



Quarterly Report on the Unaudited Financial Results for the Third Quarter ended December 31, 2009

Reliance Communications Limited

Registered office: H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai – 400710

February 1, 2010

A hand holds three overlapping cards with a man playing a flute. The cards are pink, green, and orange, with text: "50p/min", "Re.1/call", and "1p/sec". To the right is a purple box with the Reliance Mobile logo and text: "GSM & CDMA Services", "Pay per second", "Pay per minute", "Pay per call", "3 simple plans - You choose.", "Simply Reliance™", and "Call 1800 100 3333 or visit www.rcom.co.in".

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

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

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

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

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1. Performance Snapshot

Particulars	Units	12 months period ended			Quarter ended		
		March-2007 [#]	March-2008	March-2009	June 30, 2009 (Q1 FY10)	Sept 30, 2009 (Q2 FY10)	Dec 31, 2009 (Q3 FY10)
Total Subscribers	000's	28,007	45,794	72,666	79,616	86,118	93,796
Consolidated financials							
Revenue	Rs. mn	144,683	190,678	229,411	61,452	57,026	53,098
EBITDA	Rs. mn	57,207	81,991	92,875	24,525	20,199	18,126
Cash profit from operations	Rs. mn	56,291	82,064	100,789	28,353	15,357	20,198
Profit before income taxes	Rs. mn	32,247	70,762	61,353	19,475	6,475	13,649
Net Profit	Rs. mn	31,632	54,011	59,077	16,366	7,403	11,077
Total Fixed Assets	Rs. mn	330,423	523,126	729,476	716,059	720,253	719,343
Shareholders' Equity	Rs. mn	202,719	254,609	370,003	377,165	379,404	384,062
Net Debt	Rs. mn	18,238	99,700	225,943	221,630	210,792	188,709
Key Ratios							
EBITDA Margin	%	39.5%	43.0%	40.5%	39.9%	35.4%	34.1%
Net Profit Margin	%	21.9%	28.3%	25.8%	26.6%	13.0%	20.9%
Return on Networth	%	26.8%	33.7%	37.1%	39.7%	28.0%	26.8%
Net Debt to funded equity ratio	Times	0.09	0.39	0.61	0.59	0.56	0.49
KPIs							
Wireless APRU	Rs.	371	340	244	210	161	149
Wireless RPM	Rs.	0.74	0.74	0.63	0.58	0.47	0.45
Wireless MoU per sub	Min/month	503	460	389	365	340	330
Long Distance Minutes	Mn Min	23,238	30,045	39,724	12,558	13,370	16,466

[#]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

2.1. [Introduction](#)

Reliance Communications Limited ("Reliance Communications" or "the Company") is India's largest integrated communications service provider in the private sector with 100 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.

2.2. [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.

2.2.1. [Wireless](#)

We offer CDMA and GSM based wireless services on a nationwide basis, including mobile and fixed wireless voice, data, and value added services for individual consumers and enterprises.

Following the recent roll-out of our GSM network, we are now the only player in the country offering both GSM and CDMA (dual technology) services on a nationwide basis.

We not only provide telecom connectivity to the mass market consumer segment but also, as an Integrated Telecom Service Provider, we offer total telecom solutions to our corporate, SME & SoHo customers.

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. We have pioneered rural telephony initiatives that are supported by the Government of India's Universal Services Obligation (USO) Fund. 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 93.8 million as of December 31, 2009 representing a market share of 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.

Reliance Mobile has been rated as "India's Most Trusted Service Brand" amongst all service brand categories in the most reputed pan-India consumer survey conducted by "The Economic Times".

2.2.2. 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 India, we provide long distance business services including wholesale voice, bandwidth and infrastructure services. Globally, we provide carrier's carrier voice, carrier's carrier bandwidth, enterprise data and consumer voice services.

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 eight countries including the United States, Canada, the United Kingdom, Australia, New Zealand, Hong Kong and Malaysia. We have 2.5 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. We also offer bandwidth and infrastructure services to other operators.

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 190,000 route Kilometres fibre optic cables within India. We are further expanding our global network with implementation of the FLAG Next Generation Network cable system and by becoming a part of the Singapore-HK-Japan (SJC) consortium 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., rebranded as Reliance Enterprise Solutions in 2007 has made us among the top 10 Managed Ethernet services providers in the U.S. Our acquisition of Vanco Group Limited, rebranded as Reliance Global Enterprise Solutions, in 2008, has strengthened our position in the global enterprise data market. 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.

2.2.3. Broadband

We offer the most comprehensive portfolio of enterprise voice, data, video, internet and IT infrastructure services. 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 voice services for offices, voice VPN for corporates 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 1,018,700 buildings connected directly to our network serving close to 1.45 million access lines.

Our primary building access technology is metro Ethernet technology with ring based fiber uplinks, 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 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 more than 60% market share. We continue to maintain leadership in other high growth segments of the market such as MPLS-VPN and Centrex solutions.

2.2.4. 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.

Reliance Big TV currently has 2.23 million subscribers, about 12% of the DTH market in India within a short span of launch. This is the fastest ramp up ever achieved by any DTH operator in the world.

2.3. Network and Operating Facilities

We have India's widest network coverage encompassing 24,000 towns, 600,000 villages & all major railway routes & highways which covers 90% of the country's population.

Our national inter-city long distance network is the largest next generation network in India, with over 160,000 route kilometres of ducted fibre optic cables. 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 405,000 sq. ft. of IDC capacity in multiple locations and plan to add more IDC capacity to meet growing demand. Our network operating centre in Navi Mumbai, India, is one of the most advanced in the world. The entire range of our products and services is enabled by streamlined, fully integrated, flow through operating and business support systems. These facilities provide us with by far the most superior platform in India for offering bandwidth intensive, feature rich, converged services and solutions for consumers, enterprises, and carrier customers with virtually limitless scalability.

Our national networks are integrated with our international networks.

We have relationships with over 800 global, regional and domestic carriers capable of offering services in 230 countries. Our Managed Network Services are currently available in over 40,000 locations across 163 countries.

We also own 22,000 kms of metro fibre network in the U.S. in 14 metros allowing us to offer our customers 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 over 600,000 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.

2.4. 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 wireless, wireline, broadband, and long distance services in India and overseas. Its major assets are the wireless network, transmission networks used in its business, and the contact centres. Following the recent roll-out of our GSM network, we now provide CDMA based wireless services in 20 Circles and GSM based wireless 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 through RCIL.

3. Financial Highlight

Financial results for the quarter ended December 31, 2009 as per Indian GAAP. In the tables below, "Qtr ended 30/09/09" refers to the three month period ended September 30, 2009 and "Qtr ended 31/12/09" refers to the three month period ended December 31, 2009. Exchange rate for conversion of Indian Rupees to United States Dollars is Rs 48.11 = US\$ 1.00 for the quarter ended September 30, 2009, Rs 46.68 = US\$ 1.00 for the quarter ended December 31, 2009, being the revaluation rate as announced by Foreign Exchange Dealers' Association of India ('FEDAI').

3.1. Summarized Consolidated Statement of Operations

(Rs Million, except ratios)

Particulars	Qtr ended 30/09/09	Qtr ended 31/12/09	Q-on-Q Growth (%)
Total revenue	57,026	53,098	-6.9%
Net revenue	49,341	44,761	-9.3%
EBITDA	20,199	18,126	-10.3%
Cash profit from operations	15,357	20,198	31.3%
Amortisation of Compensation under Employee Stock Option Scheme	29	221	662.0%
Profit before tax	6,475	13,649	110.8%
Net profit	7,403	11,077	49.6%
<i>EBITDA margin (%)</i>	<i>35.4%</i>	<i>34.1%</i>	

(US\$ Million)

Particulars	Qtr ended 30/09/09	Qtr ended 31/12/09	Q-on-Q Growth (%)
Total revenue	1,185	1,137	-4.0%
Net revenue	1,026	959	-6.5%
EBITDA	420	388	-7.5%
Cash profit from operations	319	433	35.2%
Amortisation of Compensation under Employee Stock Option Scheme	1	5	696.8%
Profit before tax	135	292	117.2%
Net profit	154	237	54.2%
<i>EBITDA margin (%)</i>	<i>35.4%</i>	<i>34.1%</i>	

3.2. Summarized Consolidated Balance Sheet

(Rs Million, except ratios)

Particulars	As at 30/09/09	As at 31/12/09
Assets		
Net fixed assets, including capital work-in-progress	720,253	719,343
Investments	1,365	1,327
Total current assets (excluding cash & cash equivalents)	142,657	125,400
Total assets	864,275	846,070
Liabilities and stockholders equity		
Total current liabilities and provisions	265,391	264,087
Net debt	210,792	188,709
Total liabilities	476,183	452,796
Stockholders equity (Net of Goodwill)	379,404	384,062
Minority interest	8,688	9,212
Total liabilities and stockholders equity	864,275	846,070
<i>Net debt to annualized EBITDA (x)</i>	<i>2.36</i>	<i>2.25</i>
<i>Net debt to stockholders equity (x)</i>	<i>0.56</i>	<i>0.49</i>
<i>Book value per equity share (Rs)</i>	<i>188</i>	<i>191</i>

(US\$ Million)

Particulars	As at 30/09/09	As at 31/12/09
Assets		
Net fixed assets, including capital work-in-progress	14,973	15,410
Investments	28	28
Total current assets (excluding cash & cash equivalents)	2,966	2,686
Total assets	17,967	18,124
Liabilities and stockholders equity		
Total current liabilities and provisions	5,517	5,657
Net debt	4,382	4,043
Total liabilities	9,899	9,700
Stockholders equity (Net of Goodwill)	7,887	8,228
Minority interest	181	197
Total liabilities and stockholders equity	17,967	18,124

3.3. Summarized Statement of Operations by Segment

3.3.1. Wireless

(Rs Million, except ratios)

Particulars	Qtr ended 30/09/09	Qtr ended 31/12/09	Q-on-Q Growth (%)
Gross revenue	40,100	40,225	0.3%
Net revenue	29,295	27,998	-4.4%
EBITDA	13,132	12,545	-4.5%
EBIT	10,240	8,480	-17.2%
<i>EBITDA margin (%)</i>	<i>32.7%</i>	<i>31.2%</i>	
<i>EBIT margin (%)</i>	<i>25.5%</i>	<i>21.1%</i>	

3.3.2. Global

(Rs Million, except ratios)

Particulars	Qtr ended 30/09/09	Qtr ended 31/12/09	Q-on-Q Growth (%)
Gross revenue	22,643	19,818	-12.5%
Net revenue	17,691	14,426	-18.5%
EBITDA	5,227	4,194	-19.8%
EBIT	2,797	1,806	-35.4%
<i>EBITDA margin (%)</i>	<i>23.1%</i>	<i>21.2%</i>	
<i>EBIT margin (%)</i>	<i>12.4%</i>	<i>9.1%</i>	

3.3.3. Broadband

(Rs Million, except ratios)

Particulars	Qtr ended 30/09/09	Qtr ended 31/12/09	Q-on-Q Growth (%)
Gross revenue	7,700	7,045	-8.5%
Net revenue	6,871	6,237	-9.2%
EBITDA	3,199	2,755	-13.9%
EBIT	2,039	1,580	-22.5%
<i>EBITDA margin (%)</i>	<i>41.5%</i>	<i>39.1%</i>	
<i>EBIT margin (%)</i>	<i>26.5%</i>	<i>22.4%</i>	

Note: "Net revenue" in 3.2.1, 3.2.2, and 3.3.3 above represents gross segment revenue less license fees and access charges.

3.3.4. Others

(Rs Million, except ratios)

Particulars	Qtr ended 30/09/09	Qtr ended 31/12/09	Q-on-Q Growth (%)
Other income	2,760	3,160	14.5%
Other expenses	4,005	4,410	10.1%
EBITDA	(1,244)	(1,250)	0.5%
EBIT	(2,022)	(2,069)	2.3%

Note: "Other income" in 3.2.4 above represents revenue earned from operating activities not included in segments (as defined). "Other expenses" in 3.2.4 above represents expenses related to such activities and unallocated corporate expenses.

3.4. Contribution to Revenue by Segment

(Rs Million, except ratios)

Segment	Qtr ended 30/09/09		Qtr ended 31/12/09	
	Revenue	% of Total	Revenue	% of Total
Wireless	40,100	55%	40,225	57%
Global	22,643	31%	19,818	28%
Broadband	7,700	10%	7,045	10%
Others	2,760	4%	3,160	5%
Sub Total	73,203	100%	70,248	100%
<i>Eliminations</i>	<i>(16,177)</i>		<i>(17,151)</i>	
Total	57,026		53,097	

Note: "Others" comprises "Other income" as shown in 3.2.4 above.

3.5. Contribution to EBITDA by Segment

(Rs Million, except ratios)

Segment	Qtr ended 30/09/09		Qtr ended 31/12/09	
	EBITDA	% of Total	EBITDA	% of Total
Wireless	13,132	64%	12,545	68%
Global	5,227	26%	4,194	23%
Broadband	3,199	16%	2,755	15%
Others	(1,244)	-6%	(1,250)	-7%
Sub Total	20,314	100%	18,244	100%
<i>Eliminations</i>	<i>(116)</i>		<i>(118)</i>	
Total	20,199		18,126	

3.6. Investment in Projects by Segment

(Rs Million, except ratios)

Segment	Cumulative to 31/12/09		Qtr ended 31/12/09	
	Rs Million	% of Total	Rs Million	% of Total
Wireless	532,936	69%	11,037	83%
Global	150,905	20%	240	2%
Broadband	55,732	8%	348	3%
Others	26,158	3%	1,634	12%
Total	765,731		13,259	

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.

4. 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 30/09/09" refers to the three month period ended September 30, 2009; "Qtr ended 31/12/09" refers to the three month period ended December 31, 2009.

4.1. Wireless

Metric	Unit	Qtr ended 30/09/09	Qtr ended 31/12/09
Service areas operational*	Nos	22	22
Wireless customers	Nos	86,117,663	93,795,613
Wireless market share (All-India)	%	18.5%	18.1%
Wireless net adds	Nos	6,501,363	7,677,950
Market share – wireless net adds	%	14.7%	14.4%
Pre-paid % of total wireless customers	%	94.4%	95.0%
Pre-paid % of wireless net adds	%	99.2%	101.3%
Wireless ARPU	Rs/Sub	161	149
Wireless churn	%	1.3%	2.0%
Wireless minutes of use (MoU)	Bn Mins	84.5	89.0
Wireless MoU per customer/month	Min/Sub	340	330
Wireless revenue per minute (RPM)	Rs/Min	0.47	0.45
Wireless EBITDA per minute	Rs/Min	0.15	0.14

* Considering Tamil Nadu and Chennai as one combined circle

4.2. Global

Metric	Unit	Qtr ended 30/09/09	Qtr ended 31/12/09
Total ILD minutes	Mn Mins	2,165	2,823
Total NLD minutes	Mn Mins	11,205	13,643

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.

4.3. Broadband

Metric	Unit	Qtr ended 30/09/09	Qtr ended 31/12/09
Service areas operational	Nos	18	18
Towns active (wireline only)	Nos	42	42
Access lines	Nos	1,439,000	1,455,000
Access line net adds	Nos	17,000	16,000
ARPL	Rs/line	1,794	1,642
Buildings directly connected	Nos	1,006,807	1,018,732

5. Basis of Presentation of Financial Statements

5.1. 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, 2009 and ending on March 31, 2010.

5.2. Consolidated and Segment Financial Results

5.2.1. 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 5.3 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.

5.2.2. Net Revenues by Segment

"Net Revenues" represent revenues earned less direct variable operating expenses in the nature of: (1) 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, 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.

5.2.3. 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 5.2.1 above, have been followed for reporting gross operating expenses of each segment and elimination of such expenses in determining consolidated EBITDA for the Company.

5.3. 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".

5.3.1. 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.

5.3.2. 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.
- ❑ NLD bandwidth and infrastructure services for other service providers.
- ❑ 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 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.

5.3.3. Broadband

All services provided through wireline, LMDS etc. 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.

5.3.4. 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.

6. Financial Statements

Financial results for the quarter ended December 31, 2009 as per Indian GAAP. An explanation of the basis of presentation is set out in Section 5. In the tables below, "Qtr ended 30/09/09" refers to the three month period ended September 30, 2009 and "Qtr ended 31/12/09" refers to the three month period ended December 31, 2009. Previous quarter's figures have been re-grouped, re-arranged and re-classified wherever necessary.

6.1. Consolidated Results of Operations

(Rs. Million, except ratios)

Particulars	Qtr ended 30/09/09	Qtr ended 31/12/09
Total revenues	57,026	53,098
Services and sales	57,026	53,098
Total operating expenses	36,827	34,972
Access charges and license fees	7,685	8,337
Network operations	15,919	16,708
Employees	3,816	3,677
SG&A	9,407	6,250
EBITDA before exceptional item	20,199	18,126
Finance charges (net)	6,551	(4,075)
Depreciation / amortization	7,144	8,331
Amortisation of Compensation under Employee Stock Option Scheme	29	221
Profit before tax	6,475	13,649
Provision for tax (including Deferred tax)	(1,739)	2,003
Net profit after tax (before adjustment of share of Minority Interest/ Associates)	8,214	11,646
Share of Minority and associates	811	569
Net profit after tax (after adjustment of share of Minority Interest/ Associates)	7,403	11,077
Ratios		
<i>EBITDA margin (%)</i>	<i>35.4%</i>	<i>34.1%</i>
<i>Net profit margin (%)</i>	<i>13.0%</i>	<i>20.9%</i>

6.2. Consolidated Balance Sheet

(Rs. Million)

Particulars	As at 30/09/09	As at 31/12/09
ASSETS		
Current assets		
Inventories	5,494	5,210
Debtors	45,117	37,703
Other current assets	20,575	20,691
Loans and advances	71,471	61,796
Total current assets (excluding cash and cash)	142,657	125,400
Fixed assets		
Gross block	781,996	778,988
Less: Depreciation	167,519	178,361
Net block	614,477	600,627
Capital work-in-progress	105,776	118,716
Total fixed assets	720,253	719,343
Investments	1,365	1,327
Total assets	864,275	846,070
LIABILITIES AND STOCKHOLDERS EQUITY		
Stockholders equity		
Share capital	10,320	10,320
Reserves and surplus (net of Goodwill)	369,084	373,742
Stockholders equity	379,404	384,062
Minority interest	8,688	9,212
Current liabilities and provisions		
Current liabilities	227,706	224,407
Provisions	37,685	39,680
Total current liabilities and provisions	265,391	264,087
Debt		
Secured loans		
Foreign currency loans	-	-
Rupee loans	30,000	30,000
Unsecured loans		
Foreign currency loans	188,675	188,600
Rupee loans	35,990	30,748
Less: Cash and cash equivalents	43,873	60,639
Net debt	210,792	188,709
Total liabilities and stockholders equity	864,275	846,070

6.3. Consolidated Statement of Cash Flows

(Rs. Million)

Particulars		Qtr ended 30/09/09	Qtr ended 31/12/09
Cash flows from operating activities:			
Net profit/(loss) before tax	A	6,475	13,649
Add: Non cash/non operating items	B	11,820	5,573
Depreciation and amortization		7,144	8,331
Provision for doubtful debts		270	585
Finance charges (net)*		4,975	(3,298)
(Profit)/loss on sale of investments		(598)	(265)
Exceptional items		29	220
Cash generated from operations before working capital changes	A+B	18,295	19,222
(Increase)/decrease in working capital		12,683	6,495
Cash generated from operations		30,978	25,717
Tax paid		(106)	215
Net cash provided/used by/in operating activities	C	30,872	25,932
Cash flows from investing activities:			
(Purchase)/sale of property, plant, and equipment (net)		(21,022)	(17,980)
(Purchase)/sale of investments (net)		301	(4)
Interest income / (expense) (net)		(7,910)	5,870
Net cash provided/used by/in investing activities	D	(28,631)	(12,114)
Cash flows from financing activities:			
Increase/(decrease) in borrowings		(51,369)	2,948
Net cash provided/used by/in financing activities	E	(51,369)	2,948
Cash and cash equivalents:			
Beginning of the period	F	93,001	43,873
End of the period	C+D+E+F	43,873	60,639

7. Accounting Policies

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

7.1. 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.

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

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.

7.2.4. 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, 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

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 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.

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

- ❑ 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. The Company has adopted AS 11 for the year 2008-09 in respect of forex losses which are therefore being debited to Profit and Loss Account.
- ❑ Any income or loss arising out of marking derivative contracts to market price is recognized in the profit and loss account.

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 recognized over the estimated useful life of subscribers and specified fixed validity period, where significant. 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 recognized as operating income.

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

1. As a measure of prudence, the company has decided that unlike in earlier years, the Company will not recognise any mark to market gains in respect of any outstanding derivative contracts related to loans, liabilities and assets expressed in foreign currency. However, as required by the announcement dated 29th March, 2008 of the Institute of Chartered Accountants of India for accounting of derivatives, the Company provides for mark to market losses in respect of derivative contracts. Accordingly, the Company has not recognised gain of Rs. 19,524 lakh on mark-to-market valuation of derivative contracts outstanding as at the end of the Quarter and Nine Months respectively under review. If the Company had not made this change of policy, net profit after tax would have been higher by the amount of Rs. 19,524 lakh for the Quarter and Nine Months respectively.
2. The Company is operating with Wireless, Broadband, Global, Investments and Others/ Unallocated segments. Accordingly, segment wise information has been given. This is in line with the requirement of AS 17 "Segment Reporting".

9. 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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