Report on the Proforma Unaudited Financial Condition, Results of Operations, and Cash Flows for the Quarter ended March 31, 2006

Reliance Communication Ventures Limited

(Incorporated as a Private Limited Company on July 15, 2004 under the Companies Act, 1956 as Reliance Infrastructure Developers Private Limited, status changed to Public Limited Company on July 25, 2005, and name changed to Reliance Communication Ventures Limited with effect from August 3, 2005)

Registered office: H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai – 400 710

“Youngest, Fastest, Largest”

May 2, 2006

Supplemental Disclosures

Safe Harbour

Some information in this report may contain forward-looking statements. We have based these forward-looking statements on our current beliefs, expectations, and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as “believe”, “plan”, “anticipate”, “continue”, “estimate”, “expect”, “may”, “will” or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and the actual results could be material depending on the circumstances. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only of the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, any forward-looking statement made in this report or elsewhere may or may not occur and has to be read and understood along with this supplemental disclosure.

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 India 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 rate stated below, or at all.

All translations from Indian Rupees to United States dollars herein were made, unless otherwise indicated, using the rate of Rs 44.48 = US$ 1.00, the noon buying rate as announced by the Federal Reserve Bank of New York on March 31, 2006.

Others

In this report, the terms “we”, “us”, “our”, “RCVL” or “the Company”, unless otherwise specified or the context otherwise implies, refer to Reliance Communication Ventures Limited (“RCVL”) and its affiliates, including, inter alia, Reliance Infocomm Limited (“RIC”), Reliance Communications Infrastructure Limited (“RCIL”), Reliance Telecom Limited (“RTL”) and FLAG Telecom Limited (“FLAG”). 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.

TABLE OF CONTENTS

1. Overview

1.1. Introduction

Reliance Communication Ventures Limited ("RCVL" or "the Company") is India's largest integrated communications service provider in the private sector with over 21 million individual, enterprise, and carrier customers as at March 31, 2006.

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.

As presently constituted, RCVL was formed by the demerger and vesting of the telecommunications undertakings of Reliance Industries Limited ("RIL"). The demerger and vesting became effective on December 21, 2005 and our shares listed in India on the Bombay Stock Exchange and National Stock Exchange on March 6, 2006.

1.2. Strategic Business Units

The business of RCVL is organized into three strategic customer-facing business units: Wireless, Global, and Broadband. In addition, RCVL is engaged in the marketing and distribution of wireless handsets. 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 primary brands are Reliance Mobile for the mobile portfolio of services and Reliance Hello for the fixed wireless portfolio of services. Our voice services comprise both local, and national and international long distance calling. Our data services comprise wireless multimedia over the "click, browse, and select" Reliance World platform, wireless internet access (Reliance Connect), and wireless data VPNs for connecting devices such as point-of-sale and ATM terminals. We also offer public calling office ("PCO") and coin collection box services over our wireless network to independent retail operators of such facilities.

Our presence in the wireless market increased significantly with the commercial launch nationwide of our CDMA based services in mid-2003. Within three years, we have become the largest provider of wireless communication services in the country, as measured by total wireless customers, voice minutes of use, and data minutes of use. As at March 31, 2006, we had 20.2 million wireless customers in aggregate, representing a 21% market share of the All India wireless market. We had the largest in-service base of multimedia-enabled handsets and the largest number of users of such services (6.4 million customers). In addition, we are the largest PCO operator in the private sector with a 48% market share (at December 31, 2005).

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 RCVL. In overseas markets, we offer a retail virtual calling card service for calls to India (Reliance India*Call*). This service is currently active in the United States, Canada, and the United Kingdom.

We entered the long distance market in India in mid-2003, and have become the largest carrier of international voice minutes, with an estimated 46% market share. In addition, we have around 550,000 active customers for our Reliance India*Call* service, with usage accounting for around 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, and managed data services to other carriers and enterprises globally. We own and operate through FLAG one of the largest private submarine cable systems in the World, directly connecting to 28 countries from the East coast of the United States, to Europe, the Middle East, India, South and East Asia, through to Japan. We are currently constructing the FALCON cable system which will directly connect 12 countries in the Gulf region and North Africa to Europe and Asia. FLAG and FALCON provide unique on-net global connectivity and our long term customers include more than 200 global carriers and more than 400 enterprises. Through FLAG and FALCON, we are the largest provider of international bandwidth in the Middle East and Asia and ownership of these assets further allows us to leverage our strengths in the Indian market.

1.2.3. Broadband

We offer the most complete portfolio of enterprise voice, data, video, internet and IT infrastructure services of any operator in India. These services range from national and international leased circuits, broadband internet access, audio and video conferencing, through to high value-added solutions such as MPLS-VPN, Centrex, and managed internet data centre ("IDC") services.

We launched our enterprise broadband services in the first half of 2005, focusing initially on the top 30 cities in India. In these cities, we are leveraging our existing metro fibre optic networks to establish direct building connectivity on-net. We currently have over 100,000 buildings directly connected to our network and over 250,000 access lines. Our primary building access technology is metro Ethernet LAN over high grade copper cables, which offers performance and cost advantages versus other access technologies in areas with high service potential. 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.

We have established an enterprise customer base that includes many of the largest Indian enterprises and MNCs and are expanding rapidly in the SME segment. We are already the market leader in IDC services with an estimated 50% market share and are a leading provider of MPLS-VPN and Centrex solutions.

In the consumer segment, we offer feature rich fixed line phone services and broadband internet access services with unique speed select. Our consumer roll out to date has been predominantly in the same areas where we have activated our enterprise services. Our consumer and enterprise broadband services ride on the same access and core networks. In addition to our current consumer product offerings, we are trialling IPTV services in more than 10,000 premises and plan full commercial launch later in the current financial year.

1.3. <u>Network and Operating Facilities</u>

Our CDMA wireless service operates nationwide, while our GSM wireless service operates in 7 licensed service areas ("Circles") in Eastern and Central India. Our wireless network covers 3,824 census towns and 242,814 non-census towns and villages, and has capacity for 30 million customers. We believe that this is the largest wireless network in India in terms of coverage and capacity. CDMA-2000 1xRTT technology is deployed throughout our CDMA network nationwide, offering bandwidth of 144 Kbps.

Our national inter-city long distance network is the largest next generation network in India, with over 60,000 route kilometres of ducted fibre optic cables. In addition, we have over 20,000 route kilometres of metro ducted fibre optic cables installed in the leading cities in India. The entire national and metro fibre optic backbone network is deployed in a ring and mesh architecture and is MPLS enabled. In addition, we have over 200,000 sq. ft. of IDC capacity in multiple locations. 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 – the 54,000 route kilometres FLAG cable systems and the 11,500 route kilometres FALCON cable system which is currently under construction. All networks are primarily controlled from one of the World's most advanced network operation centres at our headquarters in Navi Mumbai.

Our consumer and SME offerings are supported by one of the most extensive and powerful distribution networks in India with throughput capacity for 20 million handsets per annum. The backbone of our retail presence is over 1,500 owned and operated Reliance WebWorld stores with a presence in around 700 Indian cities. These stores offer customer activation and after sales service and also operate as broadband experience centres offering a range of broadband internet and video conferencing applications. Our customer service is further supported by over 6,000 seat multi-lingual contact centre facilities.

1.4. <u>Principal Operating Companies</u>

RCVL currently holds direct investments in three principal operating companies: Reliance Infocomm Limited ("RIC"), Reliance Communications Infrastructure Limited ("RCIL), and Reliance Telecom Limited ("RTL"). The activities and assets of each of these companies and their respective subsidiaries are summarized below.

RIC provides CDMA-based wireless, wireline, and long distance services in India and overseas. RIC also owns FLAG Telecom Limited (“FLAG”) which provides international connectivity services and infrastructure. Its major assets are the CDMA wireless network, the Reliance WebWorld retail chain, the contact centres, and the FLAG and FALCON submarine cable systems.

RCIL provides wireless multimedia (Reliance World) and internet access (Reliance Connect) services to customers of RIC. It also undertakes wireless handset distribution and marketing, IDC services, and provision of network IRUs within India. Its major assets include the national long distance and metro fibre optic networks and IDC facilities. National and metro fibre is utilized by RIC under a long term IRU agreement with RCIL.

RTL provides GSM-based wireless services in 7 Circles and owns the GSM wireless network. Part of the passive infrastructure of RTL is shared by RIC in common service areas.

1.5. Proposed Corporate Reorganization

Under the ownership structure resulting from the demerger and vesting, RCVL does not own a majority stake in any of its principal operating companies. This legacy structure has significant drawbacks. Accordingly, on March 12, 2006, the Board of RCVL approved a reorganization whereby RIC will be merged fully with RCVL and become an operating division, and RCIL and RTL will become wholly-owned direct subsidiaries of RCVL. In addition, RCVL will acquire the Dhirubhai Ambani Knowledge City and other valuable properties used in its businesses. The reorganization will be effected by way of an exchange of shares under a scheme of arrangement and does not involve any cash transactions.

Pending full approval and implementation of the proposed corporate reorganization, we are publishing proforma consolidated financial statements to enable shareholders to gain a better understanding of RCVL. The proforma consolidated financial statements have been prepared as if the proposed corporate reorganization had already been completed.

2. Financial Highlights

Unaudited proforma financial results for the quarter ended March 31, 2006 as per Indian GAAP. The previous quarter figures have been reworked, regrouped, rearranged and reclassified, wherever required. An explanation of the basis of presentation is set out in Section 5 of this report and detailed proforma financial statements are set out in Section 6 of this report. In the tables below, "Qtr ended 31/3/06" refers to the three month period ended March 31, 2006 and "Qtr ended 31/12/05" refers to the three month period ended December 31, 2005. Exchange rate for conversion of Indian Rupees to United States dollars is Rs 44.48 = US$ 1.00 for the periods shown, being the noon buying rate as announced by the Federal Reserve Bank of New York on March 31, 2006.

2.1. Summarized Proforma Consolidated Statement of Operations

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/05	Qtr ended 31/3/06	Q-on-Q Growth (%)
Total revenue	29,910	29,704	0%
EBITDA	8,480	10,422	*23%*
Cash profit from operations	7,080	9,486	*34%*
Profit before tax	3,220	4,541	*41%*
Net profit	3,100	4,029	*30%*
EBITDA margin (%)	*28.4%*	*35.1%*	

(US$ Million)

Particulars	Qtr ended 31/12/05	Qtr ended 31/3/06	Q-on-Q Growth (%)
Total revenue	672	668	*0%*
EBITDA	191	234	*23%*
Cash profit from operations	159	213	*34%*
Profit before tax	72	102	*41%*
Net profit	70	91	*30%*

Note: Profit before tax is before an extraordinary item of Rs 374 million in quarter ended March 31, 2006 related to employee restructuring costs.

2.2. <u>Summarized Proforma Consolidated Balance Sheet</u>

(Rs Million, except ratios)

Particulars	As at 31/3/06
Assets	
Net fixed assets, including capital work-in-progress	214,263
Investments	121
Current assets, loans and advances	45,316
Total assets	**259,700**
Liabilities and stockholders equity	
Total current liabilities and provisions	109,247
Net debt	32,938
Total liabilities	**142,184**
Total stockholders equity	117,515
Total liabilities and stockholders equity	**259,700**
Net debt to EBITDA (LQA) (x)	*0.79*
Net debt to stockholders equity (x)	*0.28*
Book value per equity share (Rs)	*35.96*

Note: LQA – Last quarter (quarter ended March 31, 2006) annualized.

(US$ Million)

Particulars	As at 31/3/06
Assets	
Net fixed assets, including capital work in progress	4,817
Investments	3
Current assets, loans and advances	1,019
Total assets	**5,839**
Liabilities and stockholders equity	
Total current liabilities and provisions	2,456
Net debt	741
Total liabilities	**3,197**
Total stockholders equity	2,642
Total liabilities and stockholders equity	**5,839**

2.3. Summarized Proforma Statement of Operations by Business Segment

2.3.1. Wireless

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/05	Qtr ended 31/3/06	Q-on-Q Growth (%)
Gross revenue	19,807	21,200	*7%*
Net revenue	11,521	12,645	*10%*
EBITDA	6,364	7,571	*19%*
EBITDA margin (%)	*32.1%*	*35.7%*	

2.3.2. Global

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/05	Qtr ended 31/3/06	Q-on-Q Growth (%)
Gross revenue	13,910	14,158	*2%*
Net revenue	5,983	7,184	*20%*
EBITDA	2,113	2,632	*25%*
EBITDA margin (%)	*15.2%*	*18.6%*	

2.3.3. Broadband

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/05	Qtr ended 31/3/06	Q-on-Q Growth (%)
Gross revenue	1,270	1,948	*53%*
Net revenue	1,013	1,685	*66%*
EBITDA	250	606	*143%*
EBITDA margin (%)	*19.7%*	*31.1%*	

2.3.4. Others

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/05	Qtr ended 31/3/06	Q-on-Q Growth (%)
Other income	1,103	440	*-60%*
Other expenses	(523)	(236)	*-55%*
EBITDA	580	*204*	*-65%*

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

2.4. Contribution to Revenue by Business Segment

(Rs Million, except ratios)

Segment	Qtr ended 31/12/05		Qtr ended 31/3/06	
	Revenue	% of Total	Revenue	% of Total
Wireless	19,807	55%	21,200	56%
Global	13,910	39%	14,158	38%
Broadband	1,270	4%	1,948	5%
Others	1,103	3%	440	1%
Sub Total	**36,090**	**100%**	**37,746**	**100%**
Eliminations	*(6,180)*		*(8,042)*	
Total	**29,910**		**29,704**	

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

2.5. Contribution to EBITDA by Business Segment

(Rs Million, except ratios)

Segment	Qtr ended 31/12/05		Qtr ended 31/3/06	
	EBITDA	% of Total	EBITDA	% of Total
Wireless	6,364	68%	7,571	69%
Global	2,113	23%	2,632	24%
Broadband	250	3%	606	5%
Others	580	6%	*204*	2%
Sub Total	**9,307**	**100%**	**11,013**	**100%**
Eliminations	*(827)*		*(591)*	
Total	**8,480**		**10,422**	

2.6. Investment in Projects by Business Segment

(Rs Million, except ratios)

Segment	Cumulative to 31/3/06	
	Rs Million	% of Total
Wireless	147,993	57%
Global	12,912	5%
Broadband	78,745	30%
Others	19,948	8%
Total	**259,597**	100%

Note: Investment in projects comprises gross fixed assets, intangible assets, capital work-in-progress, and unamortised one time entry fee paid.

3. Key Performance Indicators

The financial figures used for computing ARPU, SMS revenue, non-voice revenue, LD net 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 used in Key Performance Indicators are set in the Glossary in Section 8. “Qtr ended 31/3/06” refers to the three month period ended March 31, 2006; “Qtr ended 31/12/05” refers to the three month period ended December 31, 2005; “Qtr ended 30/9/05” refers to the three month period ended September 30, 2005. The previous quarter figures have been reworked, regrouped, rearranged and reclassified, wherever required.

3.1. Wireless

Metric	Unit	Qtr ended 30/9/05	Qtr ended 31/12/05	Qtr ended 31/3/06
Circles operational	Nos	22	23	23
Towns covered (census)	Nos	3,545	3,684	3,824
Towns/villages covered (non-census)	Nos	219,453	235,971	242,814
Wireless customers	Nos	14,912,249	17,029,763	20,211,674
GSM Wireless	Nos	*1,576,079*	*1,651,129*	*1,904,028*
CDMA Wireless	Nos	*13,336,170*	*15,378,634*	*18,307,646*
Wireless market share (All India)	%	21.4%	20.9%	21.0%
Market share – wireless net adds	%	19.6%	18.3%	21.5%
Pre-paid as % of total wireless	%	77.3%	77.5%	79.3%
Pre-paid as % of wireless net adds	%	78.3%	79.2%	89.0%
Wireless ARPU	Rs/sub	421	413	379
Wireless net ARPU	Rs/sub	232	240	226
Wireless churn	%	1.8%	2.2%	2.1%
Total wireless minutes of use (MoU)	Bn mins	23.97	26.22	29.69
Wireless MoU per customer/month	Mins/sub	568	547	532
Wireless revenue per minute (RPM)	Rs/min	0.74	0.75	0.71
SMS revenue (% of ARPU)	%	1.4%	1.3%	1.7%
Non-voice revenue (% of ARPU)	%	6.0%	5.5%	6.1%
Wireless multimedia users	Nos mn	4.2	5.3	6.4
Wireless internet users	Nos	295,226	301,955	320,440

3.2. Global

Metric	Unit	Qtr ended 30/9/05	Qtr ended 31/12/05	Qtr ended 31/3/06
Total ILD minutes	Mn mins	1,082	1,183	1,188
Total NLD minutes	Mn mins	2,271	2,434	2,755
Long distance (LD) net RPM	Rs/min	0.62	0.69	0.77

3.3. Broadband

Metric	Unit	Qtr ended 30/9/05	Qtr ended 31/12/05	Qtr ended 31/3/06
Circles operational	Nos	18	18	18
Towns active (wireline only)	Nos	29	29	30
Access lines	‘000	173	217	256
Net additions	‘000	39	44	39
ARPL	Rs/line	1,957	2,174	2,742
Buildings directly connected	Nos	30,539	57,794	101,741

4. Management Discussion and Analysis

4.1. Key Corporate Developments

4.1.1. Listing of RCVL

Following successful completion of the demerger and vesting in Reliance Communication Ventures Limited ("RCVL") of the telecommunication undertakings of Reliance Industries Limited, the shares of RCVL were listed in India on the Bombay and National Stock Exchanges on March 6, 2006.

4.1.2. Proposed Corporate Reorganization

Under the ownership structure resulting from the demerger and vesting, RCVL does not own a majority stake in any of its three principal operating companies or other affiliates. The current ownership by RCVL of the principal operating companies is shown below:

Principal Operating Company	% Equity Shareholding
Reliance Infocomm Limited ("RIC")	45.34
Reliance Communications Infrastructure Limited ("RCIL")	45.00
Reliance Telecom Limited ("RTL")	35.60

Note: In addition, RCIL holds 45.71% of RIC. 100% of the preference shares of RTL were also vested in RCVL. The balance of the equity shareholdings in RIC, RCIL, and RTL are owned entirely by the Promoters of RCVL.

This legacy structure has significant drawbacks. As a pure holding company with no subsidiaries, RCVL may face issues with regard to resource mobilization, transparency, and valuations.

In order to address the situation, on March 12, 2006, the Board of RCVL approved a reorganization whereby RIC will be merged fully with RCVL and become an operating division, and RCIL and RTL will become wholly-owned direct subsidiaries of RCVL. In addition, RCVL will acquire the 134 acre Dhirubhai Ambani Knowledge City (DAKC) complex, and several other properties used in its businesses, which are currently privately owned.

The proposed corporate reorganization will be effected by way of an exchange of shares under a scheme of arrangement and does not involve any cash transactions. Under the terms of the proposed reorganization, 821.48 million new shares of Rs 5 each will be issued in exchange for the entire Promoters direct equity shareholdings in RIC, RCIL, and RTL and as consideration for the properties. We currently have 1223.13 million shares of Rs 5 each in issue.

Post reorganization, based on the shareholding pattern at March 31, 2006, the shareholding pattern of the Company will be as follows:

Category	% Shareholding
Domestic Institutions / Mutual Funds	**5.45%**
Foreign Investors – FIIs	**14.99%**
Foreign Investors – GDRs and others	**15.62%**
Reliance ADA Group	**63.94%**
Total	**100%**

The proposed corporate reorganization is subject to further approvals. The approvals process has been initiated. If fully approved, the proposed reorganization is expected to be implemented by 2Q FY07.

4.1.3. Resolutions Approved by Postal Ballot

Resolutions were approved by postal ballot of shareholders including, inter alia, an increase in the authorized share capital of the Company, issue of securities in the international markets, issue of securities under Employee Stock Option Scheme, and increase in limit of FIIs investment up to 74%.

4.1.4. FCCB issue

On March 22, 2006, RCVL announced the completion of an international offering of US$500 million of Foreign Currency Convertible Bonds (“FCCB”). The FCCBs have a conversion price of Rs 480.68 per share, representing a premium of 50% to the RCVL share price on March 21, 2006. The FCCBs have a maturity period of 5 years and 1 day and have a zero coupon. The FCCBs carry an annual yield to maturity of 4.65% which reflects extremely competitive pricing of LIBOR minus approximately 50 basis points at the date of issue. In the event the FCCBs are fully converted into equity, the share capital of the Company would increase by approximately 46.2 million equity shares of Rs 5 each, which would represent around 2% of our fully diluted equity share capital (proforma for the proposed corporate reorganization of RCVL).

4.1.5. “Youngest, Fastest, Largest”

- In December 2005, we were the first Indian wireless operator to achieve the milestone of 1 million net additional wireless customers in a single month. We sustained this rate of customer growth adding (net) more than 1 million wireless customers in January, February, and March 2006.

- Building on our reputation for unmatched value for money, RCVL launched a slew of promotions bundling high levels of talktime and messaging with a range of colour and black and white handsets. These bundles address those customers who have a high need for making outgoing calls. The ability to bundle attractively priced handset and service packages is enhanced by our powerful distribution and retailing network which is designed and equipped to handle both handset and service provision.

- Having pioneered and developed the incoming-only segment for pre-paid mobile customers in the past year, RCVL was the first and only operator to extend the “Lifetime Free Incoming” scheme to pre-paid fixed wireless customers. RCVL also innovated a “Lifetime Rental Free” plan for post paid mobile and fixed wireless customers.

- On January 1, 2006, RCVL broke the Circle barrier with the launch of India’s first flat rate plans for national long distance calling. The plans, promoted as “One Nation, One Tariff”, are changing the way consumers perceive and use long distance services and are available with unique daily, weekly, and monthly validity to best suit our customers’ requirements. RCVL has further brought down the threshold for consumers to avail themselves of these plans through offering One Nation plans in lower denominations. In addition, we are leveraging the community effect of our customer base with unmatched One Nation tariffs for Reliance to Reliance calls. These highly competitive schemes are enabled by our superior national long distance network reach and capacity.

- On March 31, 2006, RCVL slashed ILD tariffs by 45% to 69% for calls to various countries, including the United States, Canada, Europe and Middle East. The rate change is spread across all plans and schemes under pre-paid and post paid categories, enabling RCVL customers to make the cheapest international calls from India.

- RCVL enhanced its international roaming facilities on over 350 CDMA and GSM networks with a seamless inter-standard international roaming service – “One World, One Number”. With this service, RCVL CDMA customers will have a single number when roaming on CDMA and GSM networks, without having to resort to call forwarding when travelling from a CDMA network to a GSM network and vice versa.

- Enhancing our connection with the real India, hundreds of popular, every day use, applications on the “click, browse, and select” Reliance WebWorld platform are now available in Hindi language. All of our over 10 million multimedia enabled handsets in service are Hindi language capable. Customers can switch their own handsets to Hindi through a simple change of language settings in the handset menu.

- TIMES NOW, an urban 24 hour cutting edge English news channel operated by Times Group and Reuters was launched on our wireless multimedia platform, Reliance World, even before the channel was available to TV viewers over cable networks – a unique premiere on a wireless service.

- XLRI, Jamshedpur, one of Asia’s leading HR institutes, tied up with Reliance WebWorld, to launch a package of e-learning programs using our state-of-the-art video conferencing facilities to reach out to students across multiple locations on a real time basis.

- In a significant milestone for our enterprise broadband services, RCVL and GE Money announced a multi-year agreement, whereby RCVL will become the network service provider for GE Money. As a part of this agreement, RCVL will initially network 122 GE locations on its pan-India MPLS fibre optic backbone enabling GE Money branches across India to be online. This deployment further re-enforces customer belief in our superior and scalable network infrastructure for critical business applications.

4.1.6. Appointment of Brand Ambassador

Star Indian cricketer and heart throb of millions, Mahendra Singh Dhoni, has been appointed brand ambassador for RCVL. He will endorse our products and services through advertising campaigns and other such promotional programs. We will use Dhoni's mass appeal to herald an enhanced customer experience across our existing products and a new and exciting product range in future.

4.2. Results of Operations for the Quarter ended March 31, 2006

4.2.1. RCVL (Proforma Consolidated)

Revenues

During the quarter ended March 31, 2006, the Company earned total revenues of Rs 29,704 million, compared with Rs 29,910 million in the prior quarter. Revenues from the wireless segment contributed 56% of total revenues before inter segment eliminations.

We adopted a prudent and conservative accounting methodology, whereby revenues during the quarter from lifetime free incoming and lifetime rental free plans have been deferred over periods of 46 to 65 months. Adding back deferred revenue under these schemes, our revenue for the quarter was Rs 30,892, growth of 3.3% over the prior quarter.

Operating Expenses

During the quarter ended March 31, 2006, the Company incurred total operating expenses of Rs 19,281 million, representing 64.9% of total revenues. Operating expenses comprise Rs 10,291 million towards license fees and access charges (34.6% of total revenues), Rs 3,349 million towards network operations, Rs 1,824 towards employees, and Rs 3,818 towards selling, general, and administrative costs (in aggregate, 30.3% of total revenues).

Operating expenses decreased by 10.0% compared with the prior quarter. License fees and access charges (which are predominantly variable in nature and linked directly to our revenue and traffic level and pattern) decreased by 5.8%. This resulted from a reduction in the revenue share payable under certain of our licences and changes in the basis and rates for access deficit charges. Operating expenses, net of license fees and access charges, decreased by 14.4% compared with the prior quarter. Network operation costs were reduced as a result of cost savings in our maintenance operations and lower rates for network leased from other operators. Employee costs were reduced through streamlining of operations. The decrease in SG&A reflects a better result from handset distribution and marketing activities and other cost efficiency measures.

EBITDA

During the quarter ended March 31, 2006, the Company had an EBITDA of Rs 10,422 million, a growth of 22.9% compared with the prior quarter. The EBITDA margin for the quarter ended March 31, 2006 improved to 35.1% (28.4% in prior quarter).

Depreciation and Amortization, Net Interest, Extraordinary Item

During the quarter ended March 31, 2006, the Company had depreciation and amortization expenses of Rs 5,457 million.

The net interest cost for the quarter ended March 31, 2006 was Rs 425 million. The reduction in net interest cost resulted from the repayment of debt and higher income earned on cash and cash equivalents.

One-time employee restructuring costs of Rs 374 million were recorded as an extraordinary item.

Profit Before Tax

The profit before tax for the quarter ended March 31, 2006 was Rs 4,167 million, an increase of 29.4% compared with the prior quarter.

The provision for tax for the quarter ended March 31, 2006 was Rs 137 million.

Net Profit

The net profit for the quarter ended March 31, 2006 was Rs 4,029 million.

Balance Sheet

As at March 31, 2006, the Company had total assets (excluding cash and cash equivalents) of Rs 259,700 million and total liabilities (net of cash and cash equivalents) of Rs 142,185 million. The difference of Rs 117,515 million was on account of stockholders equity.

The Company had net debt of Rs 32,938 million, resulting in a net debt to EBITDA (LQA) ratio of 0.79 times.

Capital Expenditure

During the quarter ended March 31, 2006, the Company incurred capital expenditure of Rs 14,085 million.

4.2.2. Wireless Segment

Customer Base, Churn

As at March 31, 2006, the Company had 20,211,674 wireless customers on its network, representing a market share of 21.0% of the All India wireless market. Out of our total wireless customers, 18,307,646 were on the CDMA platform and 1,904,028 were on the GSM platform. Out of our total wireless customers, 79.3% were pre-paid.

During the quarter ended March 31, 2006, we added (net) 3,181,911 wireless customers, a market share of 21.5% of All India wireless customer net additions (18.3% in the prior quarter) – the highest of any operator. In December 2005, we were the first operator in India to add (net) 1 million wireless customers in a single month; we sustained this rate throughout the quarter ended March 31, 2006, adding (net) over 1 million customers in each month. We experienced strong growth in mobile and fixed wireless customers. Out of our total wireless customer net additions, 89.0% were pre-paid.

Our strong performance in wireless customer net additions was attributable, inter alia, to the innovative pricing plans and attractive promotional packages we introduced appealing to customers across the major market segments. Innovations included India's first flat rate long distance calling plans, lifetime free incoming schemes for pre-paid fixed wireless, and lifetime rental free schemes for post paid mobile and fixed wireless. Promotional packages included the bundling of free talktime and messaging (SMS) with a range of handsets at competitive price points.

A significant proportion of our new pre-paid wireless customers opted for lifetime free incoming schemes. While the primary selling point of these schemes is the convenience of remaining active without the need for frequent recharge, many of our customers under these schemes are regularly purchasing recharges for outgoing calls.

Our churn rate in the quarter ended March 31, 2006 across our wireless customer base remained stable at 2.1% (2.2% in the prior quarter).

<u>ARPU, Minutes of Use, Revenue per Minute, Non-voice Revenue</u>

Our overall wireless ARPU in the quarter ended March 31, 2006 was Rs 379, a decrease of 8.2% compared with the prior quarter. The decrease in ARPU was partly due to the deferral of initial subscription revenue under the lifetime free incoming and lifetime rental free schemes over periods of 46 to 65 months for prudent and conservative accounting purposes. In addition, during the quarter our promotional strategy was to offer higher levels of free talktime and messaging bundled with handsets, which results initially in lower ARPU for new customers on these plans.

Our overall wireless net ARPU (after deducting license fees and access charges) was Rs 226, a decrease of 5.8%. Our net ARPU as a percentage of ARPU was 59.6% in the quarter ended March 31, 2006.

The blended monthly minutes of use across our wireless customer base in the quarter ended March 31, 2006 was 532 minutes, a decrease of 2.7% compared with the prior quarter. A contributory factor in the decrease was the restructuring of certain of our high usage schemes. Within our minutes of use, we achieved a higher proportion of long distance calls versus local calls as a result of our pioneering flat rate pricing plans. Revenue per minute averaged Rs 0.71, a decrease of 5.3% compared with the prior quarter.

Users of our wireless multimedia services increased from 5.3 million in December 2005 to 6.4 million in March 2006, continuing the strong upward trend in usage of these services by our customers. This contributed to an increase in non-voice revenues in the quarter ended March 31, 2006, which represented 6.1% of total wireless revenue (5.5% in the prior quarter).

Revenues, Net Revenues, EBITDA

Revenues for the quarter ended March 31, 2006 were Rs 21,200 million, an increase of 7.0% over the prior quarter. Revenues from the wireless segment contributed 56% of total revenues before inter segment eliminations.

With effect from March 1, 2006, the Telecom Regulatory Authority of India ("TRAI") revised the basis for determining access deficit charges for most categories of domestic calls from a fixed charge of Rs 0.3 per minute to 1.5% of adjusted gross revenue. This change in basis of charging is reflected in our net revenues from that date. Net revenues for the fourth quarter were Rs 12,645 million, an increase of 9.8% over the third quarter.

EBITDA during the quarter was Rs 7,571 million, growth of 19.0% over the prior quarter. The EBITDA margin was 35.7%, compared with 32.1%, due to a combination of revenue growth and reduction in operating expenses.

Capital Expenditure

The cumulative investment in our wireless business to March 31, 2006 has been Rs 147,993 million. Investment in the quarter ended March 31, 2006 was primarily in the expansion of coverage to 3,824 census towns and 242,814 non-census towns/villages and installation of additional capacity within existing coverage areas.

4.2.3. Global Segment

ILD/NLD Minutes of Use, Net LD Revenue per Minute

ILD minutes of use in the quarter ended March 31, 2006 totalled 1,188 million minutes, a similar level to the prior quarter. NLD minutes of use in the quarter ended March 31, 2006 totalled 2,755 million minutes, an increase of 13.2% over the prior quarter. (NLD minutes of use include the national carriage portion of ILD minutes).

Factors contributing to the overall growth in our long distance traffic include growth in our wireless and wireline customer bases and the introduction by our Wireless business unit of flat rate retail national long distance pricing schemes.

With effect from January 1, 2006, the TRAI reduced the one time entry fee for the issuance of new ILD and NLD operator licenses and reduced the revenue share payable by all ILD and NLD operators from 15% to 6% of adjusted gross revenue. With effect from March 1, 2006, the TRAI also revised NLD carriage charges from fixed rates for calls of varying distance to a ceiling rate of Rs 0.65 per minute for all NLD carriage independent of distance. At the same time, the TRAI significantly reduced the fixed per minute rates of access deficit charge on incoming and outgoing ILD traffic.

We have been at the forefront of the market in passing on the benefit of these reductions in revenue share, carriage rates, and access deficit charges to our customers in terms of lower pricing. At the gross revenue level, our average long distance revenue per minute for NLD and ILD traffic in aggregate has fallen. However, at the net revenue level, our average net LD revenue per minute for ILD and NLD traffic in aggregate in the quarter ended March 31, 2006 was Rs 0.77 per minute, compared with Rs 0.69 per minute in the prior quarter.

IRUs, Leased Circuits, Internet Bandwidth, Managed Data Services

New contract values for sales of Indefeasible Rights of Use ("IRU") by FLAG reached a record level in the quarter ended March 31, 2006. In addition, strategic initiatives to leverage our carrier customer relationships to sell increased leased circuits, internet bandwidth and managed data services to enterprises globally contributed to revenue growth.

Project implementation of the new FALCON cable system is progressing on schedule. The entire cable system (excluding any additional spurs) is scheduled to be ready for service by the end of September 2006. Cumulative pre-sales have attained a healthy level.

Revenues, Net Revenues, EBITDA

Revenues for the quarter ended March 31, 2006 were Rs 14,158 million, an increase of 1.8% over the prior quarter. Net revenues for the quarter ended March 31, 2006 were Rs 7,184 million, an increase of 20.1% over the prior quarter.

EBITDA during the quarter was Rs 2,632 million, growth of 24.6% over the prior quarter. The EBITDA margin was 18.6%, compared with 15.2% in the prior quarter, primarily due to higher average net revenue per minute and an improved contribution from FLAG.

Capital Expenditure

The cumulative investment in this business to March 31, 2006 has been Rs 12,912 million. Investment in the quarter ended March 31, 2006 was primarily towards the construction of FALCON.

4.2.4. Broadband Segment

Towns Active, Buildings Connected, Access Lines, ARPL

Our broadband operations continued to focus on directly connecting buildings in the top 30 cities in India. The number of buildings on-net increased to 101,741 from 57,794 at the end of the prior quarter.

With our comprehensive product portfolio, we made further in-roads into key accounts, both as first time and repeat order customers, and in broadening our SME customer base. There has been significant growth in our order book.

The number of access lines increased to 256,000 from 217,000 at the end of the prior quarter.

Our IDC business attracted continued strong demand and our facilities are at high utilization levels.

Broadband segment revenues divided by the number of access lines (ARPL) increased to Rs 2,742 (Rs 2,174 in the prior quarter). As our broadband business is currently mainly serving enterprises, the revenue per line reflects the total portfolio of services and solutions that we are delivering to our customers.

We are continuing with our trials of IPTV at over 10,000 premises.

Revenues, Net Revenues, EBITDA

Revenues for the quarter ended March 31, 2006 were Rs 1,948 million, an increase of 53.2% over the prior quarter. Net revenues for the quarter ended March 31, 2006 were Rs 1,685 million, an increase of 66.3% over the prior quarter. Revenues were earned predominantly from enterprise customers.

EBITDA during the quarter was Rs 606 million, growth of 142.4% over the prior quarter. The EBITDA margin was 31.1%, compared with 19.7%, as profitability of the business improved following the incurrence of start-up costs.

Capital Expenditure

The cumulative investment in this business to March 31, 2006 has been Rs 78,745 million. Investment in the quarter ended March 31, 2006 was focused on direct building connectivity.

5. Basis of Presentation of Financial Statements

5.1. Reporting periods

The financial year end of Reliance Communication Ventures Limited (“RCVL” or “the Company”) is March 31. Each financial year (“FY”) is referred to by the calendar year in which the particular financial year end occurs.

The financial year end of the Company was previously December 31. In respect of the year ended December 31, 2005, the financial year was a 9 month period commencing April 1, 2005 and ending December 31, 2005. In respect of the financial year ending March 31, 2007, the financial year will be a 15 month period commencing January 1, 2006.

5.2. Statutory Financial Statements

Pursuant to a scheme of arrangement, the telecommunications undertakings of Reliance Industries Limited (“RIL”) were demerged and vested in the Company, effective December 21, 2005.

The telecommunications undertakings of RIL vested in the Company comprised, inter-alia, investments in three principal operating companies, as under:

Principal Operating Company	% Equity Shareholding
Reliance Infocomm Limited (“RIC”)	45.34
Reliance Communications Infrastructure Limited (“RCIL”)	45.00
Reliance Telecom Limited (“RTL”)	35.60

Note: In addition, RCIL holds 45.71% of RIC. 100% of the preference shares of RTL were also vested in RCVL. The balance of the equity shareholdings in RIC, RCIL, and RTL are owned by the Promoters of RCVL.

As presently constituted, the Company has no subsidiaries. Accordingly, there is no legal obligation to prepare consolidated accounts. The statutory financial statements of RCVL are standalone company accounts.

The Company’s main source of income presently will be the return from its investments in RIC, RCIL, and RTL.

5.3. Proforma Financial Statements

5.3.1. The Company and its Affiliates

As described in Section 5.2 above, the Company presently has no subsidiaries and its main source of income will be the return from its investments in RIC, RCIL, and RTL.

So long as this is the case, the Company, as a measure of transparency and good corporate governance in the interests of its over 2 million shareholders, will on an on-going basis endeavour to make disclosures as regards material developments of RIC, RCIL, and RTL.

Consistent with this commitment, proforma financial statements for RCVL have been prepared on the assumption that RIC, RCIL, and RTL, together with their respective subsidiaries, are 100% owned direct or indirect subsidiaries of the Company.

Pursuant to a corporate reorganization approved by the Board of the Company on March 12, 2006, appropriate actions have been initiated to merge fully RIC with RCVL and to convert RCIL and RTL to 100% owned direct subsidiaries of RCVL, subject to obtaining the necessary approvals. These approvals are currently being sought. If fully approved, the proposed corporate reorganization will take effect retrospectively from March 31, 2006.

5.3.2. Proforma Consolidated Accounts

The unaudited proforma consolidated financial results of the Company have been prepared on proforma basis, following the principles of Indian GAAP, as prescribed by The Institute of Chartered Accountants of India, from time to time.

The proforma basis assumes implementation of the corporate reorganization as described in Section 4.1.2 above. The unaudited proforma consolidated financial results of the Company are stated in this report as if the corporate reorganization had been in effect from April 1, 2005.

RIC, RCIL and RTL are not subsidiaries of RCVL as of March 31, 2006 and there is no legal requirement for the preparation of consolidated accounts. The proforma basis is presented solely to facilitate understanding and to reflect the full value of RCVL.

5.3.3. Revenues

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

a) Consolidated Revenues and Segment Gross Revenues

Proforma 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. Services and Sales revenue excludes revenue from the sale of equipment as described in Section 5.3.6 below.

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 5.4 below. Revenue earned from operating activities not included in these segments (as defined) is shown as “Other Income” under “Others” in the segment analysis.

b) 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 proforma 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.

5.3.4. 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 either as a percentage of adjusted gross revenue or as a fixed cost per minute of telecommunications traffic. Expenses included under Access Charges are currently incurred either at rates stipulated by the regulatory authorities on the basis of percentage of revenue or on the basis of fixed or ceiling cost per minute, or are determined by commercial negotiation with other carriers.

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

5.3.5. Operating Expenses

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

a) Consolidated and Segment Gross Operating Expenses

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

b) Elimination of Inter Segment Expenses

Principles, as stated in 5.3.3 (b) above, have been followed for reporting gross operating expenses of each segment and elimination of such expenses in determining proforma consolidated EBITDA for the Company.

5.3.6. Equipment Sales (Net of Costs)

The Company is engaged in the marketing and distribution of end user telecom equipment, predominantly consisting of wireless handsets and accessories. This activity is carried out as part of our overall strategy for the wireless business.

Equipment sales, net of costs related to such equipment, are grouped in "SG&A" under "Operating Expenses" in the proforma consolidated results of operations.

Equipment sales, net of costs, are grouped in "Other Expenses" under "Others" for the purposes of segment reporting.

5.4. Composition of Segments

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

a) Wireless

b) Global

c) 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".

5.4.1. 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:

a) 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.

b) 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, wireless data VPN, and value added services. Services are offered on both pre-paid and post paid bases.

c) 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 base trans-receiver stations (BTS), mobile switching centres (MSC), electronics, software and systems for operating and business support (OSS/ BSS), and metro access nodes for both CDMA and GSM networks.

5.4.2. Global

The global segment functions in a wholesale mode, except for the provision of virtual calling card services. It provides the following services to the wireless and broadband segments of RCVL on an inter segment basis and to other telecom companies (on a carrier's carrier basis) and enterprises in India and across the globe:

a) National inter-circle (NLD) carriage services for voice, data, and internet.

b) International long distance (ILD) carriage services for voice, data, and internet.

c) IRUs and leased circuits for international voice and data connectivity through submarine cable systems, together with cable restoration and maintenance services.

d) International managed data services, including IP-VPN.

e) Virtual calling card services provided by overseas operating units in USA, UK and Canada in a retail mode to individual customers.

NLD and ILD assets are allocated to this segment. NLD assets include transport equipment and electronics. ILD assets include dedicated ports and switches, electronics, infrastructure at various points of presence and IRUs of FLAG and other cable systems not owned and operated by the Company. In addition, the submarine cable systems, cable landing stations, and associated facilities of FLAG (which includes the FALCON cable system), are included in this segment. Intra segment revenues between the NLD and ILD product groups and FLAG are eliminated.

5.4.3. Broadband

All services provided through wireline connections 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:

a) Voice Products: E1 DID, Centrex, PBX trunks, audio conferencing, and fixed line phones.

b) Data products: VPN, leased lines, IPLCs, Ethernet, video conferencing, internet data centre (IDC) services (including managed hosting, applications, storage, and disaster recovery), and broadband internet.

Assets allocated to this segment include in building ducting, digital loop carriers (DLC), routers, modems and related electronics, customer premises equipment (CPE), building access nodes, assets for bandwidth distribution, digitized maps.

5.4.4. Others

Others comprises operating activities not included in the segments as defined above. These activities include retailing (Reliance WebWorld), property leasing, investments, and equipment distribution and marketing.

As described in Section 5.3.6 above, equipment sales are stated net of costs and grouped under “Other expenses”. Other expenses also include unallocated corporate expenses.

Assets shown under Others mainly comprise properties owned by the Company, including the Dhirubhai Ambani Knowledge City and property and fittings used by Reliance WebWorld retail outlets.

6. Proforma Financial Statements

Unaudited proforma financial results for the quarter ended March 31, 2006 as per Indian GAAP. An explanation of the basis of presentation is set out in Section 5 of this report. The previous quarter figures have been reworked, regrouped, rearranged and reclassified, wherever required. “Qtr ended 31/3/06” refers to the three month period ended March 31, 2006; “Qtr ended 31/12/05” refers to the three month period ended December 31, 2005; “12 months ended 31/3/06” refers to the trailing 12 month period ended March 31, 2006.

6.1. Proforma Consolidated Results of Operations

(Rs Million, except ratios)

Particulars	Qtr ended 31/12/05	Qtr ended 31/3/06
Total revenues	**29,910**	**29,704**
Services and sales	29,910	29,704
Total operating expenses	**21,430**	**19,282**
License fees and access charges	10,921	10,291
Network operations	4,169	3,349
Employees	2,140	1,824
SG&A	4,200	3,818
EBITDA before extraordinary item	**8,480**	**10,422**
Net interest	1,280	425
Depreciation / amortization	3,980	5,457
Profit before tax and extraordinary item	**3,220**	**4,541**
Extraordinary item		374
Profit before tax	**3,220**	**4,167**
Provision for tax	120	137
Net profit after tax	**3,100**	**4,029**
Ratios		
EBITDA margin (%)	*28.4%*	*35.1%*
Net profit margin (%)	*10.4%*	*13.6%*

Note: The extraordinary item of Rs 374 million in the quarter ended March 31, 2006 relates to employee restructuring costs.

6.2. Proforma Consolidated Balance Sheet

(Rs Million)

Particulars	As at 31/3/06
ASSETS	
Current assets	
Inventories	4,076
Debtors	16,808
Other current assets	765
Loans and advances	23,668
Total current assets (excluding cash and cash equivalents)	**45,316**
Fixed assets	
Gross block	230,531
Less: Depreciation	47,573
Net block	182,959
Capital work-in-progress	31,305
Total fixed assets	**214,263**
Investments	121
Total assets	**259,700**
LIABILITIES AND STOCKHOLDERS EQUITY	
Stockholders equity	
Share capital	10,223
Reserves and surplus	107,292
Total stockholders equity	**117,515**
Current liabilities and provisions	
Current liabilities	89,956
Provisions	19,291
Total current liabilities and provisions	**109,247**
Debt	
Secured loans	
Foreign currency loans	35,079
Rupee loans	52,106
Unsecured loans	5,791
Less: Cash and cash equivalents	60,038
Net debt	**32,938**
Total stockholders equity and liabilities	**259,700**

6.3. Proforma Consolidated Statement of Cash Flows

(Rs Million)

Particulars		Qtr ended 31/3/06	12 months ended 31/3/06
Cash flows from operating activities:			
Net profit / (loss)	a	**4,025**	**4,439**
Add : Non cash items	b	**5,501**	**20,612**
Depreciation and amortization		5,457	16,987
Provision for doubtful debts		(305)	746
Add: Non operating income / expense			
Interest expense (net)		422	2,595
(Profit) / loss on sale of assets / investments		(268)	(673)
Tax expense / (income)		142	337
Exchange (gain) / loss		54	620
Cash generated from operations before working capital changes	c = a+b	**9,526**	**25,051**
(Increase) / decrease in working capital		2,359	17,304
Net cash provided / used by / in operating activities	d	**11,885**	**42,355**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(14,085)	(39,238)
Sale of fixed assets / investments		1,925	3,066
Interest expense (net)		(422)	(2,595)
Net cash provided / (used) by / in investing activities	e	**(12,581)**	**(38,767)**
Cash flows from financing activities:			
Increase / (decrease) in borrowings		(26,144)	(12,960)
Net cash provided / (used) by / in financing activities	f	**(26,144)**	**(12,960)**
Cash and cash equivalents			
Beginning of the period	g	86,879	69,409
End of the period	h = d+e+f+g	60,038	60,038

7. Accounting Policies

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

7.1. Principles of Consolidation

The Company holds less than 50% of paid-up equity shares of each of its key investee companies, namely Reliance Infocomm Limited, Reliance Communications Infrastructure Limited, and Reliance Telecom Limited (together referred to as "Investee Companies"). The Company does not have any subsidiary as at March 31, 2006. Consequently, the Company is not required to prepare consolidated financial statements in terms of the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India.

The Board of Directors of the Company at its meeting on March 12, 2006 approved a Scheme of Amalgamation and Arrangement (SoAA) for inter alia the amalgamation of Reliance Infocomm Limited, Ambani Enterprises Private Limited, Reliance Business Management Private Limited, Formax Commercials Private Limited, Reliance Communications Technologies Limited, Reliance Software Solutions Private Limited, Reliance Communications Solutions Private Limited and Panther Consultants Private Limited with the Company and respective shareholders and creditors. The Scheme will be subject to all necessary permissions, sanctions and approvals, including inter alia, of shareholders, lenders, stock exchanges, High Courts, regulatory authorities etc. Upon approval of the aforesaid Scheme of Amalgamation and Arrangement, the equity share capital of the Company will stand increase to 2,044,614,990 shares of Rs 5 each fully paid-up

The proforma unaudited consolidated financial results contained in this report are prepared in terms of the abovesaid Scheme of Amalgamation and Arrangement as if it was effective from April 1, 2005. Accordingly, and in order to enable investors to take a holistic view of the business carried on by the Company and its key Investee Companies, the accounts of the Company have been recast by consolidating (even though such consolidation is not required) the accounts of the Investee Companies for the quarter ended March 31, 2006 by adopting on a mutatis mutandis basis the provisions of AS 21 and AS 23 relating to Consolidation of Financial Statements issued by The Institute of Chartered Accountants of India.

7.2. Other Significant Accounting Policies

7.2.1. 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.

7.2.2. 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.

7.2.3. Fixed Assets

a) Fixed assets are stated at cost net of CENVAT less accumulated depreciation, amortization and impairment loss, if any.

b) All costs including financing cost until commencement of commercial operations, net charges of foreign exchange contracts and adjustments arising from exchange rate variations, relating to borrowings attributable to fixed assets, are capitalized.

c) Expenses incurred relating to projects prior to commencement of commercial operation are considered as project development expenditure and shown under capital work-in-progress.

d) 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.

e) 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.

f) Entry fees paid for telecom licenses and indefeasible right of connectivity are stated at cost for acquiring the same less accumulated amortization. These, being intangible assets, are classified as fixed assets.

7.2.4. Depreciation / Amortization

a) 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.

b) Depreciation on assets taken on finance lease is provided over the remaining period of lease from the commencement of commercial operations.

c) Leasehold land is depreciated over the period of the lease term.

d) Intangible assets, namely entry fees for telecom licenses and indefeasible right of connectivity are amortized equally over the balance period of licenses or indefeasible rights from the date of commencement of commercial services or acquisition.

e) 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	15
Office Equipment	20
Vehicles	10

7.2.5. 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.

7.2.6. 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.

7.2.7. 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.

7.2.8. Employee Retirement Benefits

Gratuity and leave encashment liability are provided for based on actuarial valuation done at the year end while Company's contributions towards provident fund and superannuation fund are provided on actual contribution basis in accordance with the related stipulation.

7.2.9. 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.

7.2.10. Foreign Currency Transactions

a) Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing at the time of the transaction.

b) 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.

c) Non monetary foreign currency items are carried at cost.

d) Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account, except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

7.2.11. 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 recognised 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.

7.2.12. 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.

7.2.13. Miscellaneous Expenditure

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

7.2.14. 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.

7.2.15. Government Grants

Subsidies provided by Government for providing telecom services in rural areas are netted off against related expenses.

7.2.16. 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.

8. Glossary

Definitions Used for Key Performance Indicators and Financial Terms and Ratios

Wireless Segment	
Wireless market share	Is defined as RCVL's total wireless customers (CDMA Mobile + GSM Mobile + FWP + PCO), at the end of the relevant period, divided by All India wireless customers (CDMA Mobile + GSM Mobile + FWP + PCO), at the end of the same period. The wireless customer numbers are sourced from reports by industry associations.
Market share of wireless net adds	Is defined as RCVL's wireless customer net additions during the relevant period, divided by All India wireless customer net additions during the same period.
Wireless ARPU	Wireless ARPU (average revenue per customer per month) is computed by dividing the total wireless segment revenue during the relevant period by the average customers; and dividing the result by the number of months in the relevant period.
Wireless net ARPU	Wireless net ARPU is computed by dividing the net revenue of the wireless segment for the relevant period by the average customers; and dividing the result by the number of months in the relevant period. Net revenue is defined below.
Wireless churn	Is the monthly churn calculated by taking the average of the monthly wireless disconnections divided by the average 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 put together.
Wireless MoU per customer/ month	Total wireless minutes of use divided by the average number of wireless customers on the network in the relevant period. The result is expressed as the average per customer.
Wireless revenue per minute (RPM)	Wireless ARPU divided by the average wireless minutes of use per month per customer.
SMS revenue (% of ARPU)	SMS revenue 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 segment revenue, and expressed as a percentage of ARPU.
Non-voice revenue (% of ARPU)	Non-voice revenue comprises SMS revenue, charges for applications accessed by customers over the wireless multimedia platform, wireless internet access services, wireless data VPN, and other value added services. Non-voice revenue is divided by wireless segment revenue, and expressed as a percentage of ARPU.
Wireless multimedia users	The number of unique wireless customers who have accessed applications over the wireless multimedia platform in the last month of a given quarter.
Wireless internet users	Average number of unique wireless customers who have used the wireless internet access service during a given quarter.

Global Segment	
ILD minutes	Total of incoming and outgoing international long distance minutes carried by the Global segment.
NLD minutes	Total of national long distance minutes carried by the Global segment. Note: NLD minutes include the domestic carriage of ILD minutes where applicable in accordance with TRAI accounting stipulations.
LD net revenue per minute	Is computed by dividing the net revenue of the Global segment earned from ILD and NLD voice services for the relevant period by the total ILD and NLD minutes in aggregate during the relevant period.

Broadband Segment	
Buildings directly connected	The number of buildings directly connected to RCVL's own network (either by wireline, fibre optic, or other fixed access technologies) at the end of the relevant period.
Access lines	Number of narrowband and broadband access lines in use.
ARPL	ARPL (average revenue per line) is computed by dividing total Broadband segment 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 and Ratios	
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").
Adjusted gross revenue	Revenues of licensed operations less interconnection and others costs as defined and allowed by the Telecom Regulatory Authority of India.
Cash profit from operations	Is defined as the sum of profit after tax, depreciation and amortization.
Investment in projects	Investment in projects comprises net fixed assets, intangible assets, capital work-in-progress, and one time entry fee paid unamortized.