

Quarterly Report on the Financial Results for the Quarter ended March 31, 2008



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General Risk: Investments in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of the Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved.

Convenience Translation: All references in this report to "Rs" are to Indian Rupees and all references herein to "US\$" are to United States Dollars.

We publish our financial statements in Indian Rupees, the legal currency of the Republic of India. All amounts translated into United States Dollars in this report are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or United States Dollar amounts referred to herein could have been or could be converted into United States Dollars or Indian Rupees respectively, as the case may be, at any particular rate, the rates stated in this report, or at all.

Others: In this report, the terms "we", "us", "our", "the Company" or "the Group", unless otherwise specified or the context otherwise implies, refer to Reliance Communications Limited ("Reliance Communications") and its affiliates, including, inter alia, FLAG Telecom Group Limited ("FLAG"), Reliance Telecom Limited ("RTL"), Reliance Communications Infrastructure Limited ("RCIL") and Reliance Infratel Limited ("Reliance Infratel"). Further abbreviations are defined within this report.

Any discrepancies in any table between total and sums of the amounts listed are due to rounding off.

Disclaimer: This communication does not constitute an offer of securities for sale in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus and will contain detailed information about the Company and its management, as well as financial statements.

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1. Overview

1.1. [Introduction](#)

Reliance Communications Limited ("Reliance Communications" or "the Company") is India's largest integrated communications service provider in the private sector with over 48 million individual, enterprise, and carrier customers.

We operate pan-India across the full spectrum of wireless, wireline, and long distance, voice, data, video and internet communication services. We also have an extensive international presence through the provision of long distance voice, data and internet services and submarine cable network infrastructure globally.

1.2. [Strategic Business Units](#)

The business of Reliance Communications is organized into three strategic customer-facing business units: Wireless, Global, and Broadband. In addition, subsidiaries of Reliance Communications are engaged, inter alia, in the ownership, operation and development of telecom infrastructure, such as wireless communications sites and towers. Our strategic business units are supported by our fully integrated, state-of-the-art network and operations platform and by the largest retail distribution and customer service facilities of any communications service provider in India.

1.2.1. [Wireless](#)

We offer CDMA and GSM based wireless services, including mobile and fixed wireless voice, data, and value added services for individual consumers and enterprises. Our CDMA services are offered in 20 service areas or circles and GSM services are currently offered in 8 circles, with 6 circles being common to both CDMA and GSM.

Recently, we have received requisite Government approvals and spectrum to roll-out GSM services in an additional 14 circles. We expect to launch GSM services by the end of calendar 2008, making us the only player in the country offering both GSM and CDMA (Dual Technology) services on a nationwide basis.

Our range of products includes mobile handsets, fixed wireless phones/ terminals, and high-speed internet data cards. Recently, we have launched Blackberry service as well, on both CDMA and GSM platforms. Our primary brands are Reliance Mobile for the mobile portfolio of services and Reliance Hello for the fixed wireless portfolio of services. Our data service is provided under the brand Reliance Net Connect, and we provide a unique wireless multi media experience under the brand Reliance Mobile World.

We also offer public calling office ("PCO") and coin collection box services over our wireless network through independent retail operators of such facilities. Additionally, we provide connectivity for devices such as point of sale, lottery terminal, and ATM.

We are among the top two providers of wireless communication services in the country, with a wireless subscriber base of 46 mn subscribers as of March 31, 2008 representing a market share of 17.9%. We are the second largest seller of mobile handsets/devices in the country, and the largest service provider engaged in this activity. Due to our unique strength in high speed wireless data transmission, we have nearly 65% market share of the data card and USB modem market for laptops and PCs. In addition, we are the largest PCO operator in the private sector with over 50% market share.

We have pioneered rural telephony initiatives supported by the Government of India's Universal Services Obligation (USO) Fund. As of March 31, 2008, we had achieved 15% penetration in rural households in its assigned areas.

We have acquired a Uganda-based company holding Public Infrastructure Provider License (PIPL) and Public Service Provider License (PSPL) issued by Uganda Communications Commission. We will now offer Mobile, Fixed Line, Internet, National and International Long Distance services, in addition to WiMax and Wifi services. Uganda, with under 10% penetration represents significant growth potential over the next several years.

1.2.2. Global

We offer national and international long distance calling services. We operate this business unit primarily on a wholesale basis, offering carriage and termination to other carriers as well as on an inter segment basis to other business units of Reliance Communications. In overseas markets, we offer a virtual international calling service to retail customers for calls to 200 international destinations including India (Reliance Global Call). Our retail services currently have significant ILD business in the United States, Canada, the United Kingdom, Australia, New Zealand, Hong Kong and Malaysia.

We entered the long distance market in India in mid-2003, and have become the largest carrier of international voice minutes, with a market share of 35% for ILD wholesale inbound. In addition, we have over 1.5 million customers for our Reliance India Call service. Usage of Reliance India Call accounts for 40% of total retail market calls from the United States to India.

We offer national and international (submarine cable) network infrastructure on both an Indefeasible Right of Use ("IRU") and leased circuit basis, internet bandwidth, managed business services, IPLC, Global VPN and Global Ethernet to carriers, ISPs, content providers and enterprises globally. We have global partnerships with carriers such as C&W, Verizon, Sprint, Deutsche Telekom, and BT for Global VPN and bi-lateral IPLCs. Our long term customers include more than 250 global carriers and more than 400 large enterprises.

We own and operate the largest private submarine cable system in the world, directly connecting 40 countries from the East coast of the United States, to Europe, the

Middle East, India, South and East Asia, through to Japan. The network seamlessly interconnects with our 165,000 route kilometres fibre optic cables within India.

We have initiated implementation of the FLAG Next Generation Network cable system which will provide seamless connectivity to countries in East Africa, the Eastern Mediterranean, South and East Asia, and Trans-Pacific. This follows the implementation of the Falcon cable system in the Middle East last fiscal year.

1.2.3. Broadband

We offer the most comprehensive portfolio of enterprise voice, data, video, internet and IT infrastructure services provided by any operator in India. These services include: national and international private leased circuits, broadband internet access, audio and video conferencing, MPLS-VPN, remote access VPN, Centrex, toll-free services and managed internet data centre ("IDC") services. We offer unique, value-added products and services to large, medium and small enterprises for their communications, networking, and IT infrastructure needs across the country. We have a product range of more than 38 products to suit the needs of all customer segments, more than any other service provider in India.

We launched our enterprise broadband services in the first half of 2005. We are leveraging our existing metro fibre optic networks to establish direct building connectivity on-net. Currently we are operating in 44 cities in India with over 787,000 buildings connected directly to our network serving over one million access lines.

Our primary building access technology is metro Ethernet LAN, which offers performance and cost advantages versus other access technologies in areas with high service potential. Our Metro Ethernet LAN technology gives us a significant edge in delivering high bandwidth data services, as compared with all of our competitors who operate on predominantly copper networks. In cities where we are not currently providing wireline direct building connectivity, we have selectively deployed wireless LMDS to access targeted buildings in accordance with our customers requirements. In the top 8 cities of India, we have augmented building connectivity program through deployment of WiMAX 802.16d technology. We propose to further augment our building connectivity program through deployment of more WiMAX stations in these and more cities in FY 2009.

We have established an enterprise customer base that includes over 850 of the Top 1,000 Indian enterprises and MNCs. We are also expanding our enterprise subscriber base rapidly in the SME segment. We are the clear market leader in IDC services (Reliance Data Center) with 60% market share. We also maintain leadership in other high growth segments of the market such as MPLS-VPN and Centrex solutions.

1.3. Network and Operating Facilities

We are nearing completion of one of the largest network rollout programmes undertaken in the history of telecom in India. We will soon be present in over 23,000 towns through our CDMA network and over 8,000 towns through our GSM network. Our network will also cover over 600,000 villages and address 90% of the country's population. We have also commenced setting up of GSM network in the 14 additional circles where we have received requisite Government approvals and spectrum to roll-out GSM.

Our national inter-city long distance network is the largest next generation network in India, with over 110,000 route kilometres of ducted fibre optic cables, which is being further expanded to 135,000 route kilometres. We have a totally unique asset in over 25,000 route kilometres of ducted fibre optic cables installed in the leading cities in India. The entire inter-city and metro fibre optic backbone network is deployed in a ring and mesh architecture and is MPLS enabled. The Reliance Data Network has over 180 MPLS integrated network nodes.

We have over 250,000 sq. ft. of IDC capacity in multiple locations and plan to add more IDC capacity to meet growing demand. Our network operating centre in Navi Mumbai, India, is one of the most advanced in the world. The entire range of our products and services is enabled by streamlined, fully integrated, flow through operating and business support systems. These facilities provide us with by far the most superior platform in India for offering bandwidth intensive, feature rich, converged services and solutions for consumers, enterprises, and carrier customers with virtually limitless scalability.

Our national networks are integrated with our international networks.

Through our acquisition of Yipes Holdings Inc. we own 22,000 kms of metro fibre network in the U.S. in 14 metros. Our customers can get seamless end-to-end connectivity to these key business markets.

Our consumer and SME offerings are supported by one of the most extensive and powerful distribution networks in India with throughput capacity for over 24 million handsets per annum. The backbone of our retail presence is nearly 2,000 exclusive Reliance World and Reliance Express stores with a presence in over 700 Indian cities. These stores offer customer activation and after sales service. Reliance World stores also operate as broadband experience centres offering a range of broadband internet and video conferencing applications. Together with preferred retailers, we have a branded retail presence in over 1,300 towns. We have a plan for aggressive expansion in our branded retail outlets during the course of this financial year. Furthermore, we have nearly 500,000 retailers who offer sale of Reliance Mobile connections or recharge of our prepaid mobile and FWP's in our coverage footprint. Our customer service is further supported by our 8,000-employee, multi-lingual contact centre facilities.

1.4. Principal Operating Companies

Reliance Communications Limited is the Flagship company and is also the holding company for the other major operating companies in the Group. Reliance Communications provides CDMA-based wireless, wireline, broadband, and long distance services in India and overseas. Its major assets are the CDMA wireless network, transmission networks used in its business, and the contact centres. Recently, we have received requisite Government approvals and spectrum to roll-out GSM services in 14 Circles.

Reliance Globalcom Limited ("RGL") is a subsidiary of Reliance Communications. RGL provides international connectivity services and infrastructure. Its major assets are the FLAG Atlantic, FLAG North Asia Loop, FLAG Europe Asia and FALCON submarine cable systems. Pursuant to the receipt of all regulatory approvals, the acquisition of Yipes Holdings Inc. was completed on December 17, 2007. Yipes is held as a wholly-owned subsidiary of RGL.

Reliance Telecom Limited ("RTL") is a wholly owned subsidiary of Reliance Communications. RTL provides GSM-based wireless services in 8 service areas, and owns the GSM wireless networks in its service areas.

Reliance Communications Infrastructure Limited ("RCIL") is a wholly owned subsidiary of Reliance Communications. RCIL provides wireless multimedia (Reliance Mobile World) and internet access (Reliance Netconnect) services to customers of Reliance Communications.

Reliance Infratel Limited which was earlier known as "Reliance Telecom Infrastructure Limited", owns, operates, and develops telecom infrastructure, primarily consisting of wireless communication sites and towers. It currently owns all of the towers used by Reliance Communications' CDMA and GSM wireless networks and is developing additional towers to meet the needs of Reliance Communications and other customers. Reliance Infratel is currently a subsidiary of Reliance Communications.

2. Financial Highlight

Financial results for the quarter ended March 31, 2008 as per Indian GAAP. In the tables below, "Qtr ended 31/12/07" refers to the three month period ended December 31, 2007 and "Qtr ended 31/3/08" refers to the three month period ended March 31, 2008. Exchange rate for conversion of Indian Rupees to United States Dollars is Rs 39.41 = US\$ 1.00 for the quarter ended December 31, 2007 and Rs 40.02 = US\$ 1.00 for the quarter ended March 31, 2008, being the noon buying rates as announced by the Federal Reserve Bank of New York on December 31, 2007 and March 31, 2008 respectively.

2.1. Summarized Consolidated Statement of Operations

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/07	Qtr ended 31/3/08	Q-on-Q Growth (%)
Total revenue	48,742	53,114	9.0%
Net revenue	37,554	43,152	14.9%
EBITDA	21,065	23,164	10.0%
Cash profit from operations	21,204	24,128	13.8%
Profit before tax and exceptional item	15,331	15,389	0.4%
Exceptional item	-	(611)	NA
Net profit	13,729	15,032	9.5%
<i>EBITDA margin (%)</i>	<i>43.2%</i>	<i>43.6%</i>	

(US\$ Million)

Particulars	Qtr ended 31/12/07	Qtr ended 31/3/08	Q-on-Q Growth (%)
Total revenue	1,237	1,327	7.3%
Net revenue	953	1,078	13.1%
EBITDA	535	579	8.3%
Cash profit from operations	538	603	12.1%
Profit before tax and exceptional item	389	385	-1.0%
Exceptional item	-	(15)	NA
Net profit	348	376	8.0%
<i>EBITDA margin (%)</i>	<i>43.2%</i>	<i>43.6%</i>	

2.2. Summarized Consolidated Balance Sheet

(Rs Million, except ratios)

Particulars	As at 31/3/08
Assets	
Net fixed assets, including capital work-in-progress	522,153
Investments	2,797
Total current assets (excluding cash & cash equivalents)	97,175
Total assets	622,125
Liabilities and stockholders equity	
Total current liabilities and provisions	241,687
Net debt	99,700
Total liabilities	341,387
Stockholders equity (Net of Goodwill)	256,427
Minority interest	24,311
Total liabilities and stockholders equity	622,125
<i>Net debt to annualized EBITDA (x)</i>	<i>1.22</i>
<i>Net debt to stockholders equity (x)</i>	<i>0.39</i>
<i>Book value per equity share (Rs)</i>	<i>136</i>

(US\$ Million)

Particulars	As at 31/3/08
Assets	
Net fixed assets, including capital work-in-progress	13,047
Investments	70
Total current assets (excluding cash & cash equivalents)	2,428
Total assets	15,545
Liabilities and stockholders equity	
Total current liabilities and provisions	6,040
Net debt	2,491
Total liabilities	8,531
Stockholders equity (Net of Goodwill)	6,407
Minority interest	607
Total liabilities and stockholders equity	15,545

2.3. Summarized Statement of Operations by Segment

2.3.1. Wireless

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/07	Qtr ended 31/3/08	Q-on-Q Growth (%)
Gross revenue	39,567	41,608	5.2%
Net revenue	28,892	31,757	9.9%
EBITDA	15,819	16,763	6.0%
EBIT	10,738	10,995	2.4%
<i>EBITDA margin (%)</i>	<i>40.0%</i>	<i>40.3%</i>	
<i>EBIT margin (%)</i>	<i>27.1%</i>	<i>26.4%</i>	

2.3.2. Global

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/07	Qtr ended 31/3/08	Q-on-Q Growth (%)
Gross revenue	13,299	15,257	14.7%
Net revenue	7,078	9,374	32.4%
EBITDA	3,428	4,089	19.3%
EBIT	1,935	2,634	36.1%
<i>EBITDA margin (%)</i>	<i>25.8%</i>	<i>26.8%</i>	
<i>EBIT margin (%)</i>	<i>14.6%</i>	<i>17.3%</i>	

2.3.3. Broadband

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/07	Qtr ended 31/3/08	Q-on-Q Growth (%)
Gross revenue	4,564	5,100	11.7%
Net revenue	3,947	4,424	12.1%
EBITDA	2,222	2,492	12.2%
EBIT	1,617	1,862	15.2%
<i>EBITDA margin (%)</i>	<i>48.7%</i>	<i>48.9%</i>	
<i>EBIT margin (%)</i>	<i>35.4%</i>	<i>36.5%</i>	

Note: "Net revenue" in 2.3.1, 2.3.2, and 2.3.3 above represents gross segment revenue less license fees and access charges.

2.3.4. Others

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/07	Qtr ended 31/3/08	Q-on-Q Growth (%)
Other income	1,544	683	-55.8%
Other expenses	1,802	798	-55.7%
EBITDA	(258)	(115)	NM
EBIT	(477)	(181)	NM

Note: "Other income" in 2.3.4 above represents revenue earned from operating activities not included in segments (as defined). "Other expenses" in 2.3.4 above represents expenses related to such activities and unallocated corporate expenses.

2.4. Contribution to Revenue by Segment

(Rs Million, except ratios)

Segment	Qtr ended 31/12/07		Qtr ended 31/3/08	
	Revenue	% of Total	Revenue	% of Total
Wireless	39,567	67%	41,608	67%
Global	13,299	22%	15,257	24%
Broadband	4,564	8%	5,100	8%
Others	1,544	3%	683	1%
Sub Total	58,974	100%	62,648	100%
<i>Eliminations</i>	<i>(10,232)</i>		<i>(9,534)</i>	
Total	48,742		53,114	

Note: "Others" comprises "Other income" as shown in 2.3.4 above.

2.5. Contribution to EBITDA by Segment

(Rs Million, except ratios)

Segment	Qtr ended 31/12/07		Qtr ended 31/3/08	
	EBITDA	% of Total	EBITDA	% of Total
Wireless	15,819	75%	16,763	72%
Global	3,428	16%	4,089	18%
Broadband	2,222	10%	2,492	11%
Others	(258)	-1%	(115)	-1%
Sub Total	21,211	100%	23,229	100%
<i>Eliminations</i>	<i>(146)</i>		<i>(65)</i>	
Total	21,065		23,164	

2.6. Investment in Projects by Segment

(Rs Million, except ratios)

Segment	Cumulative to 31/3/08		Qtr ended 31/3/08	
	Rs Million	% of Total	Rs Million	% of Total
Wireless	363,755	68%	46,442	88%
Global	113,354	21%	1,682	3%
Broadband	46,171	8%	4,605	9%
Others	15,449	3%	27	0%
Total	538,729	100%	52,756	100%

Investment in projects comprises gross fixed assets, intangible assets (unamortized portion of one time entry fee paid) and capital work-in-progress. The categories of assets allocated to each segment are set out in Section 4.

3. Key Performance Indicators

The financial figures used for computing ARPU, RPM, SMS revenue, non-voice revenue, and ARPL are based on Indian GAAP. Data used for computing wireless market share is derived from reports published by industry associations. Although we believe that such data is reliable, it has not been independently verified. Definitions of terms are set out in Section 7. "Qtr ended 31/12/07" refers to the three month period ended December 31, 2007; "Qtr ended 31/3/08" refers to the three month period ended March 31, 2008.

3.1. Wireless

Metric	Unit	Qtr ended 31/12/07	Qtr ended 31/3/08
Service areas operational*	Nos	22	22
Wireless customers	Nos	40,964,251	45,793,676
<i>GSM Wireless</i>	Nos	<i>6,001,978</i>	<i>7,016,205</i>
<i>CDMA Wireless</i>	Nos	<i>34,962,273</i>	<i>38,777,471</i>
Wireless market share (All-India)	%	17.9%	17.9%
Wireless net adds	Nos	4,640,110	4,829,425
Market share – wireless net adds	%	19.1%	17.9%
Pre-paid % of total wireless customers	%	89.0%	90.0%
Pre-paid % of wireless net adds	%	98.1%	98.9%
Wireless ARPU	Rs/Sub	339	317
Wireless churn	%	1.4%	1.4%
Wireless minutes of use (MoU)	Bn Mins	52.5	56.5
Wireless MoU per customer/month	Min/Sub	449	430
Wireless revenue per minute (RPM)	Rs/Min	0.75	0.74
SMS revenue (% of ARPU)	%	1.2%	1.2%
Non-voice revenue (% of ARPU)	%	6.4%	6.9%

* Considering Tamil Nadu and Chennai as one combined circle

3.2. Global

Metric	Unit	Qtr ended 31/12/07	Qtr ended 31/3/08
Total ILD minutes	Mn Mins	1,747	1,769
Total NLD minutes	Mn Mins	5,795	5,964

Note: Definition of ILD minutes includes transit minutes and global calling card minutes. Definition of NLD minutes includes carriage of all ILD minutes originating or terminating in India.

3.3. Broadband

Metric	Unit	Qtr ended 31/12/07	Qtr ended 31/3/08
Service areas operational	Nos	18	18
Towns active (wireline only)	Nos	42	42
Access lines	Nos	901,000	1,031,000
Access line net adds	Nos	109,000	130,000
ARPL	Rs/line	1,797	1,760
Buildings directly connected	Nos	727,229	787,567

4. Basis of Presentation of Financial Statements

4.1. Reporting Periods

The financial year end of Reliance Communications Limited is March 31. Each financial year ("FY") is referred to by the calendar year in which the particular financial year end occurs. The current financial year will be for a period of 12 months, commenced on April 1, 2007 and ending on March 31, 2008.

4.2. Consolidated and Segment Financial Results

4.2.1. Revenues

Revenues of the Company have been reported in the following manner:

- Consolidated Revenues and Segment Gross Revenues

Consolidated revenues of the Company have been classified as "Services and Sales" revenue. This represents revenues earned from the provision of services and from the sale of network infrastructure on an IRU basis.

For the purposes of business segment reporting, revenues have been classified under three segments namely "Wireless", "Global", and "Broadband". The lines of business included in each segment and the basis of segment revenue reporting is described in Section 4.3 below. Revenue earned from operating activities not included in these segments (as defined) is shown as "Other Income" under "Others" in the segment analysis.

- Elimination of Inter Segment Revenues

Revenues for each business segment are reported at gross level where inter segment revenue is also included. Hence, revenue of one segment, from inter segment source, is reported as the expense of the related segment. Elimination takes place in determining consolidated revenues for the Company.

For the purpose of determining transfer pricing between segments, open market wholesale rates for comparable services or, where applicable, rates stipulated by the regulatory authorities have been adopted.

4.2.2. Net Revenues by Segment

"Net Revenues" represent revenues earned less direct variable operating expenses in the nature of: (1) access deficit charges (ADC), revenue share (including levies for Universal Service Obligation), and spectrum fees (referred to collectively as "License Fees"); and (2) charges for access, carriage, interconnection, and termination (referred to collectively as "Access Charges").

Expenses included under License Fees are currently incurred as a percentage of adjusted gross revenue. Expenses included under Access Charges, including ADC, are currently incurred either at rates stipulated by the regulatory authorities on the basis of percentage of adjusted gross revenue, or on the basis of fixed or ceiling cost per minute, or are determined by commercial negotiation with other carriers and between our business segments, as appropriate.

Access Charges and license Fees are disclosed in aggregate as part of the classification of "Operating Expenses" in the consolidated statement of operations. Net Revenues are reported for each business segment.

4.2.3. Operating Expenses

Operating expenses of the Company have been reported in the following manner:

- ❑ Consolidated and Segment Gross Operating Expenses

Consolidated operating expenses of the Company have been classified under four categories of costs, namely "Access Charges and license Fees", "Network Operations", "Employees", and "Selling, General & Administrative".

- ❑ Elimination of Inter Segment Expenses

Principles, as stated in 4.2.1 above, have been followed for reporting gross operating expenses of each segment and elimination of such expenses in determining consolidated EBITDA for the Company.

4.3. Composition of Segments

Financial performance of the Company has been reported under the following three business segments:

- Wireless
- Global
- Broadband

Financial results by segment include all products and services covered by the individual segment as described below. Operating activities not included in the segments (as defined below) are grouped under "Others".

4.3.1. Wireless

The Wireless segment functions in a retail mode. Wireless services are offered on both CDMA and GSM technology platforms. Wireless services consist mainly of the following:

- Mobile services for individuals and corporate customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia and value added services. Services are offered on both pre-paid and post paid bases.
- Fixed wireless phone and terminal services are mainly for residential and SME customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia, and value added services. Services are offered on both pre-paid and post paid bases.
- Public calling offices and coin collection boxes for local and long distance voice using fixed wireless phones and terminals. Service is provided to independent retail operators of such facilities on a pre-paid basis.

Assets allocated to this business segment include: radio equipment (base trans-receiver stations (BTSs), microwave towers, antennas, mobile switching centers (MSCs), and related electronics, software and systems for operations); intra-city access networks (ducts and optical fiber) other than in 42 cities; utilities, servers, customer premises equipment, and license fees.

4.3.2. Global

The global segment provides wholesale and retail voice and data services from many international locations. It provides the following services to the wireless and broadband segments of Reliance Communications on an inter segment basis and to other telecom companies (on a carrier's carrier basis) and enterprises in India and across the globe:

- ❑ National inter-circle (NLD) carriage services for voice, data, and internet.
- ❑ International long distance (ILD) carriage services for voice, data, and internet.
- ❑ IRUs and leased circuits for international voice and data connectivity through submarine cable systems, together with cable restoration and maintenance services.
- ❑ Global Ethernet services to enterprise customers across four industry verticals i.e. financial, legal, healthcare and Government
- ❑ International managed data services, including IP-VPN.
- ❑ Virtual international calling and voice content services provided by overseas operating units in USA, UK, Canada, Australia, New Zealand, Hong Kong and Malaysia in a retail mode to individual customers for calling India and global destinations.
- ❑ Managed contact centre solutions for call centres in India and overseas.

NLD and ILD assets are allocated to this segment. NLD assets include: transport equipment and electronics; transmission networks (ducts and optical fiber) connecting various Media Convergence Nodes (MCNs) across all circles; buildings, utilities, and license fees. ILD assets include: dedicated ports and switches, electronics, infrastructure at various points of presence and other cable systems not owned and operated by the Company. In addition, the submarine cable systems, cable landing stations, switching equipment for PoPs and associated facilities of FLAG, are included in this segment.

4.3.3. Broadband

All services provided through wireline, LMDS and WiMax access technologies and involving the provision of IT infrastructure are covered under this segment. Services are provided across various customer groups including residential, SMEs, and large corporates. Products and services include the following:

- ❑ Voice Products: E1 DID, Centrex, PBX trunks, One Office Duo, toll free, Audio conferencing, and fixed line phones.
- ❑ Data products: VPN, leased lines, IPLCs, Ethernet, video conferencing, Remote Access VPN, internet data centre (IDC) services (including managed hosting, applications, storage, and disaster recovery), and broadband internet.

Assets allocated to this segment include: in-building wiring and building access networks from building access nodes in all locations where active; intra-city access networks (ducts and optical fiber) in 42 cities; internet data centers; digital loop carriers (DLC), routers, modems and related electronics; customer premises equipment (CPE) and license fees.

4.3.4. Others

Others comprise operating activities not included in the segments as defined above. These activities include retailing (Reliance World), property leasing and investments.

Assets shown under Others mainly comprise properties owned by the Company, including the Dhirubhai Ambani Knowledge City, and property and fittings (including electronics for video-conferencing and other digital services) used by Reliance World retail outlets.

5. Financial Statements

Financial results for the quarter ended March 31, 2008 as per Indian GAAP. An explanation of the basis of presentation is set out in Section 4. In the tables below, "Qtr ended 31/12/07" refers to the three month period ended December 31, 2007 and "Qtr ended 31/3/08" refers to the three month period ended March 31, 2008. Previous quarter's figures have been re-grouped, re-arranged and re-classified wherever necessary.

5.1. Consolidated Results of Operations

(Rs. Million, except ratios)

Particulars	Qtr ended 31/12/07	Qtr ended 31/3/08
Total revenues	48,742	53,114
Services and sales	48,742	53,114
Total operating expenses	27,677	29,950
Access charges and license fees	11,188	9,962
Network operations	5,446	6,562
Employees	3,087	3,430
SG&A	7,956	9,996
EBITDA before exceptional item	21,065	23,164
Finance charges (net)	(1,518)	(81)
Depreciation / amortization	7,252	7,856
Exceptional items	-	(611)
Profit before tax	15,331	16,000
Provision for tax (including Fringe benefit tax and Deferred tax)	1,379	(272)
Net profit after tax (before adjustment of share of Minority Interest/ Associates)	13,952	16,272
Share of Minority and associates	223	1,240
Net profit after tax (after adjustment of share of Minority Interest/ Associates)	13,729	15,032
Ratios		
<i>EBITDA margin (%)</i>	<i>43.2%</i>	<i>43.6%</i>
<i>Net profit margin (%)</i>	<i>28.2%</i>	<i>28.3%</i>

5.2. Consolidated Balance Sheet

(Rs. Million)

Particulars	As at 31/3/08
ASSETS	
Current assets	
Inventories	4,059
Debtors	27,224
Other current assets	23,058
Loans and advances	42,834
Total current assets (excluding cash and cash equivalents)	97,175
Fixed assets	
Gross block	463,640
Less: Depreciation	89,814
Net block	373,826
Capital work-in-progress	148,327
Total fixed assets	522,153
Investments	2,797
Total assets	622,125
LIABILITIES AND STOCKHOLDERS EQUITY	
Stockholders equity	
Share capital	10,320
Reserves and surplus (net of Goodwill)	246,107
Stockholders equity	256,427
Minority interest	24,311
Current liabilities and provisions	
Current liabilities	199,267
Provisions	42,420
Total current liabilities and provisions	241,687
Debt	
Secured loans	
Foreign currency loans	-
Rupee loans	9,500
Unsecured loans	
Foreign currency loans	131,631
Rupee loans	74,550
Less: Cash and cash equivalents	115,981
Net debt	99,700
Total liabilities and stockholders equity	622,125

5.3. Consolidated Statement of Cash Flows

(Rs. Million)

Particulars		Qtr ended 31/12/07	Qtr ended 31/3/08
Cash flows from operating activities:			
Net profit/(loss) before tax	A	15,331	16,000
Add: Non cash/non operating items	B	7,412	10,291
Depreciation and amortization		7,252	7,856
Provision for doubtful debts		146	261
Finance charges (net)*		712	3,161
(Profit)/loss on sale of investments		(698)	(376)
Exceptional items		-	(611)
Cash generated from operations before working capital changes	A+B	22,743	26,291
(Increase)/decrease in working capital		(17,378)	15,510
Cash generated from operations		5,365	41,801
Tax paid		(742)	(218)
Net cash provided/used by/in operating activities	C	4,623	41,583
Cash flows from investing activities:			
(Purchase)/sale of property, plant, and equipment (net)		(80,270)	(54,049)
(Purchase)/sale of investments (net)		10,605	(13,528)
Interest income / (expense) (net)		(272)	(3,718)
Net cash provided/used by/in investing activities	D	(69,937)	(71,296)
Cash flows from financing activities:			
Increase/(decrease) in borrowings		53,502	33,200
Net cash provided/used by/in financing activities	E	53,502	33,200
Cash and cash equivalents:			
Beginning of the period	F	124,306	112,494
End of the period	C+D+E+F	112,494	115,981

* Financial charges exclude realized foreign exchange gain/loss.

6. Accounting Policies

Set out below are the significant accounting policies to the Consolidated Statement of Operations and the Consolidated Balance Sheet.

6.1. Principles of Consolidation

Consolidation has been carried out in compliance with the applicable Accounting Standards, viz., AS 21 and AS 23, issued by the Institute of Chartered Accountants of India.

6.2. Other Significant Accounting Policies

6.2.1. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

6.2.2. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

6.2.3. Fixed Assets

Fixed assets are stated at cost net of cenvat/value added tax and include amount added on revaluation less accumulated depreciation, amortization and impairment loss, if any.

- ❑ All costs including financing cost until commencement of commercial operations relating to borrowings attributable to fixed assets, are capitalized.
- ❑ Expenses incurred relating to projects prior to commencement of commercial operation are considered as project development expenditure and shown under capital work-in-progress.
- ❑ In respect of operating leases, rentals are expensed with reference to lease terms and other considerations in compliance with the provisions of the AS 19 issued by The Institute of Chartered Accountants of India, except for rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalized.
- ❑ In respect of finance leases, the lower of the fair value of the assets and present value of the minimum lease rentals is capitalized as fixed assets with corresponding

amount shown as liabilities for leased assets in compliance with the provisions of the AS 19 issued by The Institute of Chartered Accountants of India. The principal component in the lease rental in respect of the above is adjusted against liabilities for leased assets and the interest component is recognized as an expense in the year in which the same is incurred except in case of assets used for capital projects where it is capitalized.

- ❑ Entry fees paid for telecom licenses and infeasible right of connectivity are stated at cost for acquiring the same less accumulated amortization. These are classified as part of fixed assets.

6.2.4. Depreciation/Amortization

- ❑ Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except in cases of cable systems, telecom electronic equipment, customer premises equipment and certain other assets for which useful life has been considered based on technical estimation. Depreciation is net of the amount adjusted from Provision for Business Restructuring in accordance with the Scheme.
- ❑ Depreciation on assets taken on finance lease is provided over the remaining period of lease from the commencement of commercial operations.
- ❑ Leasehold land is depreciated over the period of the lease term.
- ❑ Intangible assets, namely entry fees for telecom licenses and infeasible right of connectivity are amortized equally over the balance period of licenses or infeasible rights from the date of commencement of commercial services or acquisition.
- ❑ The depreciation schedule for various classes of assets is as follows:

Asset Class	Period (Years)
Leasehold Land	Over the lease period
Building	30 & 60
Plant and Machinery	10-20
Furniture and Fixture	5-10
Office Equipment	5-10
Vehicles	5

6.2.5. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

6.2.6. Investments

Investments are classified into long term and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year, are classified as current investments.

Current investments are carried at lower of cost and quoted/fair value, computed category wise. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

6.2.7. Inventories

Inventories are valued at lower of cost or net realizable value. Cost of communication devices and accessories and stores and spares are determined on weighted average basis, or net realizable value whichever is less.

6.2.8. Employee Retirement Benefits

Gratuity and leave encashment liabilities are provided for based on actuarial valuation. While Company's contributions towards provident fund and superannuation fund are provided on actual contribution basis in accordance with the related stipulation.

6.2.9. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets up to the commencement of commercial operations. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are recognized as expense in the year in which they are incurred.

6.2.10. Foreign Currency Transactions

- ❑ Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing at the time of the transaction.
- ❑ Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognized as exchange difference and the premium paid on forward contracts has been recognized over the life of the contract.
- ❑ Non monetary foreign currency items are carried at cost.
- ❑ Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account.
- ❑ Any income or loss arising out of marking derivative contracts to market price is recognized in the profit and loss account.

6.2.11. Revenue Recognition

Revenue (income) is recognized as and when the services are performed on the basis of actual usage of the Company's network. Revenue on upfront charges for services with lifetime validity and fixed validity periods are recognized over the estimated useful life of subscribers and specified fixed validity period, as appropriate. The estimated useful life is consistent with estimated churn of the subscribers.

6.2.12. Provision for Doubtful Debts

Provision is made in the accounts for doubtful debts in cases where the management considers the debts to be doubtful of recovery.

6.2.13. Miscellaneous Expenditure

Miscellaneous expenses are charged to profit and loss account as and when they are incurred.

6.2.14. Taxes on Income

Provision for income tax is made on the basis of estimated taxable income for the year at current rates. Tax expenses comprise both current tax and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable/recoverable in respect of the taxable income/loss for the reporting period. Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

6.2.15. Government Grants

Subsidies provided by Government for providing telecom services in rural areas are recognized as operating income.

6.2.16. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

7. Notes to Accounts. (As reported to stock exchanges)

1. During the previous period, the financial year of the Company was for fifteen months from 1st January, 2006 to 31st March, 2007. To enable comparison, fifth quarter from 1st January, 2007 to 31st March, 2007 of the previous period and twelve months from 1st April, 2006 to 31st March, 2007 of the previous period have been reported as corresponding previous periods.
2. The Board has recommended a dividend of 15% i.e. Re. 0.75 per equity share of Rs. 5 each for the financial year 2007-08, subject to the approval of the shareholders at the ensuing Annual General Meeting.
3. As already reported in the quarterly results for the quarter ending 30th June, 2007, the Scheme of Arrangement (Scheme) for demerger of the passive infrastructure of the Company and Reliance Telecom Limited (RTL), a wholly owned subsidiary of the Company, to Reliance Infratel Limited (RITL, formerly known as Reliance Telecom Infrastructure Limited), another subsidiary of the Company, as approved by the Hon'ble High Court of Judicature at Bombay vide Order dated 16th March, 2007 became effective from 10th April, 2007. In accordance with the approval accorded in the Scheme, the Company has written-off passive infrastructure having book value of Rs. 3,165.56 crore through Profit and Loss Account and an equivalent amount has been drawn from General Reserve No. 1.
4. As already reported in the quarterly results for the quarter ending 30th September, 2007, exceptional items include Rs. 1,282.78 crore being the net gain on the sale during the year of 5% of the shares of RITL. The shares of the said subsidiary are held in Trust for the benefit of the Company and / or its shareholders and accordingly, the income attributable to the subsidiary viz. Rs. 1,282.78 crore is included in the computation of the minority interest. Consequently, there is no impact on the profit for the year.
5. As required by Accounting Standard 11 "The Effect of Changes in Foreign Exchange Rates" (AS) as notified by the Companies (Accounting Standards) Rules, 2006 applicable to the current accounting year commencing on 1st April, 2007, and in accordance with the announcement of Institute of Chartered Accountants of India dated 29th March, 2008 regarding Accounting for Derivatives, the Company and its subsidiaries, collectively referred to as the Group, has adopted with effect from 1st April, 2007 the accounting policy of crediting or charging to the Profit and Loss Account the gain or loss, as the case may be, on account of foreign exchange difference relating to liabilities for acquisition of fixed assets and on account of marking to market all derivative instruments. The net effect of these changes is a charge of Rs. 25.34 crore to the Profit and Loss Account for the year. If these changes had not been made the profit for the year would have been higher by this amount.

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6. During this financial year, under the head "Financing Charges – Net", the Group has accounted an amount of Rs. 464.58 crore, being its share of profits including accrued interest and dividends on the units held by it in the fixed income schemes, in the year in which the income arises. As these amounts were not material; the same were not so accounted for in earlier years.
 7. No complaint from Investors was pending for redressal at the beginning and end of the quarter. During the quarter 142 complaints were received and all the complaints were resolved.
 8. The Company is operating Wireless, Broadband, Global, and Others / unallocated segments as per Accounting Standard 17 (Segment Reporting), issued by the Institute of Chartered Accountants of India, and accordingly segment wise information are given.
 9. Standalone financial results, for the year ended on 31st March, 2008, of the Company can be viewed on the website of the Company, National Stock Exchange of India Limited and Bombay Stock Exchange Limited at www.reliancecommunications.co.in, www.nseindia.com and www.bseindia.com respectively.
 10. After review by the Audit Committee, Board of Directors of the Company has approved the above results at their meeting held on 30th April, 2008.

8. Glossary

Key Performance Indicators and Financial Terms

Wireless Segment	
Wireless market share	Total wireless customers (CDMA Mobile + GSM Mobile + FWP + Wireless PCO), at the end of the relevant period, divided by All-India wireless customers, at the end of the same period. All-India wireless customer numbers are sourced from industry reports.
Market share of wireless net adds	Wireless customer net additions during the relevant period, divided by All-India wireless customer net additions during the same period.
Wireless ARPU	Computed by dividing total wireless revenue for the relevant period by average customers; and dividing the result by the number of months in the relevant period.
Wireless net ARPU	Computed by dividing net wireless revenue for the relevant period by average customers; and dividing the result by the number of months in the relevant period.
Wireless churn	Computed by taking average monthly wireless disconnections divided by opening monthly subscriber base in the relevant period. Churn is expressed as a percentage.
Total wireless minutes of use (MoU)	Sum of all incoming and outgoing minutes used on the wireless access network by all customers in aggregate.
Wireless MoU per customer per month	Total wireless MoU divided by average number of wireless customers on the network in the relevant period. The result is expressed as the average per customer per month.
Wireless revenue per minute (RPM)	Wireless ARPU divided by the average wireless MoU per customer per month.
SMS revenue (% of ARPU)	Comprises both charges for customer to customer messaging services and for applications accessed by customers over the SMS platform. SMS revenue is divided by wireless revenue, and expressed as a percentage of ARPU.
Non-voice revenue (% of ARPU)	Comprises SMS revenue, charges for applications accessed by customers over the wireless multimedia platform, wireless internet access services, wireless data, and other value added services. Non-voice revenue is divided by wireless segment revenue, and expressed as a percentage of ARPU.

Global Segment	
ILD minutes	Total of incoming and outgoing international long distance minutes carried by the Global business. This includes minutes originating or terminating in India, international transit minutes, and global calling card minutes.
NLD minutes	Total of national long distance minutes carried by the Global business. The domestic carriage of all ILD minutes has been included in NLD minutes.

Broadband Segment	
Buildings directly connected	The number of buildings directly connected to Reliance Communications's own network (either by wireline, fiber optic, or other fixed access technologies) at the end of the relevant period.
Access lines	Number of narrowband and broadband voice and data access lines in use.
ARPL	ARPL (average revenue per line) is computed by dividing total Broadband business revenue by the average number of access lines in use during the relevant period; and dividing the result by the number of months in the relevant period.

Financial Terms	
Net revenue	Total revenue less (1) charges for access deficit, USO levy, revenue share and spectrum fees (referred to as "License Fees") and (2) charges for access, carriage, interconnection and termination (referred to as "Access Charges").
Cash profit from operations	Is defined as the sum of profit after tax, depreciation and amortization.
ARPL	ARPL (average revenue per line) is computed by dividing total Broadband business revenue by the average number of access lines in use during the relevant period; and dividing the result by the number of months in the relevant period.



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