

Quarterly Report on the Unaudited Financial Results for the Quarter ended September 30, 2008

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Table of Contents

1.	Performance Snapshot.....	4
2.	Overview.....	5
2.	Financial Highlight.....	11
3.	Key Performance Indicators.....	17
4.	Basis of Presentation of Financial Statements	19
5.	Financial Statements.....	24
6.	Accounting Policies	27
7.	Notes to Accounts. (As reported to stock exchanges)	32
8.	Glossary.....	33

1. Performance Snapshot

Particulars	Units	12 months period ended		Quarter ended	
		March-2007*	March-2008	June 30, 2008	Sept. 30, 2008
Total Subscribers	000's	28,007	45,794	50,773	56,046
CDMA	000's	24,620	38,778	42,707	46,840
GSM	000's	3,387	7,016	8,066	9,206
Consolidated financials					
Revenue	Rs. mn	144,683	190,678	53,222	56,450
EBITDA	Rs. mn	57,207	81,991	22,502	23,016
Cash profit from operations	Rs. mn	56,291	82,064	24,396	25,288
Profit before income taxes	Rs. mn	32,247	70,762	15,564	15,541
Net Profit	Rs. mn	31,632	54,011	15,123	15,308
Total Fixed Assets	Rs. mn	330,423	523,126	580,324	614,761
Shareholders' Equity	Rs. mn	202,719	254,609	264,197	281,598
Net Debt	Rs. mn	18,238	99,700	129,888	152,257
Key Ratios					
EBITDA Margin	%	39.5%	43.0%	42.3%	40.8%
Net Profit Margin	%	21.9%	28.3%	28.4%	27.1%
Return on Network	%	26.8%	33.7%	34.6%	31.8%
Net Debt to funded equity ratio	Times	0.09	0.39	0.49	0.54
KPIs					
Wireless APRU	Rs.	371	340	282	271
Wireless RPM	Rs.	0.74	0.74	0.66	0.64
Wireless MoU per sub	Min/month	503	460	424	423
Long Distance Minutes	Mn Min	23,238	30,045	8,367	9,802

* For the 12 months period ended March 31, 2007, the numbers may be different from the Annual Report 2007 as the latter is for the 15 months period ended March 31, 2007

2. 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 60 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. In 6 circles we offer both CDMA and GSM based services.

We plan to roll-out GSM services in the additional 14 circles by the end of calendar 2008, which will make us the only player in the country offering both GSM and CDMA (dual technology) services on a nationwide basis.

Our portfolio of products includes mobile handsets, fixed wireless phones/terminals, high-speed internet data cards and Blackberry services. Our primary brands are Reliance Mobile for the mobile portfolio of services, Reliance Hello for the fixed wireless portfolio of services and Reliance Netconnect for wireless data services. We offer a unique wireless multi media experience under the brand Reliance Mobile World.

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

We are among the top two providers of wireless communication services in the country, with a wireless subscriber base of over 56 million as of September 30, 2008 representing a market share of over 18.1%. We are also 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 60% 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 that are supported by the Government of India's Universal Services Obligation (USO) Fund. As of September 30, 2008, we had achieved 16% penetration in rural households in its assigned areas.

1.2.2. Global

We offer comprehensive national and international long distance voice, video and data network services on an integrated and highly scalable platform. Our business segments comprise Data, Voice, WiMAX and NLD. We have wholesale, enterprise and retail product offerings in each business segment.

In Voice, we offer ILD carriage and termination to other carriers as well as, on an inter segment basis, to other business units of Reliance Communications as part of the wholesale product offering. We entered the long distance market in India in mid-2003 and are one of the largest carriers of international voice minutes with a market share of 30% for ILD wholesale inbound traffic.

In Voice, as part of our retail offering we offer virtual international calling services to retail customers for calls to 200 international destinations including India under the brand Reliance Global Call. Our retail services are available to customers in the United States, Canada, the United Kingdom, Australia, New Zealand, Hong Kong and Malaysia. We have over 1.7 million customers for our Reliance Global Call service. Usage of Reliance Global Call accounts for 40% of total retail market calls from the United States to India.

In NLD, we offer NLD carriage and termination to other carriers as well as, on an inter segment basis, to other business units of Reliance Communications.

Our international Data business is underpinned by our ownership of 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 175,000 route kilometres fibre optic cables within India. We are further expanding our global network with implementation of the FLAG Next Generation Network cable system.

As part of wholesale offering, we offer national and international (submarine cable) network infrastructure on both an Indefeasible Right of Use ("IRU") and leased circuit basis, internet bandwidth, IPLC to carriers, ISPs, content providers and enterprises globally.

We have a very strong and rapidly growing enterprise business segment outside India.

Our acquisition of Yipes Holdings Inc. in 2007 has made us among the top 10 Managed Ethernet services providers in the U.S. Our acquisition of Vanco Group Limited in 2008, has placed us in the Leadership Quadrant of Managed Network Services providers globally. We have over 1,400 enterprise customers globally in developed markets of the US, UK, France, Germany, Benelux, Singapore and Australia.

Our WiMAX business segment is currently focused on acquiring licenses in several emerging markets.

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 close to 858,000 buildings connected directly to our network serving close to 1.26 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 10 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 already received necessary government approvals for deployment of WiMAX in 184 more cities

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.

1.2.4. Reliance Big TV

We launched nationwide satellite TV services on 19th August, 2008 under our wholly-owned subsidiary Reliance Big TV Limited. These services are available on the Direct To Home (DTH) format to consumers in India.

Reliance Big TV uses state-of-the-art MPEG 4 technology to deliver over 200 broadcast channels and over 30 exclusive movie channels to its subscribers. We will also deliver high definition content and Dolby digital voice quality to our viewers on this platform to create a highly personalized video experience.

Reliance Big TV is available at more than 100,000 outlets across 6,500 towns in the country. The retail and distribution reach, as well as other elements of infrastructure established for our wireless network, have been leveraged to expand our DTH presence.

1.3. Network and Operating Facilities

We are nearing completion of one of the largest network rollout programmes undertaken in the Indian telecom. We will soon be present in over 23,000 towns and over 600,000 villages, addressing 90% of the country's population.

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 290,000 sq. ft. of IDC capacity in multiple locations and plan to add more IDC capacity to meet growing demand. We launched 2 new Data Centres in Mumbai and Chennai during the quarter. 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.

With the acquisition of Vanco, Reliance Globalcom will get significant advantage through Vanco's relationship with over 700 global, regional and domestic carriers capable of offering services in 230 countries. Vanco's Managed Network Services are currently available in over 40,000 locations across 163 countries.

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 about 10,000-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. We have received requisite Government approvals and spectrum to roll-out GSM services in 14 Circles.

Reliance Globalcom Limited ("RGL") which was earlier known as FLAG Telecom Group Ltd, is a subsidiary of Reliance Communications. RGL encompassing Enterprise Services, Capacity Sales, Managed Services and a highly successful bouquet of Retail products & services comprising of Global Voice, Internet Solutions and Value Added Services. Its major assets are the FLAG Atlantic, FLAG North Asia Loop, FLAG Europe Asia and FALCON submarine cable systems.

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. We have received requisite Government approvals and spectrum to roll-out CDMA services in additional 2 Circles.

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 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 September 30, 2008 as per Indian GAAP. In the tables below, "Qtr ended 30/6/08" refers to the three month period ended June 30, 2008 and "Qtr ended 30/9/08" refers to the three month period ended September 30, 2008. Exchange rate for conversion of Indian Rupees to United States Dollars is Rs 42.93 = US\$ 1.00 for the quarter ended June 30, 2008 and Rs 46.45 = US\$ 1.00 for the quarter ended September 30, 2008, being the noon buying rates as announced by the Federal Reserve Bank of New York on June 30, 2008 and September 30, 2008 respectively.

2.1. Summarized Consolidated Statement of Operations

(Rs Million, except ratios)

Particulars	Qtr ended 30/6/08	Qtr ended 30/9/08	Q-on-Q Growth (%)
Total revenue	53,222	56,450	6.1%
Net revenue	44,063	48,126	9.2%
EBITDA	22,502	23,016	2.3%
Cash profit from operations	24,396	25,288	3.7%
Amortisation of Compensation under Employee Stock Option Scheme	640	647	1.1%
Profit before tax	15,564	15,541	-0.1%
Net profit	15,123	15,308	1.2%
<i>EBITDA margin (%)</i>	<i>42.3%</i>	<i>40.8%</i>	

(US\$ Million)

Particulars	Qtr ended 30/6/08	Qtr ended 30/9/08	Q-on-Q Growth (%)
Total revenue	1,240	1,215	-2.0%
Net revenue	1,026	1,036	1.0%
EBITDA	524	496	-5.5%
Cash profit from operations	568	544	-4.2%
Amortisation of Compensation under Employee Stock Option Scheme	15	14	-6.6%
Profit before tax and exceptional item	363	335	-7.7%
Net profit	352	330	-6.3%
<i>EBITDA margin (%)</i>	<i>42.3%</i>	<i>40.8%</i>	

2.2. Summarized Consolidated Balance Sheet

(Rs Million, except ratios)

Particulars	As at 30/9/08
Assets	
Net fixed assets, including capital work-in-progress	614,761
Investments	1,614
Total current assets (excluding cash & cash equivalents)	120,925
Total assets	737,300
Liabilities and stockholders equity	
Total current liabilities and provisions	291,824
Net debt	152,257
Total liabilities	444,081
Stockholders equity (Net of Goodwill)	281,598
Minority interest	11,621
Total liabilities and stockholders equity	737,300
<i>Net debt to annualized EBITDA (x)</i>	<i>1.67</i>
<i>Net debt to stockholders equity (x)</i>	<i>0.54</i>
<i>Book value per equity share (Rs)</i>	<i>142.06</i>

(US\$ Million)

Particulars	As at 30/9/08
Assets	
Net fixed assets, including capital work-in-progress	13,235
Investments	35
Total current assets (excluding cash & cash equivalents)	2,603
Total assets	15,873
Liabilities and stockholders equity	
Total current liabilities and provisions	6,283
Net debt	3,278
Total liabilities	9,561
Stockholders equity (Net of Goodwill)	6,062
Minority interest	250
Total liabilities and stockholders equity	15,873

2.3. Summarized Statement of Operations by Segment

2.3.1. Wireless

(Rs Million, except ratios)

Particulars	Qtr ended 30/6/08	Qtr ended 30/9/08	Q-on-Q Growth (%)
Gross revenue	41,187	43,356	5.3%
Net revenue	31,280	33,626	7.5%
EBITDA	16,623	16,859	1.4%
EBIT	10,486	10,318	-1.6%
<i>EBITDA margin (%)</i>	<i>40.4%</i>	<i>38.9%</i>	
<i>EBIT margin (%)</i>	<i>25.5%</i>	<i>23.8%</i>	

2.3.2. Global

(Rs Million, except ratios)

Particulars	Qtr ended 30/6/08	Qtr ended 30/9/08	Q-on-Q Growth (%)
Gross revenue	15,260	16,915	10.9%
Net revenue	10,038	11,578	15.4%
EBITDA	3,222	3,608	12.0%
EBIT	1,585	1,766	11.4%
<i>EBITDA margin (%)</i>	<i>21.1%</i>	<i>21.3%</i>	
<i>EBIT margin (%)</i>	<i>10.4%</i>	<i>10.4%</i>	

2.3.3. Broadband

(Rs Million, except ratios)

Particulars	Qtr ended 30/6/08	Qtr ended 30/9/08	Q-on-Q Growth (%)
Gross revenue	5,603	6,023	7.5%
Net revenue	4,815	5,184	7.7%
EBITDA	2,714	2,941	8.3%
EBIT	1,974	2,160	9.4%
<i>EBITDA margin (%)</i>	<i>48.4%</i>	<i>48.8%</i>	
<i>EBIT margin (%)</i>	<i>35.2%</i>	<i>35.9%</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 30/6/08	Qtr ended 30/9/08	Q-on-Q Growth (%)
Other income	1,437	2,346	63.3%
Other expenses	1,437	2,544	77.0%
EBITDA	0	(198)	NM
EBIT	(182)	(408)	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 30/6/08		Qtr ended 30/9/08	
	Revenue	% of Total	Revenue	% of Total
Wireless	41,187	65%	43,356	63%
Global	15,260	24%	16,915	25%
Broadband	5,603	9%	6,023	9%
Others	1,437	2%	2,346	3%
Sub Total	63,487	100%	68,640	100%
<i>Eliminations</i>	<i>(10,265)</i>		<i>(12,190)</i>	
Total	53,222		56,450	

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 30/6/08		Qtr ended 30/9/08	
	EBITDA	% of Total	EBITDA	% of Total
Wireless	16,623	74%	16,859	73%
Global	3,222	14%	3,608	15%
Broadband	2,714	12%	2,941	13%
Others	0	0%	(198)	-1%
Sub Total	22,560	100%	23,210	100%
<i>Eliminations</i>	<i>(59)</i>		<i>(194)</i>	
Total	22,501		23,016	

2.6. Investment in Projects by Segment

(Rs Million, except ratios)

Segment	Cumulative to 30/9/08		Qtr ended 30/9/08	
	Rs Million	% of Total	Rs Million	% of Total
Wireless	453,941	69%	33,260	70%
Global	133,622	20%	10,624	22%
Broadband	52,875	8%	3,674	8%
Others	15,710	3%	173	0%
Total	656,148		47,731	

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 30/6/08" refers to the three month period ended June 30, 2008; "Qtr ended 30/9/08" refers to the three month period ended September 30, 2008.

3.1. Wireless

Metric	Unit	Qtr ended 30/6/08	Qtr ended 30/9/08
Service areas operational*	Nos	22	22
Wireless customers	Nos	50,772,888	56,045,885
<i>GSM Wireless</i>	Nos	<i>8,065,455</i>	<i>9,206,127</i>
<i>CDMA Wireless</i>	Nos	<i>42,707,433</i>	<i>46,839,758</i>
Wireless market share (All-India)	%	18.0%	18.1%
Wireless net adds	Nos	4,979,212	5,272,997
Market share – wireless net adds	%	19.3%	18.6%
Pre-paid % of total wireless customers	%	90.9%	91.7%
Pre-paid % of wireless net adds	%	98.7%	99.1%
Wireless ARPU	Rs/Sub	282	271
Wireless churn	%	1.4%	1.3%
Wireless minutes of use (MoU)	Bn Mins	62.0	67.8
Wireless MoU per customer/month	Min/Sub	424	423
Wireless revenue per minute (RPM)	Rs/Min	0.66	0.64
SMS revenue (% of ARPU)	%	1.2%	1.2%
Non-voice revenue (% of ARPU)	%	7.6%	7.3%

* Considering Tamil Nadu and Chennai as one combined circle

3.2. Global

Metric	Unit	Qtr ended 30/6/08	Qtr ended 30/9/08
Total ILD minutes	Mn Mins	1,726	1,946
Total NLD minutes	Mn Mins	6,641	7,856

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 30/6/08	Qtr ended 30/9/08
Service areas operational	Nos	18	18
Towns active (wireline only)	Nos	42	42
Access lines	Nos	1,147,000	1,259,000
Access line net adds	Nos	117,000	112,000
ARPL	Rs/line	1,715	1,668
Buildings directly connected	Nos	821,638	857,982

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, 2008 and ending on March 31, 2009.

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 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 44 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, Singapore 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 44 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 DTH services, 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 September 30, 2008 as per Indian GAAP. An explanation of the basis of presentation is set out in Section 4. In the tables below, "Qtr ended 30/6/08" refers to the three month period ended June 30, 2008 and "Qtr ended 30/9/08" refers to the three month period ended September 30, 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 30/6/08	Qtr ended 30/9/08
Total revenues	53,222	56,450
Services and sales	53,222	56,450
Total operating expenses	30,720	33,434
Access charges and license fees	9,159	8,324
Network operations	8,128	10,266
Employees	3,517	4,589
SG&A	9,916	10,255
EBITDA before exceptional item	22,502	23,016
Finance charges (net)	(2,340)	(2,353)
Depreciation / amortization	8,638	9,180
Amortisation of Compensation under Employee Stock Option Scheme	640	647
Profit before tax	15,564	15,541
Provision for tax (including Fringe benefit tax and Deferred tax)	(194)	(567)
Net profit after tax (before adjustment of share of Minority Interest/ Associates)	15,758	16,108
Share of Minority and associates	635	800
Net profit after tax (after adjustment of share of Minority Interest/ Associates)	15,123	15,308
Ratios		
<i>EBITDA margin (%)</i>	<i>42.3%</i>	<i>40.8%</i>
<i>Net profit margin (%)</i>	<i>28.4%</i>	<i>27.1%</i>

5.2. Consolidated Balance Sheet

(Rs. Million)

Particulars	As at 30/9/08
ASSETS	
Current assets	
Inventories	4,408
Debtors	33,803
Other current assets	29,346
Loans and advances	53,368
Total current assets (excluding cash and cash equivalents)	120,925
Fixed assets	
Gross block	540,804
Less: Depreciation	115,352
Net block	425,452
Capital work-in-progress	189,309
Total fixed assets	614,761
Investments	1,614
Total assets	737,300
LIABILITIES AND STOCKHOLDERS EQUITY	
Stockholders equity	
Share capital	10,320
Reserves and surplus (net of Goodwill)	271,278
Stockholders equity	281,598
Minority interest	11,621
Current liabilities and provisions	
Current liabilities	251,144
Provisions	40,680
Total current liabilities and provisions	291,824
Debt	
Secured loans	
Foreign currency loans	-
Rupee loans	-
Unsecured loans	
Foreign currency loans	157,068
Rupee loans	83,667
Less: Cash and cash equivalents	88,478
Net debt	152,257
Total liabilities and stockholders equity	737,300

5.3. Consolidated Statement of Cash Flows

(Rs. Million)

Particulars		Qtr ended 30/6/08	Qtr ended 30/9/08
Cash flows from operating activities:			
Net profit/(loss) before tax	A	15,564	15,541
Add: Non cash/non operating items	B	6,653	8,807
Depreciation and amortization		8,638	9,180
Provision for doubtful debts		303	307
Finance charges (net)*		(2,113)	(418)
(Profit)/loss on sale of investments		(815)	(908)
Exceptional items		640	646
Cash generated from operations before working capital changes	A+B	22,217	24,348
(Increase)/decrease in working capital		2,232	(22,843)
Cash generated from operations		24,449	1,505
Tax paid		(895)	(842)
Net cash provided/used by/in operating activities	C	23,554	663
Cash flows from investing activities:			
(Purchase)/sale of property, plant, and equipment (net)		(47,360)	(9,573)
(Purchase)/sale of investments (net)		(3,468)	(83)
Interest income / (expense) (net)		1,582	(3,370)
Net cash provided/used by/in investing activities	D	(49,246)	(13,026)
Cash flows from financing activities:			
Increase/(decrease) in borrowings		(12,635)	23,187
Net cash provided/used by/in financing activities	E	(12,635)	23,187
Cash and cash equivalents:			
Beginning of the period	F	115,981	77,654
End of the period	C+D+E+F	77,654	88,478

* 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	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 currency exchange difference either on settlement or on translation is recognized in the profit and loss account, except on amount of liabilities and borrowings related to acquisition of fixed assets, which are adjusted in carrying cost of fixed assets.
- ❑ 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. Figures of the previous period have been regrouped and reclassified, wherever required.
2. The Company is pursuing aggressive capex plans which include significant expansion of nation wide wireless network. The Company has funded these initiatives primarily by long – term borrowings in foreign currency and Foreign Currency Convertible Bonds (FCCBs). In compliance of Schedule VI of the Companies Act,1956 and on the basis of legal advice received by the Company, short term quarterly and six months' fluctuations in foreign exchange rates related to such liabilities and borrowings, related to acquisition of fixed assets, are adjusted in the carrying cost of fixed assets.. Had the accounting treatment as per AS 11 been continued to be followed by the Company, the net profit after tax for the quarter and six months ended 30th September, 2008 would have been lower by Rs. 28,418 lakh and Rs.39,300 lakh for realised and Rs. 145,190 lakh and Rs. 240,688 lakh for unrealised currency exchange fluctuations respectively. This excludes an amount of Rs. 53,714 lakh and Rs. 93,626 lakh for the quarter and six months ended September, 2008 on FCCBs for which the Company will not be liable, if the FCCBs are converted on or before the due date i.e. 1st May, 2011 and 18th February, 2012.
3. 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.
4. No complaint from Investors was pending for redressal at the beginning and end of the quarter. During the quarter, 57 complaints were received and all the complaints were resolved.

8. Glossary

Key Performance Indicators and Financial Terms

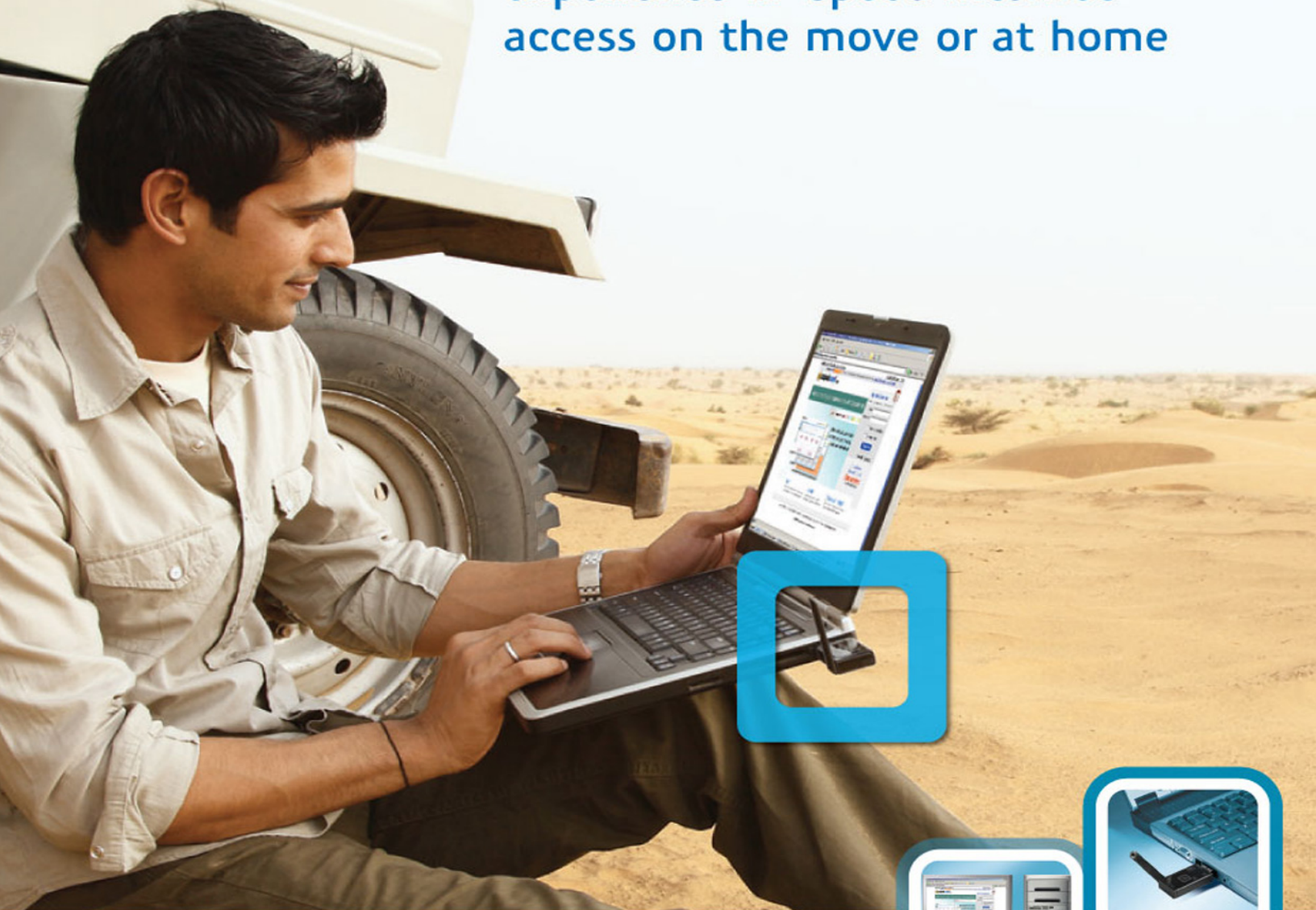
Wireless Segment	
Wireless market share	Total wireless customers (CDMA Mobile + GSM Mobile + FWP + Wireless PCO), at the end of the relevant period, divided by All-India wireless customers, at the end of the same period. All-India wireless customer numbers are sourced from industry reports.
Market share 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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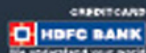
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