Capital, HSBC Principal Investments, Galleon Group, New Silk Route, GLG Partners, Quantum Fund (George Soros) and DA Capital. RCOM received sales proceeds of Rs. 1,400 crore (US\$ 337.5 million) which translates to equity value of Rs. 27,000 crore (US\$ 6.75 billion) and enterprise value of Rs. 36,000 crore (US\$ 9 billion). Operating as an independent wireless telecommunications infrastructure company,

RTIL will lease its assets to telecom operators in India and co-locate multiple tenants on its towers. Going forward, RCOM proposes to pursue further opportunities for unlocking of value through RTIL's IPO and/or strategic sale at an appropriate time.

- **Launch of "Classic" colour handset for Rs.999 (sub-US\$ 25)**

RCOM recently launched world's first lowest cost feature-rich colour handset for Rs. 999. The new offering yet again redefines the entry level pricing for mobile consumers by making colour handsets more affordable than most Monochrome handsets. The price of Classic 732 is a "No Conditions" attached transparent total handset price, available across all pre & post-paid plans. Reliance customers are free to choose from a range of attractive tariff & validity propositions best suited to their needs.

Reliance Mobile Classic range of handset, having crossed sales of 10 million (One crore) since its launch in May 2007, has already etched itself as India's largest Operator handset brand.

- **Deployment of the world's largest network expansion**

RCOM has commenced the roll-out of the world's largest and fastest network expansion program. Upon completion, the company will operate the single largest network with by far the deepest and widest coverage in the country reaching more than 900 million people in India across 23,000 towns, 600,000 villages, with almost 100 percent coverage of all rail routes, national and state highways in the country.

RCOM has already awarded IP-based next generation CDMA/GSM network deployment, upgradation and integration contracts to Alcatel-Lucent and Huawei Technologies collectively valued at more than US\$ 600 million.

- **Award of US\$ 1.5 billion (Rs. 6,000 crore) turnkey contract for FLAG NGN construction**

Reliance Communications has awarded the US\$ 1.5 billion FLAG NGN contract to Fujitsu Japan. The contract includes the supply and construction of cable in Asia, Mediterranean, East Africa and Pacific regions. On completion of the NGN cable construction, FLAG will be the only service provider to reach over 60 countries (contributing to 90% of world GDP) on a privately owned cable system. Coupled with the technology leadership to deliver broadband multimedia communications, FLAG NGN will accelerate Reliance Communications' entry into the U.S. \$ 90 billion (Rs 360,000 crore) global market for enterprise and institutional data services.

- **Launch of Blackberry wireless solutions**

During the quarter, RCOM introduced Blackberry wireless services for the first time on a CDMA network in India. Blackberry from Reliance offers unparalleled solution such as India's first Blackberry 8830 World Edition smart phone, Faster mobile internet access along with email attachment downloads in India, Bloomberg Anywhere, Internet based online trading, Video streaming, Blackberry on prepaid

services, Blackberry Enterprise server for Enterprises and SMEs, and Reliance Mobile World Access.

**About Reliance Communications:**

Reliance Communications Limited founded by the late Shri. Dhirubhai H Ambani (1932-2002) is the flagship company of the Reliance Anil Dhirubhai Ambani Group. The Reliance Anil Dhirubhai Ambani Group currently has a market capitalization of over Rs. 2,70,000 crore, net worth in excess of Rs. 40,000 crore, cash flows of Rs. 9,000 crore, net profit of Rs. 5,000 crore and zero net debt.

Rated among "Asia's Top 5 Most Valuable Telecom Companies", Reliance Communications is India's foremost and truly integrated telecommunications service provider. The company, with a customer base of over 38 million including over 1.3 million individual overseas retail customers, ranks among the Top 10 Asian Telecom companies by number of customers. Reliance Communications' corporate clientele includes 600 Indian and 250 multinational corporations, and over 200 global carriers.

Reliance Communications has established a pan-India, next generation, integrated (wireless and wireline), convergent (voice, data and video) digital network that is capable of supporting best-of-class services spanning the entire infocomm value chain, covering over 13,000 towns and 500,000 villages. Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 165,000 kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.

- **Financial Results summary**

				( Rs. crore)
	Rs.Crore	3 months ended 30/9/07	3 months ended 30/9/06	Increase / (Decrease)
Turnover		?	?	?
Wireless		3,723	2,574	45%
Global		1,316	1,316	-
Broadband		437	271	61%
Diversified		109	113	?
Total (post eliminations)		4,579	3,526	30%
EBITDA		?	?	?
Wireless		1,487	929	60%
Global		328	316	4%
Broadband		210	122	72%

Diversified	(56)	3	?
Total (post eliminations)	1,962	1,348	46%
EBITDA margin	42.8%	38.2%	?
Depreciation	675	624	8%
Finance (net)	(113)	5	?
Exceptional items	(1,220)	15	?
PBT	2,620	708	270%
Tax	70	6	?
PAT (before minority interest)	2,550	702	262%
Share of minority interest	1,245	-	-
PAT (after minority interest)	1,305	702	86%