

RELIANCE

Communications

**Annual Report
2010-11
(Abridged)**



Dhirubhai H. Ambani

(December 28, 1932 - July 6, 2002)
Reliance Group - Founder and Visionary

Profile

Reliance Communications Limited is the flagship Company of Reliance Group, one of the leading business houses in India.

Reliance Communications is India's foremost and truly integrated telecommunications service provider. The Company, with a customer base of 142 million as on March 31, 2011 including over 2.5 million individual overseas retail customers, ranks among the Top 4 Telecom companies in the world by number of customers in a single country. Reliance Communications corporate clientele includes over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers.

Reliance Communications has established a pan-India, next generation, integrated (wireless and wireline), convergent (voice, data and video) digital network that is capable of supporting best-of-class services spanning the entire communications value chain, covering over 24,000 towns and 600,000 villages.

Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 2,77,000 kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.

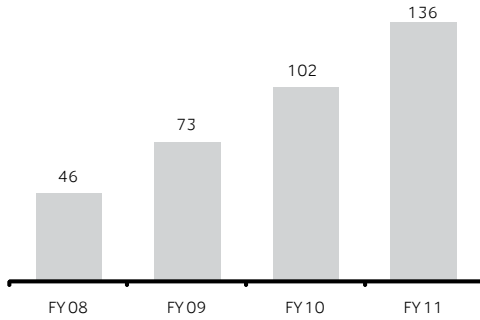
Mission: Excellence in Communication Arena

- To attain global best practices and become a world-class communication service provider – guided by its purpose to move towards greater degree of sophistication and maturity.
- To work with vigour, dedication and innovation to achieve excellence in service, quality, reliability, safety and customer care as the ultimate goal.
- To earn the trust and confidence of all stakeholders, exceeding their expectations and make the Company a respected household name.
- To consistently achieve high growth with the highest levels of productivity.
- To be a technology driven, efficient and financially sound organisation.
- To contribute towards community development and nation building.
- To be a responsible corporate citizen nurturing human values and concern for society, the environment and above all, the people.
- To promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals.
- To encourage ideas, talent and value systems.
- To uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

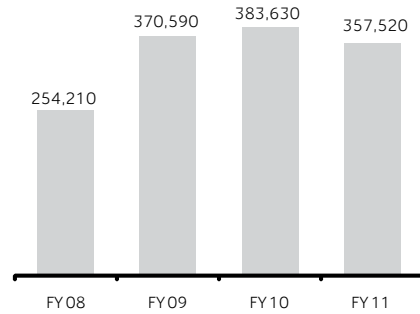
Reliance Communications Limited

Highlights – at a glance on consolidated basis

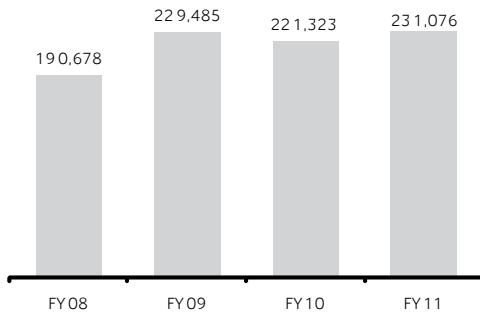
Wireless Subscribers (in Million)



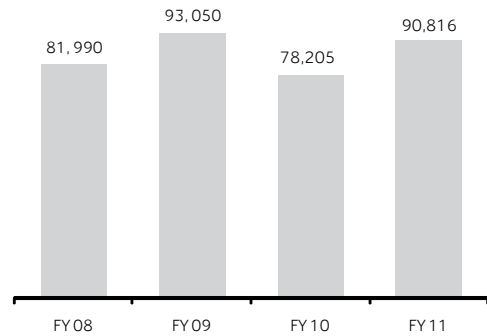
Net Worth (₹ in Million)



Revenue (₹ in Million)



EBITDA (₹ in Million)



Business Mix

Wireless

- Mobile (CDMA, GSM & 3G)
- VAS (Mobile World)
- Wireless Data
- Fixed Wireless
- Public Access Business

Telecom Infrastructure

- Multi tenancy towers
- Pan-India coverage
- Backhaul
- Support systems
- 3G Ready

Globalcom

- Submarine cable
- Ethernet Data services
- Global Managed Network Services
- Long Distance (NLD/ILD)
- Global Call

RELIANCE
Communications

Enterprise

- Internet Data Center
- Broadband
- Leased Line
- Office Centrex
- MPLS & VPN
- WiMax

Home

- DTH
- IPTV

Other businesses

Tech Services

- Leveraging Internal IT Development Capabilities

BPO

- Expertise in Telecom BFSI, Utilities & Media

Retail

- Reliance World
- Reliance Mobile Store

Board of Directors

Shri Anil Dhirubhai Ambani - Chairman
 Prof. J. Ramachandran
 Shri S. P. Talwar
 Shri Deepak Shourie
 Shri A. K. Purwar

Company Secretary and Manager

Shri Hasit Shukla (upto 31.05.2011)
 Shri Prakash Shenoy (w.e.f. 01.06.2011)

Auditors

M/s. Chaturvedi & Shah
 M/s. B S R & Co.

Registered Office

H Block, 1st Floor
 Dhirubhai Ambani Knowledge City
 Navi Mumbai 400 710
 Maharashtra, India

Registrar and Transfer Agent

Karvy Computershare Private Limited

Madhura Estate, Municipal No. 1-9/13/C
 Plot No. 13 & 13C, Madhapur Village
 Hyderabad - 500 081
 Andhra Pradesh, India
 Website: www.karvy.com

Investor Helpdesk

Toll free no (India) : 1800 4250 999
 Telephone no. : +91 40 4030 8000
 Fax no. : +91 40 2342 0859
 Email : rcom@karvy.com
 Post your request : <http://kcpl.karvy.com/adag>

Contents

Page No.

Highlights - at a glance	4
Letter to Shareowners	6
Notice of Annual General Meeting.....	8
Directors' Report	14
Management Discussion and Analysis.....	18
Auditors' Certificate on Corporate Governance	30
Corporate Governance Report.....	31
Investor Information	40
Auditors' Report on Abridged Financial Statements	47
Auditors' Report on Financial Statements	47
Abridged Balance Sheet	50
Abridged Profit and Loss Account.....	51
Cash Flow Statement	52
Notes to Abridged Financial Statements	55
Auditors' Report on Abridged Consolidated Financial Statements.....	68
Auditors' Report on Consolidated Financial Statements.....	68
Abridged Consolidated Balance Sheet	70
Abridged Consolidated Profit and Loss Account	71
Consolidated Cash Flow Statement.....	72
Notes to Abridged Consolidated Financial Statements.....	77
Financial Information of Subsidiary Companies.....	91
Attendance Slip and Proxy Form	95

Important Communication to Members

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their email addresses, so far, are requested to register their email addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to register the same with Karvy Computershare Private Limited.

7th Annual General Meeting on Tuesday, September 27, 2011 at 12.00 noon or soon after conclusion of the AGM of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020

The Annual Report can be accessed at www.rcom.co.in



My dear fellow Shareowners,

I am delighted to say that Reliance Communications (RCOM) has turned in a year of steady performance in the face of fierce and intensifying competition in the telecom sector. Through the year, we consolidated our position in the market and are now on the verge of reaching the magic 150 million wireless subscribers mark. As before, we remain uniquely placed in the industry in being able to offer our growing base of loyal subscribers the choice of world class services on CDMA, GSM and 3G technology platforms.

With a customer base of 142 million as on March 31, 2011, RCOM is today the world's 4th largest operator in terms of number of customers in a single country. Our corporate clientele includes over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers. Our enterprise customers include 850 of the top 1,000 enterprises in India.

We have come a long way since launching our pan-India services 8 years ago, and even more so since kicking off our pan-India GSM services a little over 2 years ago. During this period, we have been widely recognized in the industry for pioneering "Telecom Inclusion" in India by giving the aam aadmi the opportunity to avail of world class communication services at amazingly affordable prices. As a result, a mobile phone connection, which was regarded as a luxury by most people less than 10 years ago, is now seen as an absolute necessity for practically everyone in the country.

RCOM alongwith its wholly owned subsidiary Reliance Telecom Limited has won 3G spectrum in 13 circles, the highest number of circles won by any operator in the auction. RCOM demonstrated its all round execution and innovation capabilities by becoming the first operator to offer 3G services to customers in the top 3 metro circles of Delhi, Mumbai and Kolkata in a record time of 100 days of receiving 3G spectrum. As on date, we have rolled out 3G services in all the circles for which we won 3G spectrum, covering nearly 330 census towns. Today, our Company is the only operator in India that has both the highest, 13 circle, coverage in 3G as well as a pan- India 3G-like capability in CDMA technology. These initiatives will help us in achieving our vision of creating a "Wirefree India" powered by our world-class 'affordable 3G for All' platform.

During this fiscal and going forward, we expect new data-centric innovations in terms of products and services on the 3G platform, which will give new impetus to data traffic growth in the industry. In addition to continuing on conventional voice-based model, we are now focusing to provide innovative and affordable high-speed data services catering to the needs of all customer segments. We look forward to strengthening our leadership position in voice as well as in data services.

Performance review

The financial year 2011 witnessed hyper competitive environment in the telecom industry resulting in substantial decrease in tariff rates. Despite this, RCOM was able to achieve reasonable top -line growth during the year.

The key financial highlights on a consolidated basis are:

Total income of ₹ 23,108 crore (US\$ 5,182 million), as against ₹ 22,132 crore (US\$ 4,903 million) in last financial year.

Net profit of ₹ 1,346 crore (US\$ 302 million), as against ₹ 4,655 crore (US\$ 1,031 million) in previous financial year.

Cash Earnings Per Share (Cash EPS) of ₹ 38.81 (US\$ 0.87) as against ₹ 41.30 (US\$ 0.91) in the previous year and Basic Earnings Per Share (EPS) of ₹ 6.52 (US\$ 0.15), as against ₹ 22.55 (US\$ 0.50) in the previous financial year.

Our Net Worth of ₹ 35,752 crore (US\$ 8,017 million) puts us among the top Indian private sector companies.

Treading along Growth path

RCOM is India's truly integrated and fully-converged telecommunications service provider. We operate across the full spectrum of wireless, wireline, 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.

- Our customer base exceeds 142 million as on March 31, 2011 and includes over 2.5 million overseas retail customers and 3.5 million Reliance Digital TV customers.
- We are the world's 4th largest operator in terms of number of customers in a single country.
- We own and operate the world's largest next generation IP-enabled connectivity infrastructure, comprising over 277,000 route kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.
- Our corporate clientele includes over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers.
- Our enterprise customers include 850 of the top 1000 enterprises in India.
- We have built India's one of the largest portfolio of multi-tenancy towers offering integrated infrastructure solutions.

We offer nationwide Direct-To-Home satellite TV services, employing state-of-the-art MPEG4 technology to deliver over 250 channels in HD-like quality.

Letter to Shareowners

Segments

1) Wireless

We are among India's top two operators with over 136 million wireless subscribers as on March 31, 2011 across a comprehensive portfolio of services, including mobile, PCO, fixed wireless and data card segments.

We have been at the forefront of innovation in the wireless sector:

- Following the success of our first three Simply Reliance Initiatives, we have announced the extension of Simply Reliance through another ground-breaking 'Simply Unlimited CDMA' Offer, as part of 100 Million Customers Milestone celebrations
- During the year, we expanded our CDMA wireless broadband (High Speed Data) service coverage to 518 towns
- We have soft-launched 3G services in 330 towns in 13 circles where we won spectrum in auction
- Pan-India data footprint

2) Global

Reliance Globalcom spearheads the global telecom operations of RCOM. Our global business serves over 2,100 enterprises, 250 carriers and 2.5 million retail customers over 160 countries across 5 continents.

Reliance Globalcom brings together the synergies of Global Business encompassing Enterprise Services, Capacity Sales, Managed Services and a highly successful bouquet of retail products and services comprising Global Voice, Internet Solutions and Value Added Services.

Reliance Globalcom owns and operates the world's largest next generation IP-enabled connectivity infrastructure, comprising over 277,000 route kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. In India, we provide long distance business services including wholesale voice, bandwidth and infrastructure services. Globally, we are the carrier's carrier for voice, bandwidth and enterprise data services.

3) Enterprise Broadband

RCOM offers the most comprehensive portfolio of enterprise voice, data, video, Internet and IT infrastructure services catering to large, medium and small enterprises for their communications, networking and IT infrastructure needs.

Currently, we operate in almost 50 cities of India with over 1.1 million buildings connected directly to our network. In all, we serve nearly 1.5 million access lines. Over 850 of the top 1,000 companies in India are our customers.

Our Optical Fiber Cable backbone network of 190,000+ route kms supports seamless last mile Broadband connectivity to over 1.1 million building across 1,400 cities.

Our Metro Ethernet network is one of the largest in the world, having currently approx. 37,000+ nodes.

We have one of the largest Internet Data Center (IDC) capacities occupying more than 450,000 sq ft in India, across 9 data centers with a market share of more than 60 per cent.

4) Telecom Infrastructure

We are leveraging our extensive capability to offer a wide range of services as an integrated service provider across the whole infrastructure value chain. Our aim is to provide a fast track solution to our clients, both for ongoing expansion of our existing telecom operators and the roll out plans of the new ones.

We have achieved a unique position vis-à-vis other providers with better quality tower, carriage and transport infrastructure backed by a unified approach as an integrated service provider.

5) Home

Our Direct To Home (DTH) digital TV Business has moved into its 3rd full year of operations. This financial year, we have launched the stand alone High Definition (HD) Set Top Box (STB), completing the most comprehensive product line up inclusive of Standard Definition (SD), HD and HD Digital Video Recorder(DVR) STB. We also introduced a new technology advancement which made us the 1st operator to offers all 250 channels in HD like quality.

Corporate Governance

RCOM has always maintained the best governance standards and practices by adopting, as is the norm for all constituent companies of the Group, the "Reliance Group – Corporate Governance Policies and Code of Conduct". These Policies and Code prescribe a set of systems, processes and principles, which conform to the highest international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors, both local and global, and all other stakeholders.

Social Commitment

We have undertaken several important initiatives and measures in the 6 core areas of environment, community development, education, women's empowerment, social awareness and health, signifying our continued and long-standing commitment to social and community welfare.

Our Commitment

Our founder, the legendary Shri Dhirubhai Ambani, gave us a simple mantra: to aspire to the highest global standards of quality, efficiency, operational performance and customer care. We remain committed to upholding that vision. Dhirubhai exhorted us to think big. With your continued support, we will think bigger. Indeed not just bigger but better, creating ever greater value for all our stakeholders.



Anil Dhirubhai Ambani
Chairman

Reliance Communications Limited

Notice

Notice is hereby given that the 7th Annual General Meeting of the Members of **Reliance Communications Limited** will be held on Tuesday, September 27, 2011 at 12.00 noon or soon after conclusion of the Annual General Meeting of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020, to transact the following business:

Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at March 31, 2011, the Profit and Loss Account for the financial year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Prof. J. Ramachandran, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard, to consider and, if thought fit, to pass with or without modification(s), the following resolution as an

Ordinary Resolution:

"RESOLVED THAT M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration No. 101720W) and M/s. B S R & Co., Chartered Accountants (Firm Registration No. 101248W), be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

Special Business:

5. **Issue of equity shares to the Qualified Institutional Buyers**

To consider and, if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**:

- a) "RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (Act) (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into with the Stock Exchanges and subject to the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR"), the provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, applicable rules, regulations, guidelines or laws and/or any approval, consent, permission or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as the "appropriate authorities"), and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as the "requisite approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter called the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorised to issue, offer and allot equity shares/fully convertible debentures/partly convertible

debentures/non convertible debentures with warrants/ any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"), to the Qualified Institutional Buyers (QIBs) as per the SEBI ICDR, whether or not such QIBs are Members of the Company, on the basis of placement document(s), at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion determine, in consultation with the Lead Managers, Advisors or other intermediaries, provided however that the aggregate amount raised by issue of QIP Securities as above shall not result in increase of the issued and subscribed equity share capital of the Company by more than 25% of the then issued and subscribed equity shares of the Company.

- b) RESOLVED FURTHER THAT the relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date on which the Board of the Company decide to open the proposed issue, or the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares, as the case may be ("Relevant Date").
- c) RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities referred to in paragraph (a) above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.
- d) RESOLVED FURTHER THAT such of these QIP Securities to be issued as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board in its absolute discretion thinks fit in accordance with the provisions of law.
- e) RESOLVED FURTHER THAT the issue to the holders of the Securities with equity shares underlying such securities shall be inter alia, subject to suitable adjustment in the number of shares, the price and the time period etc., in the event of any change in the equity capital structure of the Company consequent upon any merger, amalgamation, takeover or any other re-organisation or restructuring in the Company.
- f) RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of QIP Securities or instruments representing the same, as described in paragraph (a) above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and institution/trustees/agents and similar agreements/and to remunerate the Managers, underwriters and all other agencies/intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of Securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

Notice

- g) RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of QIP Securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage/hypothecation/charge on the Company's assets under Section 293(1)(a) of the said act in respect of the aforesaid QIP Securities either on pari passu basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.
- h) RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any other Officer(s)/Authorised Representative(s) of the Company to give effect to the aforesaid resolution."
6. **Raising of Resources through Issue of Securities in the International Markets**
- To consider and, if thought fit, to pass with or without modification(s) the following Resolution as a **Special Resolution**:
- a) "RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and the Articles of Association of the Company and the Listing Agreements with the Stock Exchanges and subject to the provisions of the applicable rules, regulations, guidelines or laws and/or any approval, consent, permission or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or Bodies (hereinafter collectively referred to as the "appropriate authorities"), and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission, and / or sanction (hereinafter referred to as the "requisite approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter called the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorised to issue, offer and allot, in International offerings any securities including Global Depositary Receipts and / or American Depositary Receipts convertible into equity shares, preference shares whether Cumulative / Redeemable / Convertible at the option of the Company and / or the option of the holders of the security and / or securities linked to equity shares / preference shares and / or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants convertible into depositary receipts underlying equity shares/ equity shares / preference shares, (hereinafter referred to as the "Securities") to be subscribed by foreign / domestic investors/institutions and / or corporate bodies/entities including mutual funds, banks, insurance companies and / or individuals or otherwise, whether or not such persons/entities/investors are Members of the Company whether in one or more currency, such issue and allotment to be made at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion think fit, in consultation with the Lead Managers, Underwriters, Advisors or other intermediaries provided however that the issue of securities as above shall not result in increase of the issued and subscribed equity share capital of the Company by more than 25% of the then issued and subscribed equity shares.
- b) RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of terms including as to conditions in relation to payment of interest, additional interest, premia on redemption, prepayment and any other debt service payments whatsoever, and all such other terms as are provided in Securities offerings of this nature including terms for issue of such Securities or variation of the conversion price of the Security during the duration of the Securities and the Company is also entitled to enter into and execute all such arrangements as the case may be with any lead managers, managers, underwriters, bankers, financial institutions, solicitors, advisors, guarantors, depositories, custodians and other intermediaries in such offerings of Securities and to remunerate all such agencies including the payment of commission, brokerage, fees or payment of their remuneration for their services or the like, and also to seek the listing of such Securities on one or more stock exchanges including international Stock Exchanges, wherever permissible.
- c) RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorised by the Company for the issue of Securities in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the domestic and / or international practice and regulations, and under the norms and practices prevalent in securities markets.
- d) RESOLVED FURTHER THAT the Board and/or an agency or body authorised by the Board may issue Depositary Receipt(s) or Certificate(s) or Shares, representing the underlying securities issued by the Company in registered or bearer form with such features and attributes as are prevalent in Indian and/or International capital markets for the instruments of this nature and to provide for the tradability or free transferability thereof, as per the Indian/International practices and regulations and under the norms and practices prevalent in the Indian/ International markets.
- e) RESOLVED FURTHER THAT the Securities issued in foreign markets shall be deemed to have been made abroad and / or in the market and / or at the place of issue of the Securities in the international market and may be governed by the applicable laws.
- f) RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorised to issue and allot such number of shares as may be required to be issued and allotted upon conversion of any Securities referred to in paragraph (a) above or as may be necessary in accordance with the terms of the offering, all such shares being pari passu with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.

Reliance Communications Limited

Notice

- g) RESOLVED FURTHER THAT such of these Securities to be issued as are not subscribed may be disposed off by the Board to such persons and in such manner and on such terms as the Board in its absolute discretion thinks fit in the best interest of the Company and as is permissible at law.
- h) RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, as described in paragraph (a) above, the Board or any Committee thereof be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and depositary arrangements with institutions / trustees / agents and similar agreements / and to remunerate the Managers, underwriters and all other agencies / intermediaries by way of commission, brokerage, fees and the like as may be involved or connected with such offerings of Securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.
- i) RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage / charge under Section 293(1)(a) of the said Act in respect of the aforesaid Securities either on pari passu basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.
- j) RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or the Chairman or any other Officers / Authorised Representatives of the Company to give effect to the aforesaid resolution."
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 387 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act 1956, (including any statutory modification or re-enactment thereof, for the time being in force), and subject to all such sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Shri Prakash Shenoy as the Manager of the Company for a period of 05 (five) years commencing from June 01, 2011 on the terms and conditions including remuneration set out in the Agreement to be entered into between the Company and Shri Prakash Shenoy, a draft whereof was placed before this meeting which Agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include any Committee of the Board constituted to exercise its powers including powers conferred by this resolution) to alter and vary the terms and conditions including remuneration of the said re-appointment and/or Agreement, as may be agreed to between the Board and Shri Prakash Shenoy, so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto.
RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of Shri Prakash Shenoy, as Manager, the remuneration and perquisites set out as aforesaid be paid or granted to him as minimum remuneration and perquisites provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the applicable ceiling limit in terms of Schedule XIII to the said Act as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force.
RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors

Hasit Shukla
President and Company Secretary

Registered Office:
H Block, 1st Floor
Dhirubhai Ambani Knowledge City
Navi Mumbai 400 710
May 30, 2011

Notes

- A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll, instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.**
- Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.
- Members/Proxies should fill in the Attendance Slip for attending the meeting and bring their Attendance Slip along with their copy of the annual report to the Meeting.
- In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- Members who hold shares in electronic form are requested to write their DP ID and Client ID numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting to facilitate identification of membership at the Meeting.

Notes

6. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of the Meeting. The certificate from the Auditors of the Company confirming the compliance of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 with respect to the Company's ESOS Plans will be available for inspection at the Meeting.
7.
 - a. The Company's Register of Members and Transfer Books will remain closed from September 19, 2011 to September 27, 2011 (both days inclusive) for determining the names of members eligible for dividend, if declared, on equity shares for the year ended March 31, 2011.
 - b. The dividend on equity shares, as recommended by the Board of Directors, if declared at the Meeting, will be paid after the Meeting.
 - c. Members may please note that the dividend warrants shall be payable at par at the designated branches of the Bank for an initial period of three months only. Thereafter, the dividend warrants on revalidation shall be payable only at limited centres/ branches of the said Bank. The members are therefore, requested to encash dividend warrants within the initial validity period.
8. Members may please note that for shares in electronic form, bank particulars registered against their depository accounts will be used by the Company for payment of dividend. Members are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. The Company or its Registrars and Transfer Agents cannot change bank particulars or bank mandates for shares in electronic form.
9. Members holding shares in physical form are requested to advise any change of address immediately to the Company/ Registrars and Transfer Agents, Karvy Computershare Private Limited.
10. Non-resident Indian members are requested to inform Karvy Computershare Private Limited immediately on:
 - a. the change in the residential status on return to India for permanent settlement; and
 - b. the particulars of the bank accounts maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.
11. Re-appointment of Director: At the ensuing Meeting, Prof. J Ramachandran, Director of the Company retire by rotation and being eligible, offer himself for re-appointment. The details pertaining to Prof. J Ramachandran required to be provided pursuant to the requirements of Clause 49 of the listing agreement are furnished in the statements on Corporate Governance forming part of this Annual Report.
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrars and Transfer Agents, Karvy Computershare Private Limited.
13. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. The nomination form can be downloaded from the Company's website www.rcom.co.in under the section 'Investor Relations'.
14. Members are advised to refer the section titled "Investor Information" provided in this Annual Report.
15. Members are requested to fill in and send the Feedback Form provided in the 'Investor Relations' section on the Company's website www.rcom.co.in to aid the Company in its constant endeavour to enhance the standards of service to investors.
16. Pursuant to Circular No. SEBI/CFD/DIL/LA/2/2007/26/4 dated April 26, 2007, issued by the Securities and Exchange Board of India, the statement containing the salient features of the balance sheet, profit and loss account and auditors' report (Abridged Financial Statements), is sent to the members, along with the Abridged Consolidated Financial Statements. Any member interested in obtaining a copy of the full Annual Report, may write to the Registrar and Transfer Agent of the Company.
17. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, relating to special business to be transacted at the Meeting is annexed hereto.
18. Green initiative in Corporate Governance: Ministry of Corporate Affairs (MCA) has vide its circular dated April 29, 2011 stated that service of notice / documents including Annual Report to the members can be made by e-mail. To support this green initiative of the MCA, members who have not yet registered their email addresses are requested to do so (i) in respect of the electronic holdings through their concerned depository participants and (ii) in respect of the physical holdings to Karvy Computershare Private Limited.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated May 30, 2011.

Item No. 5 Issue of equity shares to the Qualified Institutional Buyers.

The Company, in order to enhance its global competitiveness and the ability to compete with the peer group in domestic and international markets, needs to strengthen its financial position and net worth by augmenting long term resources.

For the above purposes as also for meeting the requirements for general corporate purposes, as may be decided by the Board from time to time, it is proposed to seek the enabling authorisation of the Members of the Company in favour of the Board of Directors

("Board"), without the need of any further approval from the Members, to undertake the Qualified Institutional Placement ("QIP") with the Qualified Institutional Buyers ("QIB"), in accordance with the provisions of Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time ("SEBI ICDR"), as set out in the resolution at Item No. 5 of the accompanying Notice.

In view of the above, the Board may, in one or more tranches, issue and allot equity shares / fully convertible debentures / partly convertible debentures / non convertible debentures with

Reliance Communications Limited

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated May 30, 2011.

warrants / any other securities, which are convertible into or exchangeable with equity shares on such date(s) as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"). The QIP Securities proposed to be issued by the Board shall be subject to the provisions of the SEBI ICDR including the pricing, which will not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceding the Relevant Date. The Relevant Date for the determination of applicable price for the issue of the QIP Securities shall be the date of allotment of the QIP Securities by the Board pursuant to the applications received by the Company.

For the reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The QIP Securities issued pursuant to the offering would be listed on the Indian stock exchanges.

The proposed issue of QIP Securities as above may be made in one or more tranches such that the aggregate amount raised by issue of QIP Securities shall not result in the increase of the issued and subscribed equity share capital of the Company by more than 25 per cent of the then issued and subscribed equity shares of the Company as on the Relevant Date.

The QIP Securities issued pursuant to the offer, if necessary, may be secured by way of mortgage / hypothecation on the Company's assets as may be finalized by the Board in consultation with the Security Holders / Trustees in favour of Security Holders / Trustees for the holders of the said securities. The security that may have to be created for the purposes of this issue, as above may come within the purview of Section 293(1)(a) of the Companies Act, 1956. Necessary approval has already been accorded by Members of the Company for creation of such Security(s) by passing of resolution through postal ballot on March 31, 2006.

Section 81(1A) of the Companies Act, 1956 and Listing Agreement entered into with the Stock Exchanges, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons, who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid-up on those shares as of that date unless the Members decide otherwise. The Special Resolution seeks the consent and authorisation of the Members to the Board of Directors to offer and issue the QIP Securities, in consultation with the Lead Managers, Legal Advisors and other intermediaries to offer and issue the QIP Securities to any persons, whether or not they are members of the Company.

The Board of Directors accordingly recommends the special resolution set out at Item No. 5 of the accompanying Notice for the approval of the Members.

None of the Directors and Manager of the Company is, in any way, deemed to be concerned or interested in the said resolution, except to the extent of their shareholding in the Company.

Item No. 6 Raising of Resources through Issue of Securities in the International Markets.

The Company, in order to enhance its global competitiveness, and the ability to compete with the peer group in domestic and international markets, needs to strengthen its financial position and net worth by augmenting long term resources. To achieve the significant competitive advantages, through easy access to large amounts of international capital, with extended maturities, at optimal costs, the Company may need to issue Securities in

the international markets, as contemplated in the resolution and as may be decided by the Board and found to be expedient and in the interest of the Company.

The detailed terms and conditions of the Issue as and when made will be determined by the Board of Directors in consultation with the Merchant Bankers, Lead Managers, Advisors, Underwriters and other experts in accordance with the applicable provisions of law.

The proposed issue of Securities as above may be made in one or more tranches, in the international market in one or more currency, such that the Securities to be issued shall not result in increasing the then issued and outstanding equity shares of the Company by more than 25%. The issue price of the security to be issued in the proposed offerings will be determined by the Board of Directors at the time of the offer depending on the then prevailing market conditions and the applicable regulations. The Securities will be listed on such International / Indian Stock Exchanges as the Board may be advised and as it may decide.

Section 81 of the Companies Act, 1956, provides, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid up on those shares as of that date unless the Members decide otherwise. The Listing Agreements with the various Stock Exchanges also provide that the Company shall issue or offer in the first instance all Securities to the existing equity shareholders, unless the Members decide otherwise. The Special Resolution seeks the consent and authorisation of the Members to the Board of Directors to make the proposed issue of Securities and in the event it is decided to issue Securities convertible into equity shares, to issue to the holders of such convertible Securities in such manner and such number of equity shares on conversion as may be required to be issued in accordance with the terms of the issue.

This Special Resolution gives (a) adequate flexibility and discretion to the Board to finalise the terms of the issue, in consultation with the Lead Managers, Underwriters, Legal Advisors and experts or such other authority or authorities as need to be consulted including in relation to the pricing of the Issue which will be fixed keeping in view the then prevailing market conditions and in accordance with the applicable provisions of rules, regulations or guidelines, and (b) powers to issue and market any Securities issued pursuant to the international offer including the power to issue such Securities in such tranche or tranches with / without voting rights.

The Board of Directors accordingly recommends the resolution set out at Item No. 6 of the accompanying Notice for the approval of the Members.

None of the Directors and Manager of the Company is, in any way, concerned or interested in the said resolution except to the extent of their shareholding in the Company.

Item No. 7 Appointment of Manager.

The Nomination/Remuneration Committee and the Board of Directors of the Company at their meetings held on May 30, 2011, have, subject to the approval of the Members in general meeting and the Central Government, if required, appointed Shri Prakash Shenoy as the Manager of the Company for a period of 5 (five) years commencing from June 1, 2011 on the remuneration determined by the Nomination/Remuneration Committee/ Board of Directors. Shri Prakash Shenoy aged 38 years is commerce and law graduate and member of the Institute of Company Secretaries of India. He has over 13 years experience

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated May 30, 2011.

in corporate secretarial, legal, and managerial functions. He is also appointed as Company Secretary and Compliance Officer of the Company w.e.f. June 01, 2011.

The remuneration payable to and the terms of appointment of Shri Prakash Shenoy as Manager of the Company during the tenure of his appointment will comprise of salary, allowances and the other perquisites, the aggregate monetary value of such salary, allowances and perquisites being limited to of ₹ 23.97 lakh (Rupees twenty three lakh ninety seven thousand only) per annum plus discretionary Bonus not exceeding in any year the annual remuneration for that year with an equivalent increment as may be decided by the Nomination/Remuneration Committee/Board from time to time.

The perquisites and allowances payable to Shri Prakash Shenoy will include Company owned/Leased Accommodation (furnished or otherwise) or House Rent allowance in lieu thereof, house maintenance allowance together with reimbursement of expenses and/or allowances for utilization of gas, electricity, water, furnishing and repairs, medical reimbursements, leave travel concession for self and his family including dependants; medical insurance and such other perquisites and/or allowances within the amount specified above. The said perquisites and allowances shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 or any Rules made there-under (including any statutory modification(s) or re-enactment thereof, for the time being in force). However Company's contribution to Provident Fund, Superannuation or Annuity Fund to the extent these singly or together are not taxable under the Income Tax Act, 1961 and Gratuity payable and encashment of leave at the end of the tenure, as per the rules of the Company, shall not be included in the computation of limits for the remuneration.

The terms and conditions set-out for appointment and payment of remuneration herein and/or in the agreement may be altered and varied from time to time by the Board/Nomination/Remuneration Committee as it may, at its discretion, deem fit within the overall ceiling fixed herein.

The Board/Nomination/Remuneration Committee is entitled to revise the salary, allowances and perquisites payable to the Manager of the Company at any time, such that the overall remuneration payable shall not exceed the limits specified in Schedule XIII to the Companies Act, 1956. In the event of loss

or inadequacy of profits in any financial year during the currency of tenure of Shri Prakash Shenoy, as Manager, the remuneration and perquisites set out as aforesaid be paid or granted to him as minimum remuneration and perquisites provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the applicable ceiling limit in terms of Schedule XIII to the said Act as may be amended from time to time or any equivalent statutory re-enactment thereof for the time being in force.

Shri Prakash Shenoy fulfills the conditions for eligibility contained in Part I of Schedule XIII to the Companies Act, 1956. The terms and conditions of appointment and payment of remuneration are set out in the Agreement to be entered into between the Company and Shri Prakash Shenoy. Either party may terminate the aforesaid Agreement by giving one month prior notice of termination in writing to the other party.

The draft Agreement to be entered into between the Company and Shri Prakash Shenoy is available for inspection at the Registered Office of the Company on all working days except Saturday between 11.00 a.m. and 1.00 p.m. upto the date of the meeting.

The Board of Directors accordingly recommends the resolution set out at Item No. 7 of the accompanying Notice for the approval of the Members.

Shri Prakash Shenoy, Manager may be deemed to be concerned or interested in the resolution. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

By Order of the Board of Directors

**Hasit Shukla
President and Company Secretary**

Registered Office:
H Block, 1st Floor
Dhirubhai Ambani Knowledge City
Navi Mumbai 400 710
May 30, 2011

Reliance Communications Limited

Directors' Report

Dear Shareowners,

Your Directors present the 7th Annual Report and the audited accounts for the financial year ended March 31, 2011.

Financial Results

The standalone performance of the Company for the financial year ended March 31, 2011 is summarised below:

Particulars	Financial Year ended March 31, 2011		* Financial Year ended March 31, 2010	
	₹ in crore	US\$ in million**	₹ in crore	US\$ in million**
Total income	12,614.02	2,828.57	12,511.72	2,771.76
Gross profit before depreciation, amortisation and exceptional items	728.03	163.25	2,149.06	476.09
Less:				
a. Depreciation and amortisation	1,594.27	357.50	1,511.24	334.79
b. Exceptional items and other adjustments	(6.73)	(1.51)	18.35	4.07
Profit/(Loss) before tax	(859.51)	(192.74)	619.47	137.23
Less: Provision for:				
Current tax	(101.52)	(22.76)	140.54	31.13
Profit/(Loss) after tax	(757.99)	(169.98)	478.93	106.10
Add : Balance brought forward from previous year	662.14	148.48	502.75	111.37
Profit available for appropriation	(95.85)	(21.50)	981.68	217.47
Appropriations:				
Proposed Dividend on equity shares	103.20	23.14	175.44	38.87
Dividend Tax	17.14	3.84	29.14	6.46
Transfer (from) /to General Reserve	(216.19)	(48.48)	40.00	8.86
Transfer to Debenture Redemption Reserve	-	-	74.96	16.61
Balance carried to Balance Sheet	-	-	662.14	146.67

* Figures of previous year have been regrouped and reclassified, wherever required.

** Exchange Rate ₹ 44.595 = US\$ 1 as on March 31, 2011 (₹ 45.14 = US\$1 as on March 31, 2010).

Financial Performance

During the year under review, your Company has earned income of ₹ 12,614.02 crore against ₹ 12,511.72 crore in the previous year. The Company has incurred loss of ₹ 757.99 crore compared to profit after tax of ₹ 478.93 crore in the previous year.

Dividend

Your Directors have recommended a dividend of Re. 0.50, (10 per cent) per equity share each of ₹ 5 for the financial year ended March 31, 2011 out of the accumulated profits of the Company, which, if approved at the ensuing 7th Annual General Meeting, will be paid to (i) all those equity shareholders whose names appear in the Register of Members as on September 18, 2011, and (ii) to those whose names appear as beneficial owners as on September 18, 2011 as furnished by the National Securities Depository Limited and Central Depository Services (India) Limited for the purpose. Such declaration of dividend is made in compliance with the Companies (Declaration of Dividend out of Reserves) Rules, 1975.

Due to absence of profits during the year under review, your Directors are not proposing to transfer any amount to General Reserves.

Business Operations

The Company operates on a pan-India basis and offers the full value chain of wireless (CDMA and GSM including 3G services), wireline, national long distance, international, voice, data, video, Direct-To-Home (DTH) and internet based communications services under various business units organised into three strategic customer-facing business segments; Wireless, Global and Broadband. These strategic business units are supported by passive infrastructure connected to nationwide backbone of Optic Fibre Network fully integrated network operation system and by the largest retail distribution and customer services facilities. The Company also owns through its subsidiaries, a global submarine cable network infrastructure and offers managed services, managed Ethernet and application delivery services.

During the year under review, the Company along with its wholly owned subsidiary i.e: Reliance Telecom Limited (RTL) have been

awarded 3G spectrum in 13 out of 22 telecom circles, at a price of ₹ 85,850 million. The Company is one among the only 3 operators who won in 13 circles, the highest circle coverage for any existing player. The Company won in all the 3 metros namely Mumbai, Delhi and Kolkata and also in all those circles in which the Company has GSM incumbents.

On December 13, 2010, the Company became the first operator to offer 3G services to customers in top 3 metro circles namely Mumbai, Delhi and Kolkata. The Company rolled-out 3G services, on trial basis, in a record time of 100 days of receiving 3G spectrum in the above said metros, once again demonstrating all round execution and innovation capabilities. The Company is in discussion with like-minded operators to offer nation-wide 3G services to the subscribers.

During the year under review, the Company had crossed the landmark of 136 million wireless customers as on March 31, 2011. The Company ranks among top two wireless operators in the country.

Redemption of US\$ 500 Million Zero Coupon Foreign Currency Convertible Bonds (FCCBs)

On May 10, 2011, the Company had redeemed all outstanding FCCBs as per terms and conditions of US\$ 500 million Zero Coupon Convertible Bonds on due date. In view of redemption of said Bonds, the Company would not be required to allot 2,74,13,085 equity shares of ₹ 5 each arising out of conversion of the said FCCB's.

Facility Agreement with China Development Bank

During the year under review, the Company has signed facility agreement with China Development Bank (CDB) on March 9, 2011 which includes ₹ 6,000 crore (US\$ 1.33 Billion) for refinancing 3G spectrum fee payment by the Company and ₹ 2,700 crore (US\$ 600 Million) for equipment imports from Chinese Vendors by the Company and Reliance Telecom Limited. Till March 31, 2011, Company drawn down first tranche of ₹ 3,000 crore (US\$ 665 Million) and remaining amount was drawdown during the financial year 2011-12.

Directors' Report

Schemes of Arrangement

- (a) Scheme of Arrangement with Global Innovative Solutions Private Limited
- Global Innovative Solutions Private Limited, a wholly owned subsidiary of the Company amalgamated with the Company w.e.f. May 25, 2011 in terms of the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Judicature at Bombay vide order dated April 29, 2011. The appointed date was April 1, 2010.
- (b) Re-organization of Subsidiaries
- The Hon'ble High Court of Judicature at Bombay sanctioned the following Schemes of Arrangement vide order dated May 6, 2011.
- Reliance Communications Maharashtra Private Limited, a wholly owned subsidiary of Reliance Telecom Limited (RTL) merged with RTL. The appointed date was April 1, 2010.
 - Matrix Innovations Limited, a wholly owned subsidiary of Reliance Communications Infrastructure Limited (RCIL) merged with RCIL. The appointed date was April 1, 2010.
 - Reliance Global IDC Limited, a wholly owned subsidiary of Reliance Infratel Limited (RITL) merged with RITL. The appointed date was January 1, 2011.
- The above Schemes were made effective on May 25, 2011.
- (c) On June 20, 2010, the Board of Directors of the Company approved a proposal to acquire Digicable, India's largest Cable TV service provider to be renamed as "Reliance Digicom". Subject to necessary regulatory approvals. Integration of the Company's DTH, IPTV, retail broadband businesses along with Digicable acquisition will make the Company India's / Asia's largest and the world's 5th largest digital TV and ultra high-speed broadband service provider. The Company is awaiting regulatory approvals for completing this transaction.

Management Discussion and Analysis

Management Discussion and Analysis Report for the year under review as stipulated under Clause 49 of the listing agreement with the Stock Exchanges in India is presented in a separate section forming part of the Annual Report.

The Company has entered into various contracts in the areas of telecom and value added service businesses. While benefits from such contracts will accrue in the future years, their progress is periodically reviewed.

Subsidiary Companies

During the year, Reliance Mobile Commerce Limited became the wholly owned subsidiary of the Company. Reliance Communications Maharashtra Private Limited became the wholly owned subsidiary of the Company through Reliance Telecom Limited (RTL) during the year and merged into RTL, w.e.f. May 25, 2011.

During the year under review, Flag Pacific Limited, Flagweb Limited, Flag Telecom Belgium Network SA, Vanco ApS, Vanco Hongkong Solutions Limited, Vanco Net Direct Limited UK, RCOM Malaysia SDN. BHD, Yipes Systems Inc and Flag Access India Private Limited ceased to be subsidiaries of the Company.

As per approval granted by the Ministry of Corporate Affairs vide Circular No.02/2011 dated February 8, 2011, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the subsidiary companies are not being attached to the Balance Sheet of the Company. The financial information of the subsidiary companies as required by the above circular is disclosed under 'Financial Information of Subsidiary Companies', which forms part of the Annual Report.

The Company will make available hard copies of Annual Accounts of the subsidiary companies and related detailed information to the shareholders of the Company seeking the same.

The annual accounts of the subsidiary companies will also be kept for inspection by any shareholders at the Registered Office of the Company and that of respective subsidiary companies.

Further, pursuant to Accounting Standard (AS) -21 prescribed under the Companies (Accounting Standards) Rules, 2006 and Listing Agreement as prescribed by the Securities and Exchange Board of India, Consolidated Financial Statements presented by the Company include financial information of subsidiary companies, which forms part of the Annual Report.

Directors

In terms of the provisions of the Companies Act, 1956, Prof. J. Ramachandran, Director of the Company retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

A brief resume of the Director retiring by rotation at the ensuing Annual General Meeting, nature of expertise in specific functional areas and names of companies in which he holds directorship and/or membership/chairmanships of Committees of the Board, shareholding and relationship between directors inter se as stipulated under Clause 49 of the listing agreement with the Stock Exchanges in India, is given in the section on Corporate Governance forming part of the Annual Report.

Directors' Responsibility Statement

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts for financial year ended March 31, 2011, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the loss of the Company for the year under review;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the Directors had prepared the annual accounts for financial year ended March 31, 2011 on a 'going concern' basis.

Group

Pursuant to an intimation received from the Promoters, the names of the Promoters and entities comprising 'Group' as defined under the Monopolies and Restrictive Trade Practices Act, 1969 are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Consolidated Financial Statements

The Audited Consolidated Financial Statements, based on the financial statements received from subsidiaries, joint venture and associates, as approved by their respective Board of Directors have been prepared in accordance with Accounting Standard (AS) - 21 on 'Consolidated Financial Statements' read with Accounting Standard (AS) - 23 on 'Accounting for Investments in Associates' and Accounting Standard (AS) - 27 on 'Financial Reporting of Interests in Joint Venture', notified under Section 211(3C) of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006, as applicable.

Reliance Communications Limited

Directors' Report

Auditors and Auditors' Report

M/s. Chaturvedi & Shah, Chartered Accountants and M/s. B S R & Co., Chartered Accountants, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

The Company has received letters from M/s. Chaturvedi & Shah, Chartered Accountants and M/s. B S R & Co., Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by Auditors in their report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

Cost Auditors

Ministry of Corporate Affairs vide its circular dated May 02, 2011 has made it mandatory to audit Cost records of telecommunications companies from financial year commencing from April 1, 2011 by Cost Auditor. Accordingly, the Board of Directors at their meeting held on May 30, 2011, had appointed M/s. V. J. Talati & Co., Cost Accountants as the Cost Auditor of the Company for the financial year 2011-12. The Company has

received a letter from M/s. V. J. Talati & Co., Cost Accountants, to the effect that their appointment is within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and the Companies (Particular of Employees) Amendment Rules, 2011, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, having regard to the provisions of Section 219(1)(b) (iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Employee Stock Option Scheme

During the year under review, the Company has not granted any Options to the employees of the Company. Employees Stock Option Scheme (ESOS) was approved and implemented by the Company and Options were granted to employees under ESOS Plan 2008 and Plan 2009 in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines').

The particulars as required under Clause 12 of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are as follows:

Particulars	ESOS Plan 2008	ESOS Plan 2009
a) Total Options granted	1,49,91,185 Options	1,32,17,975 Options
b) No of Options surrendered	1,32,17,975 Option	Nil
c) Pricing formula decided by ESOS Compensation Committee	Market Price or such other price as Board / Committee may determine. Different Exercise price may apply to different Plan(s).	Average of the weekly high and low of the closing price of the equity share of the Company at National Stock Exchange of India Limited during two weeks preceding the date of Grant i.e. January 16, 2009.
d) Options vested	11,22,211 Options	93,23,215 Options
e) Options exercised	Nil	Nil
f) Total number of equity shares arising as a result of exercise of Options	Subject to Option(s) exercised by the employees, not exceeding 11,22,211 Equity Shares.	Subject to Option(s) exercised by the employees, not exceeding 93,23,215 Equity Shares.
g) Options lapsed/forfeited during the year	2,46,958 Options	29,88,962 Options
h) Variation of terms of Options	None	None
i) Money realised by exercise of Options during the year	Nil	Nil
j) Total number of Options in force at the end of the year	8,75,253 Options	63,34,253 Options
k) Employee wise details of Options granted to: <ul style="list-style-type: none"> i. Senior managerial personnel (i.e. Managing Director/Whole-time Director/Manager) ii. Employee who receives grant in any one year of option amounting to 5 per cent or more of option granted during the year iii. Identified employees who were granted options, during any one year equal to or exceeding 1 per cent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant 	Nil Nil Nil	Shri Hasit Shukla, President, Company Secretary and Manager 1,00,000 Options. Nil Nil
l) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20	N.A. There would not be any fresh issue of equity shares of the Company upon exercise of Options by employees	N.A. There would not be any fresh issue of equity shares of the Company upon exercise of Options by employees

Directors' Report

Particulars	ESOS Plan 2008	ESOS Plan 2009
m) The difference between employee compensation cost using intrinsic value method and fair value of the Options and impact of this difference on Profits EPS of the Company	₹ 5.86 crore ₹ (3.67)	₹ 15.91 crore ₹ (3.67)
n) Weighted- average exercise prices of Options granted during the year where exercise price is less than market price.	Nil	Nil
o) Weighted- average fair values of Options granted during the year where exercise price is less than market price.	Nil	Nil
p) Significant assumptions made in computation of fair value (i) risk-free interest rate, (ii) expected life, (iii) expected volatility, (iv) expected dividends (yield), and (v) the price of the underlying share in market at the time of option grant.	base: Black Scholes model 8.01 % p.a. 7 years 45.60 % 0.09 % ₹ 541.15 per share	8.01 % p.a. 8 years 45.60 % 0.29 % ₹ 174 per share

The Company has received a certificate from the auditors of the Company that the ESOS Plan 2008 and 2009 has been implemented in accordance with the Guidelines and as per the resolution passed by the members of the Company authorising issuance of ESOS.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as required to be disclosed pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, are given in the Annexure – A forming part of this Report.

Corporate Governance

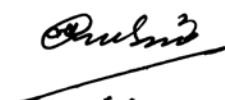
The Company has adopted "Reliance Group-Corporate Governance Policies and Code of Conduct" which has set out the systems, process and policies conforming to international standards. The report on Corporate Governance as stipulated under Clause 49 of the listing agreement with the Stock Exchanges, forms part of the Annual Report.

A Certificate from the Auditors of the Company M/s. Chaturvedi & Shah, Chartered Accountants and M/s. BSR & Co., Chartered Accountants, conforming compliance with conditions of Corporate Governance as stipulated under the Clause 49, is attached to this Report.

Acknowledgements

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from shareholders, debentureholders, bankers, regulatory bodies and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

For and on behalf of the Board of Directors



**Anil Dhirubhai Ambani
Chairman**

Mumbai
May 30, 2011

Annexure - A

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Your Company being a telecommunications service provider does not involve in any manufacturing activity, hence the provisions of the Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable.

However, the information as applicable is given hereunder:

- (a) **Conservation of Energy:** Company is making all efforts to conserve energy. The Company monitors energy costs and periodically reviews the consumption of energy. It also takes appropriate steps to reduce the consumption through efficiency in usage and timely maintenance / installation / upgradation of energy saving devices.
- (b) **Technology Absorption, Adoption and Innovation:** The Company continuously makes efforts towards research and developmental activities and has been constantly active in

harnessing and tapping the latest and best technology in the industry.

(c) **Foreign Exchange Earnings and Outgo:**

Activities related to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company has taken various initiatives for development of export markets for its international telecom services in the countries outside India to increase its foreign exchange earnings.

Total foreign exchange earnings and outgo for the financial year is as follows:

- a. Total Foreign Exchange earnings : ₹ 932.47 crore
- b. Total Foreign Exchange outgo : ₹ 2272.15 crore

Management Discussion and Analysis

Forward looking statements

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include interconnect usage charges, determination of tariff and such other charges and levies by the regulatory authority, changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 (the Act) and comply with the Accounting Standards notified under Section 211(3C) of the Act read with the Companies (Accounting Standards) Rules, 2006. The management of Reliance Communications Limited has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and loss for the year.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the Annual Report.

Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "Reliance", "RCOM", "RCOM Group" or "Reliance Communications" are to Reliance Communications Limited and its subsidiaries and associates.

Macro economics

The Indian economy has emerged from the slowdown caused by the financial crises witnessed in FY 07-08 to register a growth of 8.6 per cent in FY 10-11. Service sector remains the fastest growing sector in the economy with growth pegged at 8.9 per cent, which is lagging only slightly behind China's service sector growth of 10.5 per cent. A look at the global service sector industry shows that India compares well even with the top 12 developed countries which have the highest overall GDP in the world. In terms of exports, India is moving towards a services-led export growth. In the first half of 2010-11, services exports grew 27.4 per cent despite a dip caused by the global crisis which led to a fall in the contribution of merchandise trade to GDP.

Service sector now contributes 55.2 per cent of India's GDP and has been growing in the range of 10 per cent annually. In terms of employment, although the primary sector is the dominant employer followed by the services sector, the share of the services sector has been increasing over the years.

The global economic and financial crisis has had a dampening effect on cross border FDI flows and in order to maintain earlier levels of foreign investment, it is imperative to retain India's competitiveness in this sector.

Overall review

RCOM is India's truly integrated and fully converged telecommunications service provider. We operate across the full spectrum of wireless, wireline, 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. With a customer base of over 142 million (including over 2.5 million overseas retail customers and 3.5 million Reliance Digital TV customers) as on March 31, 2011, RCOM is the world's 4th largest wireless operator in terms of number of customers in a single country. Our corporate clientele includes over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers. Our enterprise customers include 850 of the top 1000 enterprises in India.

RCOM is India's first telecom service provider offering nationwide CDMA and GSM mobile services with digital voice clarity. Reliance Communications has established a pan-India, next generation, integrated (wireless and wireline), convergent (voice, data and video) digital network that is capable of supporting best-of-class services spanning the entire communications value chain, covering over 24,000 towns and 600,000 villages.

Our superior 3G offering, coupled with Mobile Number Portability (MNP) and marquee partnerships will further accelerate and the acquisition of high-end customers significantly ramp up our ARPU. The high-speed 3G data offering will also add to our undisputed leadership position in the wireless data space. Our mobile portal, R World, offers the widest range of mobile content spanning e-commerce, m-commerce, entertainment, music, news, astrology, cricket, Bollywood, maps, search, one-click set-up, and access to email and social networking. In short, it provides the full range of communication tools and infotainment that comes with a personal computer, at the price and convenience of a handset.

RCOM owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 277,000 route kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. 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.

RCOM offers the most comprehensive portfolio of enterprise voice, data, video, internet and IT infrastructure services catering to large, medium and small enterprises for their communications, networking and IT infrastructure needs. Our product portfolio includes national and international private leased circuits, internet access for Enterprises, SMBs and consumers, Voice solutions including PRI for PBX, Centrex, toll free services, voice VPN, audio and video conferencing, MPLS-VPN, remote access VPN, Global MPLS VPN managed internet data centre ("IDC") services to name a few. RCOM has the world's biggest Metro Ethernet network which is now available in 180 cities with about 37,000 Metro Devices in ring architecture thus enabling more than 1.1 million buildings to provide reliable and scalable bandwidth Metro Ethernet solutions.

RCOM operates nationwide Direct-to-Home satellite TV services under the aegis of its wholly owned subsidiary, Reliance Big TV Limited (Reliance Digital TV). Reliance Digital TV uses state-of-the-art MPEG4 technology to deliver over 250 channels in HD like quality, including 11 exclusive movie channels, to its subscribers. We deliver high definition content and digital voice quality to our viewers on this platform to create a highly personalized video and theatre experience.

New Initiatives

RCOM redefines industry benchmarks

Following the success of its first three Simply Reliance Initiatives, we announced the extension of Simply Reliance initiative another ground-breaking 'Simply Unlimited CDMA' Offer, as part of 100 Million Customers Milestone celebrations. 'Simply Unlimited CDMA' packs offer unlimited free calls to any Reliance phone in India (Reliance GSM, CDMA or Fixed Line) whether Local or National. The Pack also offers Virtually Unlimited local or national long distance free calls to other Networks in India.

Management Discussion and Analysis

Alliance with Radio Netherlands Worldwide

RCOM signed an agreement with Radio Netherlands Worldwide (RNW), an established player in news and entertainment broadcasting for over 60 years. Under the agreement, R World – the next generation mobile portal accessible to over 136 million Reliance 3G, GSM and CDMA customers as on March 31, 2011, would offer 24/7 live streaming of Radio Netherlands Worldwide and will showcase its RNW WAP news feed on R-World which includes regularly updated international news.

Alliance with GetJar Inc.

RCOM has formed a strategic alliance with GetJar Inc., the world's largest applications store, to offer extensive catalog of over 65,000 free mobile applications. Reliance Communication's over 136 million subscribers will gain access to GetJar's massive library of applications via a GetJar apps store through RCOM's VAS platform R-World. GetJar will also enable RCOM to offer its Apps Store to a large bandwidth of mobile handsets across multiple brands and not remain restricted to a few high-end smartphones. Reliance Communications will offer the GetJar Apps Store across to GSM and CDMA networks.

RCOM Launch Free Website Package for all Netconnect Customers

In a significant move towards vision of fostering the digital economy and encouraging entrepreneurship, RCOM has announced the launch of free website package for all our Netconnect users. The website package includes a domain name of user's choice, a user-friendly website builder with hosting and 10 business email accounts at the chosen domain name. SMEs, SEPs and individuals can now have their own website and attract newer customers even though they might not have the technical know-how or resources to create and host one of theirs.

RCOM signs agreement with Facebook in India

RCOM and Facebook announced the launch of a new Facebook mobile app exclusively available for our subscribers in India for a three months period. The new Facebook app for Java-powered feature phones will be made available for most of the popular handset models in India. Our customers who are also Facebook users can now stay connected on their mobile phones without having to upgrade to a smartphone. RCOM is the first and only operator in India to offer this application. RCOM is providing a special promotional offer where all users can enjoy this application free for three months without incurring any data charges. Reliance is offering free access to download and use the app to its subscribers for three months from the time of installation on their phone.

Launch of Braille Bill Service

As part of its strategy to drive leadership through innovations across its Wireless business, Reliance Mobile has launched Braille Bill service. The Braille Bill service is part of multiple innovative and reliable convenience options that Reliance Mobile has introduced. This service is first-of-its kind initiative introduced by an Indian telecom operator aiming to create an enabling and convenient customer service environment for the visually impaired. The service is in line with Reliance Group's Corporate Social responsibility objectives.

Alliance with Nokia

Reliance Communications and Nokia India jointly announced a first-of-its-kind multi-facet business alliance. The RCOM – Nokia alliance will aim to foster greater use of mobile services, giving consumers an opportunity to get richer experiences and explore more with their phones. The RCOM–Nokia partnership is structured on a one-of-its-kind blue-print to engage with the Indian consumes to offer an array of unmatched and innovative mobile, data and services offerings in India.

The business partnership with Nokia is in line with the multitude of innovations lined-up by the two companies to take mobility to the next level. The alliance covers Ovi Life Tools services targeted

at the rural and semi-urban segments for Reliance customers, exclusive offers on Ovi Music Unlimited (OMU) devices for faster music downloads, an exclusive offer on Reliance Netconnect Broadband + USB Datacards on the purchase of Nokia OMU enabled phones and special data packages for Nokia GPRS phones.

Launch of Live Chat Customer Service Initiative

Reliance Communications has announced the launch of first-of-its kind Customer Care Initiative 'Live Chat'. This Live Chat service will enable Reliance's customers with real-time query and issue handling through chat-based online platform. Following the implementation of the service across the data business, RCOM plans to extend the service to other business groups.

Alliance with Microsoft

In addition to the existing "Reliance Cloud Computing Services" which was launched by RCOM Enterprise Business in partnership with Microsoft, now the partners, for the first time in India also offer "Hosted Exchange 2010" solution to the customers of RCOM. The service provides latest Microsoft email Platform to the customers on "pay as you go" model, thus mitigating the risk of technology adoption. Microsoft's virtualisation and management technologies has helped us in reducing the input costs involved in providing these services, thereby enabling Reliance to pass on the cost benefits to the customers.

Alliance with NetApps

RCOM and NetApps have signed an agreement to launch cloud based "Storage as a Service". The cloud storage solution which launched along with NetApps include "Storage as a Service (StaaS), disaster recovery as a service and data protection as a service. These services are available on a "pay as you go" model. These services will accelerate the use of storage infrastructure among our existing and new enterprise customer and will provide a significant entry in to SMB segment, which is a focus area for current year.

Reliance Infratel Limited (RITL) new agreements signed

During the year 2010-11, RITL signed contracts with Bharti Airtel, Idea and Loop. Presently RITL has contracts with all new and existing operators for providing passive infrastructure which has been an effective strategy for our customers for cost savings, improving quality of service. All these agreements are of long term for around 10 to 15 years. These agreements will result in incremental growth in the tenancy rates for RITL and thus, provide significant operating leverage. BWA players are in the process of finalising their plans and we are in discussion with the operators who have won the spectrum in BWA auction.

Reliance Globalcom new agreements signed

In the Carrier Data segment, we signed total contract value of over ₹ 950 crore with our existing customer base. We continued to be the preferred service provider to leading global carriers, ISPs and content providers around the world.

As part of the constant process of cable system upgrade, we have completed the upgrade of our FA1 cable system with capacity addition of 400 Gbps between Europe and USA across Trans Atlantic Link.

Our Next Generation cable "Hawk" in the Mediterranean between Middle East and Europe will be ready for service in FY 2011-12 as there were delays due to disturbance in Egypt.

Reliance Globalcom retail expansion

The global calling card market is experiencing hyper competition. We have been able to maintain our margins despite the introduction of aggressive competitive tariffs by other Indian operators both in the US and UK markets. We have focused on delivering more value to our existing base of over 2.5 million Reliance Global Call customers through event-based campaigns. We have also expanded our network to Ireland, Spain, Austria, Belgium and Netherlands, taking the total number to 16 countries, where Reliance Global Call is now present.

Reliance Communications Limited

Management Discussion and Analysis

We are now engaging more closely with our customers in US, Canada, UK, Australia, New Zealand, Singapore, Malaysia and promoting our brand across local communities and events. This has been well received and will form the basis for the launch of our new services "Reliance Mind Bridge".

Enterprise

The Enterprise service business continues to win big deals in the US, Europe and India. In India, Enterprise business has signed contracts of over ₹ 800 crore and added more than 100 new logos.

We are empanelled as an ISP for the prestigious UID project. This strengthens our commitment to provide seamless connectivity services for UID Enrolment Agencies, across India.

We remain preferred integrated solution provider for Enterprises and Multinational companies in India and abroad.

We continue to bringing in leading edge services like Application Aware networking, Managed Security services and Cloud based services like Managed Storage, Software as a Service for our Customers.

Home / DTH

We have launched India's fully Digital Home Entertainment Service on the world's most advanced MPEG4 Direct-To-Home (DTH) Platform. We have launched the stand alone HD STB, offering the most comprehensive product line up inclusive of SD, HD and HD DVR STB. We are the first one to offer all 250 channels in HD like quality, as compared to a few channels offered by our competitors. The DTH industry in India added 11 million subscribers in Financial Year 2010-11. We are one of the six players in the industry, with a market share of 11 per cent. We are today present across 8,100 towns with a pan-India service and installation network. The brand name underwent a major change over from Reliance Big TV to Reliance Digital TV, enhancing the overall brand value.

Industry Structure and Regulatory Developments

Industry Structure

Wireless

The Indian telecom sector continues to demonstrate strong growth in spite of sluggishness in the global economic environment. The number of telephone subscribers in India increased to 846.32 Million at the end of March 2011 (Wireless and Wireline) as against 621.28 million as on March 2010.

Wireless subscribers reached 811.59 million in March 2011 as compared to 584.32 million in March 2010 and wireless tele-density stood at 67.98 per cent as compared to 49.60 per cent in last year.

The share of private sector in wireless connections touched 88.01 per cent as on March 31, 2011.

The year under review witnessed further dramatic drop in telecom tariffs. With the launch of services by several new operators in the year, the total number of operators in the market now stands at 15.

The competition caused a further shift with operators increasing footprints in rural areas and focusing on increased value-added and data services to subscribers in the saturated urban markets.

Internet and Broadband

Internet subscribers in India grew moderately to 17.90 million and broadband subscribers to 11.87 million as on March 31, 2011.

Telecom Infrastructure

- The demand for Telecom infrastructure in India is driven by the robust growth in the mobile Industry. Also, the need for telecom infrastructure is necessitated by the focus on growth in the rural areas for increasing coverage in new markets by mobile operators.

- During the last 2 years, wireless subscriber base growth has led to significant increase in demand for towers space. Tower industry has seen an accelerated growth rate of 22 per cent in last 2 years. This growth was supported by network expansion by existing operators, entry of new operators, and favourable regulatory framework for tower sharing. 2G network rollout during next year (2011-12) is expected to be in line with rollout during 2010-11 with operators completing their network coverage. New operators are expected to expand their network footprint while incumbent players will add network capacity, with some additional coverage.

- In Financial year 2010-11, 3G and BWA auctions were completed by the Government, leading to additional demand for towers.

3G : RCOM along with RTL won 13 out of 22 circles at price of ₹ 8,585.04 crore. RCOM was among the only 3 operators, who won 13 circles, the highest circle coverage for any existing player including 3 metros (Mumbai, Delhi and Kolkata).

Other operators who won the, 3G licenses are Aircel (13 Circles), Bharti Airtel (13 circles), Idea (11 Circles) Vodafone (9 Circles), TATA (9 Circles), S-Tel (3 Circles).

BWA: The operators, who got BWA licenses are Aircel (8 Circles), Tikona (5 Circles), Bharti Airtel (4 Circles), Qualcomm (4 Circles), Augere (1 Circle) and Infotel (Pan India)

Global

Our global business participates in diverse industry segments, viz.

- (i) global submarine capacity sales;
- (ii) gateways facility for international traffics;
- (iii) national long distance for voice and data;
- (iv) international voice transit;
- (v) international retail voice;
- (vi) enterprise connectivity and managed services business.

A market leader across different segments, we have the largest private submarine cable in the world and the largest NLD network in India. We have moved up to become one of the top 15 Voice Traffic Carriers in the world. We are No.1 International voice carrier in India and have established a strong retail brand in the US.

Our global business operates a service delivery platform for internet, data, voice and multimedia communications and is particularly strong in the fast growing emerging markets of India, China and the Middle East. We have also achieved leadership positions in the developed markets of the US, UK, Western Europe, Australia and Singapore. We are uniquely positioned to provide complete end-to-end solution through our diverse best-in-class product range.

Industry Trends

1. Sustained High Growth

India continues to be the fastest growing telecom market in the world in terms of the total number of new subscriber additions. This exponential growth phase is expected to last for few more years before the rate of growth starts leveling off.

2. 3G

3G services are finally surfacing on the Indian telecom horizon, giving way to 5 MHz of extra spectrum to 9 successful operators which will help in improving the inconsistent voice network and additionally provide a plethora of data applications like live mobile TV, video calling, video and music streaming, video conferencing, and much more.

Management Discussion and Analysis

No operator won Pan India spectrum, Reliance is amongst the highest to bag 13 circles, including 3 metro circles.

3. **Mobile Number Portability (MNP)**
As far as MNP is concerned, with 15 operators in the market, and now with the integration of 3G, there is enough choice for customers in terms of choosing a quality network provider. Dynamics like MNP will kick in and will further challenge the life cycle of the consumers. Operators will have to focus on better segmentation of market and retention of existing base.
4. **Innovations in internet technology**
Innovations in internet technology will have a material impact on the mobile communications industry.
5. **Rural Penetration**
Rural coverage remains one of the key parameters for the growth of wireless business. The growth of rural subscription is higher than urban subscription and share of rural subscriber stands at 31.05 per cent.
6. **Infrastructure sharing**
There will be a greater potential for tower sharing / outsourcing model with the entry of new telecom players into India and also due to the advent of 3G and WiMax.
7. **Competition**
There will be fierce competition among existing and new telecom operators, leading to substantial benefits for the subscribers.
8. **BWA**
Newer Access technologies like BWA and 3G can significantly transform the character of internet/broadband scenario in India, opening new opportunity for us.

Regulatory developments

1. **Access Deficit Charges (ADC)**
 - TRAI abolished ADC payable by private operators to BSNL. This enables domestic and international calls to be free from the ADC burden.
 - BSNL challenged TRAI amendment at TDSAT which dismissed all appeals.
 - BSNL filed case before Supreme Court against TDSAT orders. Supreme Court admitted BSNL petition without any stay on TDSAT order.
 - Telecom service providers brought to the attention of policy makers as this one sided ADC policy in favour of BSNL leads to a non level playing field in telecom sector and Telecom industry eagerly awaits resolution through Supreme Court's intervention.
2. **Launch of Mobile Number Portability (MNP)**
MNP was launched in Haryana on November 25, 2010 and subsequently on pan India basis on January 20, 2011.
3. **3G and Broadband Wireless Access (BWA) services**
 - 3G spectrum allotted to successful bidders and 3G services are launched.
 - BWA spectrum allotted to successful bidders and they are expected to launch services.
 - Imperative for rollout obligations to be met for 3G and BWA services.
4. **Security clearance for procurement of telecom equipments**
 - DoT issued a directive on December 3, 2009 requiring prior security clearance to be taken from the licensor before procurement of each and every telecom equipments/software.
 - DoT came out with an amendment to the license conditions on July 28, 2010.
 - The amendment required the operators to sign a Template Agreement with the equipment vendors

before procurement of equipments/software. It mandates that the equipments to be procured by the operators should be certified for any Cyber/ Malware/ DOS threat/ Penetration/ Hardening etc. The vendors were to submit the source code into an Escrow account as a compliance/ assurance measure to the Government security agencies.

- This was opposed by the equipment vendors and subsequently DoT allowed both the processes to continue.
 - Review of the amendment and the Template was undertaken by DoT through comments from the operators as well as the vendors. The exercise on the review is still not completed.
5. **New Telecom Policy 2011**
 - The Government announced that they would be coming out with a New Telecom Policy (NTP 2011).
 - Accordingly, the Government has held round table consultation with Operators on issue relating to Broadband, Spectrum Management and Licensing, Infrastructure, equipment manufacturing.
 6. **Re-verification of Mobile Subscribers**
 - DoT has revised the penalty in case non verification of subscriber. On representation, DoT vide their letter dated September 30, 2009 has allowed all the operators to re-verify the subscriber from October 1, 2009 till October 31, 2010 to avoid penalty.
 - The timeline was extended till March 31, 2011.
 7. **Prepaid services in North East, Assam and Jammu and Kashmir (J&K)**
 - The prepaid services of North East, Assam and J&K has been extended by DoT for 2 years till March 31, 2013, subject to the condition that existing security conditions/ safeguards already stipulated by Licensor shall continue to remain in place.
 - DoT has mandated that in Assam and North East, the process of subscriber verification to be followed would be the same as had been specified for Jammu and Kashmir in February, 2010.
 8. **Rollout obligation:**
Rollout obligation of dual technology to operators is under consideration of DoT. The DoT is expected to issue clarifications in this regard.
 9. **Utilisation of Numbering Resources**
 - TRAI has given its recommendations on utilisation of numbering resources wherein they have recommended continuing with 10 digit numbering plan.
 - They have recommended for mix numbering also.
 - DoT is examining the issue and would come out with the policy on numbering resources.
 10. **DTH Regulatory and other issues**
 - a. TDSAT vide its judgment dated May 28, 2010 further allowed deduction of (a) subscription fee paid to the broadcasters i.e. content fee, (b) commission to dealers and distributors and (c) installation charges from the gross revenue for the purpose of calculation of annual license fee to be paid to the government. Earlier, vide its judgment dated August 26, 2008, Hon'ble TDSAT upheld the principle of AGR for the payment of annual license fee for DTH service.
 - b. TRAI on July 21, 2010 notified the Telecommunication (Broadcasting and Cable) Services (Fourth) Addressable Systems) Tariff Order, 2010. This tariff order is also applicable to DTH services. As per this order,

Management Discussion and Analysis

Broadcasters are directed to offer pay channels at the rate of thirty five per cent of rates applicable for non-addressable systems. DTH service providers are required to offer all pay channels on a-la-carte basis to the subscribers. Retail tariffs have been kept on forbearance.

- c. TDSAT vide its order dated December 16, 2010 set aside Section 4 of the aforesaid tariff order dated July 21, 2010, regarding applicability of rate of thirty five per cent of non-addressable system to the addressable platform. With this order, wholesale tariff for the addressable systems, once again, brought back to level of fifty per cent discount over non-addressable platform.
- d. TRAI, DTH operators challenged the order dated December 16, 2010 of TDSAT in Hon'ble Supreme Court of India.
- e. TRAI on August 5, 2010 issued recommendations on Implementation of Digital Addressable Cable TV Systems in India with sunset date for Analogue Cable TV Services as on December 31, 2013. Once implemented by the government, DTH service will have a level playing field vis-à-vis analogue Cable TV service.
- f. A large number of state governments have started charging or will start charging entertainment Tax (Maharashtra, Karnataka, Rajasthan, Bihar, Goa, Assam, UP, Delhi, Uttaranchal, Punjab, MP, Orissa, and Gujarat). Various DTH operators have filed petitions against Entertainment Tax such as the petition filed by Bharti and Tata Sky against the levy of Entertainment Tax in the Gujarat and Delhi High Courts. The issue will get resolved once Entertainment Tax is subsumed in proposed Goods and Services Tax (GST).

Key Developments in the Company

Wireless business

3G Service roll-out:

RCOM along with RTL was awarded 3G spectrum in 13 out of 22 circles at a price of ₹ 85,850 million. We are amongst the only 3 operators who won in 13 circles, the highest circle coverage for any existing player. We won in all the 3 metros namely Mumbai, Delhi and Kolkata and in all those circles in which we are GSM incumbents.

The launch of Reliance 3G is an integral part of Reliance's Vision 2015 of creating a "Wirefree India" built upon the 'affordable 3G for All' platform. On December 14, 2010, RCOM became the first operator to soft launch of 3G services to customers in top 3 metro circles and Chandigarh in a record time of 100 days of receiving 3G spectrum, demonstrating its all round execution and innovation capabilities. As on date, we have rolled-out soft launch of 3G services in all circles where we have won 3G spectrum covering ~ 330 census towns. Hence, the Company has the widest 3G network footprint amongst all private operators.

The Company is targeting a national footprint of Reliance 3G services through associations with other like-minded operators to provide quality Pan India 3G experience to our customers during the course of year 2011.

3G Product offerings

The Reliance 3G network is capable of offering peak speed up to 28 Mbps in select areas, the first and only operator with such an offering. The Company is offering a 21 Mbps product in all the launched 3G cities.

A host of new and unique product offerings have been launched on Reliance 3G as follows:

- R World portal: Brand new user friendly gateway to all the mobile services and content

- Mobile TV: High quality live TV and video-on-demand experience on over 100 channels
- Mobile Broadband: Super high-speed internet with complete device and plan flexibility
- Video Calling and Conferencing: Top of the line video quality with video conference ability
- R Apps store: The Reliance App store with access to a host of exciting games and apps
- R Pilot navigation: Complete map and navigation service with POI search for 600 cities across India

Personalization of Services, Simplification of Tariffs and a Content Rich Portfolio makes Reliance 3G stand out from other competitors.

3G Partnerships

Reliance has formed alliances with global companies to bring world-class services to 3G users such as :

- Nokia: Exclusive launch of the Nokia Ovi store offering premium apps only on Reliance.
- Facebook: Exclusive Facebook App free only for Reliance subscribers.
- Yahoo: Web version of R World integrated with 3G products and services.
- Ericsson: Partner for the Reliance branded application store - R Apps.

Mobile Number Portability

Reliance offers high network quality on its 3G, GSM and CDMA networks, with a plethora of applications backed by a robust customer service infrastructure. Reliance Communications is confident that with the superior portfolio offered on Reliance 3G, CDMA and GSM networks including wireless broadband services, it would attract a large number of high end customers who opt to Port-in their existing numbers. As a conscious strategy, Reliance Communications has been concentrating on attracting post-paid customers due to the fact that the average revenue per user in this category is more than the normal pre-paid subscribers.

Churn

Despite stiff and intensifying competition, the churn in our postpaid CDMA and GSM businesses during the year was one of the lowest in the industry. In addition, our special focus on retaining high value customers yielded significant revenue benefits.

Reliance Netconnect

During the year, we expanded our CDMA wireless broadband service with a downlink speed of upto 3.1 Mbps and uplink speed of upto 1.8 Mbps coverage to 518 towns, all with seamless handover to high speed 1x service across 24,000 towns and 600,000 villages as well as all major road and rail routes, covering over 99 per cent of India's internet population.

Netconnect Broadband+ is best suited for video streaming, video surveillance, rich media content and superior internet browsing. The Company retails Netconnect products in 17,000 IT and Telecom retail outlets across India as well as 2,300 exclusive Reliance Communication retail stores and nearly 240 Reliance World outlets.

Reliance Netconnect service is targeted at about 10 million laptop users who need internet access on the move with their laptop and about 15 million home PC users who access entertainment and educational content on a daily basis.

Global Business

Reliance Globalcom spearheads the global telecom operations of Reliance Communications. The global business serves over 2,100 enterprises, 250 carriers and 2.5 million retail customers over 160 countries across 5 continents. As per leading industry analyst, Reliance Globalcom is among top 10 operators for share in global service contracts.

Management Discussion and Analysis

Reliance Globalcom brings together the synergies of Reliance Communications Global Business encompassing Enterprise Services, Capacity Sales, Managed Services and a highly successful bouquet of retail products and services comprising of Global Voice, Internet Solutions and Value Added Services.

Reliance Globalcom owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 277,000 route kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. In India, we provide long distance business services including wholesale voice, bandwidth and infrastructure services. Globally, we are carrier's carrier for voice, carrier's carrier for bandwidth, enterprise data and consumer voice services.

Carrier services

We offer NLD carriage and termination to other carriers and, on an inter-segment basis, to other business units of Reliance Communications. We are the leading provider of international connectivity and data services to telecom operators, content providers and internet communities around the globe.

Enterprise services

We are the leading global Managed Network Services provider serving over 60,000 sites in over 160 countries. We also rank among the top 6 global Ethernet service and among the top 2 connectivity providers to the world's top exchanges.

We provide a complete portfolio of services ranging from entry-level solutions for small and medium enterprises, to business continuity solutions with the highest level of service performance. Innovation, convergence, flexibility, quality, cost efficiency and global coverage are our top priorities for our customers around the world.

Retail services

As part of our retail offering in voice, 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 several countries including the United States, Canada, the United Kingdom, Australia, New Zealand, Hong Kong and Malaysia. We have over 2.5 million customers for our Reliance Global Call service. The usage of Reliance Global Call accounts for 40 per cent of the total retail market calls from the US to India.

In our International Voice business, our focus has been to increase market share and leverage our network capacity. This market is now served by 13 operators, as a result of which margins are under pressure. However, we have been successful in gaining market share and our total ILD voice traffic has grown more than 30 per cent on a year-on-year basis. We continue to have the largest inbound traffic market share.

Enterprise Broadband

Continuing with our focus on directly connecting buildings in almost 50 cities in India, our Broadband network connected over 1.1 million buildings.

Our robust nationwide network backbone is continuously controlled and monitored at the National Operating and Control Center (NOCC) located in Mumbai. This NOCC facility is replicated at Hyderabad to guard against any catastrophe as a redundancy measure. We have enhanced our capabilities in the Managed Service Operations Centre (MSOC), which is dedicated towards managing the customers' network. This is poised to help us garner higher market share in the fast growing managed services market.

To cater to the growing demand for Data Center services, we have expanded capacity of Hyderabad Data Center during the year.

Infrastructure

RITL has signed contracts with all new and existing operators for providing passive infrastructure which has been an effective

strategy for our customers for cost effective network rollout and improvement in quality of service.

- RITL now owns 190,000 route kilometres optical fibre network, providing a more economical and better quality linking for tenants compared to microwave.
- RCOM's current utilisation of tower slot assets is nearly 50 per cent and this provides significant potential for 3rd party tenants. It complements the existing passive infrastructure and provides an integrated solution to tenants.
- As such, we offer our customers an extensive and diverse portfolio of well-positioned assets and we believe that our wide and expanding portfolio of tower sites positions us to be able to address the needs of national, regional, local and emerging wireless service providers in India.

Home / DTH

We launched India's fully Digital Home Entertainment Service on the world's most advanced MPEG4 Direct-To-Home (DTH) Platform. Within 90 days of launch, Reliance Big TV Limited (Reliance Digital TV), the DTH arm of RCOM, acquired 1 million subscribers, the fastest ramp up of subscribers ever achieved by any DTH operator in the world. As on March 31, 2011, Reliance Digital TV had 3.5 million customers with a National Market share of 11 per cent. We are today present across 8,100 towns with a pan-India service and installation network. The brand name underwent a major change over from Reliance Big TV to Reliance Digital TV, enhancing the overall brand value

The DTH Industry in India added 11 million subscribers in Financial Year 2010-11. There are six players in the industry with an estimated market size of 33 million subscribers and a penetration rate of 32 per cent amongst homes using cable network service. Reliance Digital TV service boasts of over 250 channels and Service, including 5 interactive services and a rich bouquet of 'subscription video-on-demand / pay per view' offerings. With its state of the art price packaging models, customer friendly entry / subscription offers and sustained customer management programs, Reliance Digital TV commands one of the highest ARPU's in the Industry.

As we move into our 3rd full year of operations, we have launched the stand alone HD STB, offering the most comprehensive product line up inclusive of SD, HD and HD DVR STB. We launched 6 full HD channels on our platform, including the HD streaming of ICC Cricket World Cup, leading to faster uptake of the HD and HD-DVR offerings. We also added 34 new SD channels during the financial year 2010-11. We introduced a new technology advancement which made us the 1st operator to offers all 250 channels in HD like quality. This year also saw an array of cross category bundling activities with internal as well as external tie-ups including RCOM, BIG Cinema, Samsung, Onida, Beitel etc. On the anvil are plans to further increase the HD channel offerings and an intensive distribution drive to tap into 15,000 towns nationally.

Acquisition of Digicable

The Board of Directors of the Company had approved a proposal to acquire Digicable, India's largest Cable TV service provider to be renamed as "Reliance Digicom", subject to necessary regulatory approvals. Integration of the Company's DTH, IPTV, retail broadband businesses along with Digicable acquisition will make the Company, India's / Asia's largest and the world's 5th largest digital TV and ultra high-speed broadband service provider. The Company is awaiting regulatory approvals for completing this transaction.

250 TV channels in High Definition with Reliance Digital

We have always been at the forefront in incorporating world-class technology and delighting our customers with relevant innovation. We have been pioneers in launching DTH on the MPEG4 platform and were also the first to introduce India's first HD- DVR for our subscribers.

Management Discussion and Analysis

Reliance Digital TV the leading Direct-to-Home service provider in the country has redefined television viewing experience for its customers by providing them an entire bouquet of over 250 channels in High Definition like quality. Reliance Digital TV HD incorporates world class cutting-edge technology that enables up-scaling an existing video resolution into High Definition quality by enlarging and digitally processing the same 10 times over. This new technology will now give customers an enhanced contrast and saturation with a sharper, brighter and a more vivid picture. Additionally subscribers will now watch their programmes with a 16:9 wide aspect ratio and digital sound clarity.

With the launch of this new initiative, Reliance Digital TV has ushered in a revolutionary change in the manner in which television will now be viewed in India. This makes Reliance Digital TV the first DTH operator in India to offer customers all 250 channels in high definition like quality at no extra cost.

Opportunities and Challenges

Opportunities

Telecom operators and equipment providers are focused on 3G wireless technologies, emerging 4G technologies, broadband and fiber-to-the-home/premises networking. The telecommunications industry as a whole offers a number of attributes that are difficult to ignore.

- Telecommunications is a necessary utility: The need for telecom in both rural and urban areas, and its role in the infrastructure of both developed and developing markets, continues to grow. In addition, economic stimulus plans in the India and abroad would boost service providers and equipment manufacturers.
- Massive growth of smartphones: Although the world economy is under recovery phase, which is not completely out of the woods, the growth in the smartphone market maintains its impressive trend. This primarily reflects a shift in consumer preference toward feature-enhanced PDA devices from ordinary mobile handsets used primarily for voice telephony. This opportunity provides scope for telecom service providers, equipment manufacturers, chipset developers and wireless tower operators to retain new users and grow revenues moving forward.

Wire Free India: RCOM was the 1st private operator to launch the 3G services in key metros (Delhi, Kolkata and Mumbai). Our nationwide count of 3G sites stands at almost 9,000, which is far ahead of competition and a witness of our commitment to enable 'Wire-Free' India. We are offering 3G services in 330 towns, and have over 1.7 Million 3G customers within a few months of the 3G launch. On CDMA High Speed Data (HSD), a high growth area for the business, we stand today in well over 500 towns of quality HSD coverage. The presence of 3G in 13 circles (including key metros of Delhi, Mumbai and Kolkata), along with the rapidly expanding High-speed CDMA data network, RCOM is the only nationwide private operator to offer seamless Wireless Broadband experience in over 850 towns across the country. Combine this with our extensive 1X Data presence in CDMA, offering high quality internet connectivity in almost 24,000 towns; it positions RCOM extremely well to take advantage of the rapid increase in data consumption across the country, including new services on M-commerce platform etc. As an integral part of our 3G strategy, we have established a '3G Innovation Lab' with the objective of facilitating the development of mobile service innovations by offering real-time product development capabilities to 3rd party developers. The Innovation Lab involves a community of content developers, product innovators, technology platform enablers, device manufacturers and OEMs. This unique set-up will drive all 3G innovations for mobile as well as other platforms, enabling our customers to enjoy a futuristic mobile experience and explore a world of unlimited possibilities.

Convergence: Our full fledged convergence model is driven both by technology and demand as together, they hold the key to

the overall success of the value chains built to provide voice, data and video multi-media networks into a single unified packet based multi-services platform.

Dual Technology: While offering dual technology services, we also benefit from the massive network build-out for CDMA and GSM, helping us offer highly attractive tariffs and products, leverage the available capacity and provide multiple choices to subscribers.

We are also continuously aware of the emerging 3G/WiMAX opportunities and the ensuing possible options to evolve our current network assets. We possess a wealth of experience managing large-scale networks with extremely high usage volumes at competitive prices.

Passive Infrastructure: The expected rollouts this year will be driven by 2G, 3G and BWA needs of the new and existing mobile operators as well as the ISP operators. This translates into the current demand of nearly 600,000 slots to go up to 750,000 slots in the next couple of years for passive infrastructure as well as other telecom infrastructure range of services. Our next generation infrastructure is favourably positioned to capture this opportunity.

Unique Position in India

- Superior quality and largest Pan India tower portfolio equally suitable for CDMA, GSM 900, GSM 1800 and 3G and 4G network, having nearly 50,000 telecommunication towers as on March 31, 2011.
- RITL's telecommunication tower portfolio is one of the youngest portfolios in the market with an average age of ~ 4 years.
- Our multi-tenancy tower infrastructure has average capability to host 4 tenants on our towers.
- Strategic location of towers (non overlapping towers) through superior RF planning i.e. balanced distribution of towers across pan India.
- Best suited for BWA rollout since majority of the towers have access to fibre backhaul.
- RITL has the largest fiber transmission network with over 190,000 route kilometres of national optic fibre network.
- The duct and fiber pair offerings along with passive infrastructure compliments other RCOM's offerings of transmission connectivity to sites, bulk bandwidth, carriage, NLD / ILD, colo of customer electronics in our BSC, internet bandwidth and roaming solutions.

R World Content

Our Reliance Mobile World (R World) is a virtual one-stop-shop for entertainment, communication, gaming and M-commerce. Thanks to its wide range of applications, it has quickly endeared itself to users from all walks of life. Reliance Mobile World has hundreds of useful applications and over 200,000 content titles, which include Mobile TV, videos, cricket updates, music, ringtones, phonebook transfers, back-up service, and other M-commerce services such as mobile banking, bill payments, mobile e-mail and instant messenger, city and TV guides, gas cylinder bookings, Speed Post tracking, Airlines and Railway reservations, examination results and much more.

RTech

Our Information Technology arm, RTech, has 19,000+ person-years of experience across various domains with more than 25 per cent of the team having over 10 years of experience. RTech provides application development and maintenance services, Business Consulting, Telecom Network Products and solutions, ERP Implementation and Development services, Geographic Information services, Business Intelligence and Data Analytics, Knowledge Management, Network and internet Security services, Managed Network and Infrastructure services, Unified Communication and Messaging services and nationwide IT support services.

Management Discussion and Analysis

Retail

The Company has one of the most extensive distribution and service networks amongst all telecom players in India, consisting of nearly over 2,300 Reliance World and Reliance Mobile Stores throughout India equipped to sell wireless handsets and service packages and as customer service centers with multilingual capabilities. In addition, nearly a million retail outlets sell recharges (of which approximately 90 per cent are electronic recharge enabled). The Company has also alliances with banks for providing electronic recharge at about 14,000 ATMs.

Our 24 x 7 customer service is further supported by about 9,500 customer relationship executives, multi-lingual contact centre facilities providing full customer care interface and redressal measures.

Challenges

The entry of new telecom operators in the market has intensified competition leading to downward pressure on prices. Our well planned capital investments, backed by a world class network, puts us in an enviable position in meeting the emerging competitive challenge in the telecom space.

Risks and concerns

1. Some of the operating licences are subject to regulatory compliance under the terms and conditions of licences grant over different part of the world. The rules and regulations, issued by the respective government and regulatory authorities, having jurisdiction over the Company's operations and licenses, schedules and obligations require it to meet specified conditions, network build-out requirements and tariff fixation. However, the Company does not perceive any default on this account.
2. Rapid technological changes may increase competition and render the Company's technologies, products or services obsolete. Our facilities are tuned to next generation latest technology and we do not foresee obsolescence at present.
3. The telecommunication services industry is capital intensive. Capital Expenditure (CAPEX) on adaptation to latest technology may put pressures on deliverables. However, the Company is constantly assessing such technological challenges and taking immediate remedial steps through timely CAPEX plans.
4. The Company faces significant and intense competition in its markets, which could aggravate with the entry of new licensees that may result in decreases in current and potential customers, revenues and profitability. But we remain confident that our competitively priced tariff will continue to attract large volumes of traffic, resulting in better utilization of network, operating efficiencies and cost benefits.
5. We are subject to market risks from changes in interest and foreign currency exchange rates. In managing exposure to these fluctuations, we may engage in various hedging transactions that have been authorized according to documented internal policies and procedures.
6. 3G Handset ecosystem stability is a key requirement to enable adoption of 3G services.

Financial Performance - Overview

The Company's financial performance is disclosed in detail under the head 'Financial Performance' in the Directors' Report. The consolidated performance of the Company is given below:

a. Revenues and operating expenses

On a consolidated basis, the Company earned total revenues of ₹ 23,107.63 crore (US\$ 5,181.66 million). The net profit after tax recorded by the Company was ₹ 1,345.65 crore (US\$ 301.75 million). Our total operating expenditure stood at ₹ 14,026.06 crore (US\$ 3,145.21 million).

b. Operating profit before finance charges, depreciation and amortisation, exceptional items and provision against fixed assets (EBITDA).

The Company earned EBITDA of ₹ 9,081.57 crore (US\$ 2,036.45 million). The EBITDA margin for the year was 39.30 per cent.

c. Depreciation and amortisation

The Depreciation and amortisation charges were ₹ 6,503.83 crore (US\$ 1,458.42 million).

d. Profit before tax

The profit before tax was ₹ 1,517.61 crore (US\$ 340.31 million). The provision for taxes was to the tune of ₹ 11.79 crore (US\$ 2.64 million). The net profit after tax was ₹ 1,345.65 crore (US\$ 301.75 million).

e. Balance Sheet

As at March 31, 2011, the Company had total assets of ₹ 94,722.68 crore (US\$ 21,240.65 million). Stakeholders equity was ₹ 40,499.18 crore (US\$ 9,081.55 million), while net debt (excluding cash and cash equivalents) was ₹ 32,066.51 crore (US\$ 7,190.61 million), giving a net debt to equity ratio of 0.79 times.

Segment Wise

1. Wireless Segment

Customer acquisition

During the year under review, the Company added 33.30 million wireless customers (net additions), an increase of 32.51 per cent over the previous year. As on March 31, 2011, the Company had 136.95 million wireless customers on its network. During the year, we reached out aggressively to rural areas on the back of a major network expansion that contributed substantially to our customer acquisition.

Revenues and profit

The revenues for the financial year ended March 31, 2011 were ₹ 16,576.20 crore (US\$ 3,717.05 million). The EBITDA during the same period was ₹ 4,737.14 crore (US\$ 1,062.26 million), while the EBIT (Earnings before Interest and Tax) was ₹ 2,700.47 crore (US\$ 605.55 million).

2. Global Segment

Revenues and profit

The Revenues for the financial year ended March 31, 2011 in this segment were ₹ 10,051.91 crore (US\$ 2,254.04 million). While the EBITDA was ₹ 3,979.85 crore (US\$ 892.44 million), the EBIT stood at was ₹ 475.76 crore (US\$ 106.68 million).

3. Enterprise Broadband Segment

We maintained our position as the premium integrated solutions provider for Corporates in the Broadband segment. Our Enterprise Broadband business maintained its leadership in Centrex, Virtual Private Network and internet Data Centre products and One Office Duo (OOD) voice product.

The Company's Enterprise Broadband segment continued to maintain its growth path and gained significantly during the year even in the midst of aggressive competition in data and voice but particularly the internet bandwidth segment. Of our current portfolio of more than 38 products, our Enterprise Broadband business has not only positioned a larger number of products with top corporates but also increased its share of wallet.

The new products launched during the year included Virtual NoC for MPLS VPN, SMS-on-Net, Web Conferencing, and Hosted Mail etc.

Our innovative services assurance model of "TechCheck" helped us to continue to gain confidence of our customers by our pro-active reporting of the health of our network to our customers.

Reliance Communications Limited

Management Discussion and Analysis

Customers have rated our Broadband Products and Services as High and our CSAT (Customer Satisfaction) Score has continued to increase steadily.

Our Broadband's business IT Systems are ISO 27001:2005 Certified (an Information Security Management System Standard).

4. Wireline

Our Optical Fiber Cable backbone network of 190,000 route-kms supports seamless last mile Broadband connectivity to over 1.1 million building across 1400 cities.

Our Metro Ethernet network is one of the largest in the world, having currently approx. 37,000+ nodes.

Customer Base

Our customer acquisition kept momentum with the increase in network coverage during the year. Net additions during the year grew by 4 per cent. During the year, the Company acquired close to 55,000 customers, taking the total customer base to 1.5 million.

As the Company's Broadband business is currently serving mainly enterprises, the revenue per line reflects the total portfolio of services and solutions being delivered to customers. Our revenue per line has remained well above industry averages, on account of our mainly enterprise customer base and our successful cross-sell of services to our customers.

Revenues and profit

The Revenues for the financial year ended March 31, 2011 in this segment were ₹ 2,646.94 crore (US\$ 593.55 million). While the EBITDA was ₹ 948.58 crore (US\$ 212.71 million), the EBIT stood at was ₹ 470.65 crore (US\$ 105.54 million).

Strategic Business Units

Reliance Communications Infrastructure Limited (RCIL)

RCIL provide Internet Data Centre (IDC) service facilities to house own and client's computer systems and associated components, such as telecommunications and secured storage systems to the user companies from our IDCs located in Mumbai, Bangalore, Hyderabad and Chennai.

During the year, we expanded the capacity of Hyderabad data center. With this, our IDC capacity has gone up more than 450,000 sq ft, making us the leader in this segment with an estimated market share of over 60 per cent.

Operations

Revenues and operating expenses

RCIL earned total revenues of ₹ 4,339.06 crore (US\$ 972.99 million) during the year as compared to ₹ 4,418.89 crore (US\$ 978.93 million) for the previous year. RCIL incurred total operating expenses of ₹ 4,087.83 crore (US\$ 916.66 million) as compared to ₹ 4,022.58 crore (US\$ 891.13 million) in the previous year.

Net Profit

The net profit after tax recorded by RCIL was ₹ 199.35 crore (US\$ 44.70 million) as compared to profit of ₹ 9.49 crore (US\$ 2.10 million) in the previous year.

Balance Sheet

As on March 31, 2011, RCIL had total assets (net) of ₹ 5,805.10 crore (US\$ 1,301.74 million) and shareholders' fund amounting to ₹ 3,030.43 crore (US\$ 679.54 million).

Reliance Telecom Limited (RTL)

RTL, a wholly owned subsidiary of the Company, offers GSM services in Madhya Pradesh, West Bengal, Himachal Pradesh, Orissa, Bihar, Assam, Kolkata and North East service areas.

Charge Sheet filed by CBI in 2G matter

As part of ongoing investigations in relation to the entire telecom sector in India, certain preliminary charges were filed in April,

2011 in a Court by an investigative agency (CBI), against Reliance Telecom Limited, a subsidiary of the Company, and three of the executives of the Group. The CBI media release itself clarifies that these are preliminary charges based on its own investigations, and the persons named are presumed to be innocent, till their alleged guilt is established after a fair trial.

As legally advised, the persons so named deny all charges, and will defend themselves in the appropriate legal proceedings. These preliminary charges have no impact on the business, operations, and/ or licenses of Reliance Telecom Limited and Reliance Communications Limited and even more so, are not connected in any manner to any other listed group companies.

Operations

During the year, RTL expanded its network, specifically at the areas in the Eastern region.

Revenues and operating expenses

RTL earned total revenues of ₹ 2,388.38 crore (US\$ 535.57 million) during the year as compared to ₹ 2,279.47 crore (US\$ 504.98 million) in the previous year. RTL incurred total operating expenses of ₹ 2,310.25 crore (US\$ 518.05 million) as compared to ₹ 1,862.88 crore (US\$ 412.69 million) in the previous year.

Net Profit/Loss

The net loss recorded by RTL was ₹ 217.91 crore (US\$ 48.86 million) as compared to net profit after tax of ₹ 33.28 crore (US\$ 7.37 million) in the previous year.

Balance Sheet

As on March 31, 2011, RTL had total assets (net) of ₹ 4,040.38 crore (US\$ 906.02 million).

Reliance Infratel Limited (RITL)

RITL's business is to build, own and operate telecommunication towers, optic fiber cable assets and related assets at designated sites and to provide these passive telecommunication infrastructure assets on a shared basis to wireless service providers and other communications service providers under long term contracts. These customers use the space on our telecommunication towers to install their active communication-related equipment to operate their wireless communications networks. The customers can also use our optic fiber network to connect the sites to the core network and the connectivity between circles.

We have successfully carried out a huge project of commissioning over 32,000 towers in the last 3 years to build a portfolio of nearly 50,000 multi-tenancy towers. We have used the towers for both our CDMA and GSM technology based services as a part of our strategy to provide dual services on a pan India basis. RITL towers would have the capacity of over 200,000 slots, the most extensive compared to any other telecom infrastructure provider with increasing capacity to up-to 7 tenants with relatively minimal capital expenditure. RITL has one of the best managed processes along-with technology solutions in the industry for optimization of power and fuel costs.

We are evaluating formal indicative offers from several interested parties, for the acquisition of RCOM's controlling interest in Reliance Infratel Limited, its passive infrastructure subsidiary. The completion of such a transaction would facilitate RCOM's stated objectives of achieving a substantial reduction of its overall debt position, and help it stay well within its targetted long term leverage ratios. We are taking the process to the next stage of detailed due diligence with a view to completing it at the earliest. Any such potential transaction will of course be subject to appropriate documentation, regulatory approvals, etc.

Revenues and operating expenses

RITL earned total revenues of ₹ 6,673.81 crore (US\$ 1,496.54 million) during the year as compared to ₹ 6,276.74 crore (US\$

Management Discussion and Analysis

1,390.51 million) in the previous year. The Company incurred total operating expenses of ₹ 2,230.63 crore (US\$ 500.20 million) as compared to ₹ 2,427.54 crore (US\$ 537.78 million) in the previous year.

Net Profit

The net profit after tax recorded by RITL was ₹ 826.25 crore (US\$ 185.28 million) as compared to ₹ 905.58 crore (US\$ 200.62 million) in the previous year.

Balance Sheet

As at March 31, 2011, RITL had total assets (net) of ₹ 19,290.55 crore (US\$ 4,325.72 million). Shareholders' fund was ₹ 7,246.19 crore (US\$ 1,624.88 million).

Outlook

Telecom - Pivotal for future growth:

Telecommunication, as an infrastructure, is a major key pivot to the socio-economic development. The global telecommunication industry is witnessing a fundamental change. It was voice segment that was dominant key driver of money earner to the operators, which also led equipment manufacturers to concentrate on voice-enabled devices. Now, voice is shifting to a backseat, while data and video are emerging the core focus areas. A new network standard aims at faster data connectivity, quick video streaming with high resolution, and rich multimedia applications. We at RCOM are vibrant to this shift.

Telecom as a Catalyst:

The telecommunications is one of the main catalyst of the accelerated growth and progress of different segments of the economy by narrowing access gaps and removing barriers to information. Our enhanced Network capabilities and global footprint makes us preferred carrier choice amongst other players.

Broadband penetration:

India is catching up other Asia-pacific peers in terms of broadband penetration. At 6 per cent, India's household (fixed-line and wireless) broadband penetration is among the lowest in the Asia-Pacific. This is mainly due to low personal computer penetration and a lack of 3G and BWA services. With the launch of 3G services, wireless broadband penetration is expected to increase. In August 2010, TRAI set a household penetration target rate of 30 per cent by end-2012 and 60 per cent by end-2014. The uptake of wireless broadband will depend on 3G/ BWA handset penetration and 3G/ BWA tariff plans.

Competition and Consolidation

Massive technology invention and innovation have resulted in significant competitive atmosphere within the telecommunications industry. Product life-cycle and upgrade-cycle has been reduced drastically since several firms are coming out with new types of products and services within a short span of time. As a result, hectic merger and acquisition activities to consolidate the market share would be new buzz in the market place. We are open to new acquisitions and opportunities to consolidate.

Consolidation in the Indian wireless sector is inevitable, subject to relaxation of restrictions imposed by the regulator. These include restrictions on a single promoter owning not more than 10 per cent in another licensee within a telecom circle and a TRAI's recommendation that in case of merger or acquisition, the resulting entity may retain only one block of spectrum.

Mission 200 million subscribers

We are extremely well placed to capitalize on the growth opportunities in the converged telecom market supported by our integrated infrastructure and strong focus on quality of services.

Our leadership and strength is supported by

- An Intelligent next generation network based on state-of-the-art architecture;
- A strong foray into the rapidly expanding rural market;

- A keen commitment to staying ahead of customer requirements;
- Connecting universe with an international presence having owned submarine cable network and gateways;
- A sterling track record of growth and execution;
- A focus on optimisation of resources and on building human capital.

Wireless Business

Wirefree India

The creation and development of the 'Wire-Free India' vision for RCOM is a significant industry defining move. This was unveiled at RCOM's last AGM in September 2010. The key goal of this vision is to drive RCOM to lead the second telecom revolution in India, the Data revolution. We launched 3G services within almost 100 days of being allotted 3G spectrum and were the first private operator to soft launch 3G services in key metros of Delhi, Mumbai and Kolkata. Since then, we have expanded our wireless broadband reach almost 15 times. In CDMA, High Speed Data coverage has expanded from 65 to 518 towns in the last 6 months and 3G services are being provided in 330 towns already. RCOM also offers 1X data in CDMA in over 20,000 towns, making it the by far, the largest Data service provider in the country.

Value added Services (VAS)

In India, usage of Data based applications as Value Added Services have been in growth path. The market share of Data enabled phones in new shipments has increased by over 50 per cent. The market share of Smart phones is growing at a faster rate. This shall get further impetus with phones based on 3G and High Speed Data Access.

Reliance has rolled out 3G services in 330 towns in 13 circles where it has won 3G spectrum. The network and services are optimized for superior user experience. Some of the key services launched are -

- R World storefront with intuitive and user friendly interface
- Reliance Connect service, an Industry First in providing concierge 'Social Networking' "Experience for popular sites such as Facebook, Twitter, Gmail, Yahoo etc.
- Another Industry First Personalisation feature on R World Storefront, wherein a user can customise Menu to see what he prefers.

Keeping in mind convergence of devices and user access modes, Reliance began its converged Value Added Services approach from last year itself. It launched a 360° Music Service called "Simply Music". To that, it has added Cricket Mania, Music Mania, Star Talk and many more in entertainment and utility space. A converged service provides user service access thru multiple access methods such as WAP, WEB, IVR, SMS etc with differentiated user experience and content delivery.

Customer Service

Customer experience is the area which can give a sustainable competitive advantage and hence one of the key thrust areas for RCOM wireless business. Customer Experience, Quality of service, Cost and Recovery are four major differentiators in the industry. All efforts have been taken to ensure 'Customer Experience' is enhanced through very high standards and quality in all customer interactions, while keeping the costs at most reasonable levels and within the stipulated budgets.

Billing, Credit and Collections function of the Wireless business has one of the best accounts receivable performances in the industry. The function has used risk segmentation based on 'credit class' to break down the delinquent portfolio into clearly defined groups, and incorporate differential treatment strategies. This has been done by incorporating optimisation techniques with periodic training, measuring and refining processes and policies based on various Customer Experience surveys. This has helped in the improvements of collections performance.

Reliance Communications Limited

Management Discussion and Analysis

management capabilities and higher 'Customer Experience' scores. We provide invoices to customers in 3 languages with 9 more languages being added in the coming year. For the visually challenged customers, invoices are being printed in 'Braille', the only organisation in the industry offering this service.

Another aspect of customer service, which is going through a new phase of transformation, is related to Customer Interface. The 10 key areas of focus are:

1. **Cost turn around:** Focus on innovation to deliver services at least cost leveraging technology, outsourcing, process re-engineering and enhanced productivity. We have been able to reduce our Calls per Customer (CPC) through high rigor in customer facing processes like effective product delivery, Network effectiveness, dealer education, effective IT systems, Self care and effective customer communication.
2. **Process turn around:** This involves migrating from 'Transaction focus' to 'Root Cause Fix' focus.
3. **Specialist Partners:** Engage specialist partners to deliver enhanced customer experience in specialised areas.
4. **In house shared service excellence centers:** Build in house shared service excellence centers in high impact areas like BPO space. These specialized units drive process and cost effectiveness while ensuring high standards of customer experience.
5. **Automation to integrate partners:** Automation has been taken to the next higher level integrating partners and contractors for effective management of SLAs and cost.
6. **Widen partner engagement models for growth:** Partners have been engaged effectively to enhance reach specifically in rural areas for after sales support and reduce dependency on conventional channels.
7. **Drive Customer mania as a culture:** Customer mania culture is being nurtured through various programs engaging each RCOM employee to contribute in customer service.
8. **Driving 'Team focus' culture:** Entire customer care organization is being driven with standard dashboards, review methodology, KPIs across geography and roles.
9. **Drive TRAI's vision of integrating CAGs (Customer Advocacy Groups) and Telcos:** Drive TRAI's vision of integrating CAGs and Telcos through structured forums. We have completed Pan India open house sessions as per TRAI direction.
10. **Industry first initiatives:** Innovate newer and customer friendly mediums like web chat and first multiple personality framework on social media.

Global Business

Our strategy to leverage our global terabit network together with leadership in Enterprise solutions is delivering success in the marketplace. Reliance Globalcom recognizes the rapidly changing needs of its target base - enterprise and service providers - both in capabilities and lowering cost of ownership. Through balancing selective technology investments with external sourcing of services and applications, Reliance Globalcom applies its own cost effective service delivery and assurance operations to deliver customized solutions and services.

We have taken several specific initiatives to strengthen our capabilities and deliver unmatched advantage to our Enterprise customers.

1. On the MPLS and VPLS front, we are extending the MPLS/VPLS paradigm from the global core network into the metro backbone networks. This improves the scalability and operational simplicity of the metro networks.
2. Globally we have created an Ethernet enabled VPLS network that reaches more countries than any other carrier enabling our customers to create world-first business service innovations - like the world's first international high-definition TV (HDTV) content distribution offering, provided by a Japan-based Reliance Globalcom customer.

3. Reliance Globalcom is one of the major partners in a project to provide the largest international terrestrial cable system between China and India - connecting two of the largest and fastest growing global economies and further empowering international enterprise customers to create secure, rapidly scalable and reliable connectivity between business critical operational locations in both countries.
4. Reliance Globalcom was the first provider in the world to provide integrated MPLS network solutions to clients with end-to-end Class of Service (CoS) and SLAs including coverage of Quality of Service (QoS) based ADSL services. Reliance Globalcom delivers global MPLS solutions to many carriers who have recognized this service offering as a more cost effective means of achieving global MPLS coverage rather than trying to interconnect with other carriers themselves.
5. In addition, we are expanding our support for multicast by implementing multicast-specific control and signaling architecture features (LSP and IGMP based) on the global core network. These features improve the efficiency of transporting multicast traffic as well simplify the operation of the multicast network. We are also expanding the use of multi-homing to improve service reliability.
6. On the Carrier Ethernet front, we are extending our Ethernet offering throughout our combined network footprint and partnering more than ever with other Ethernet carriers. Our customers will benefit through lower-cost Ethernet service across a broader effective footprint.

We are actively analyzing new markets to extend our IP and Ethernet services. We have recently expanded into Australia, and are looking at South America, and further into more US metro markets.

As part of the constant process of cable system upgrade, we have completed the upgrade of our FA1 cable system with capacity addition of 400 Gbps between Europe and USA across Trans Atlantic Link. Last but not least, our Next Generation cable "Hawk" in the Mediterranean between Middle East and Europe will be ready for service in FY 2011-12.

We are recognized as market leader in each of our product offering and will continue to grow from a position of strength; a few highlights:

1. Among Top 10 Enterprise Access Provider in US;
2. Among Top 5 Enterprise Solution Provider in US and Europe;
3. # 1 Carrier Bandwidth Service Provider;
4. Top 15 International VoiceCarriage in terms of minutes carried (14+ billion per annum);
5. The National Long Distance business is the largest private NLD Infrastructure and Bandwidth Provider in India;

Enterprise Broadband and Internet Data Centers (IDC)

We have very strong relationships with our existing customers and we would continue to increase our wallet share in these accounts by cross selling and up selling services. In Enterprise Business, we would continue our focus on Government Business and SMB segment.

The Enterprise Business will pursue high growth services and verticals such as Managed Services, Data Centers, and Ethernet connectivity segment in a focused manner.

- A. **IDC**
 - a) Focus on selling capacity in the upcoming markets of Chennai and Hyderabad.
 - b) Enhancing the capabilities in cloud computing by partnering with a wide range of application vendors.
 - c) As part of our endeavor to stay at the forefront of Cloud based offerings, we have launched "Hosted Exchange 2010" on the Microsoft platform. Reliance is the first service provider in the region who has launched this service.

Management Discussion and Analysis

- d) We plan to expand further our portfolio of IDC based services and products to be a one-stop shop for enterprise and SMB customers on cloud.
- B. **Enterprise**
 - a) Established Global Centers of excellence in Data Center, Managed Services and Enterprise Connectivity in Navi Mumbai.
 - b) We will leverage the synergies between our global and Indian operations to give better value to our customers
- C. **Government**
 - a) We have got empanelled as an ISP for the UID project. So we would be one of the internet service providers for UID Enrolment Agencies, across India.
 - b) We have got the major 3 orders for MPLS for the R-APDRP roll out in State of India.
 - c) With our strategy of keeping a separate / dedicated team for Government vertical paying dividends, this vertical is like to contribute even more in the times to come.

Telecom Infrastructure

We are leveraging our extensive capability to offer a wide range of services as an integrated service provider across the whole infrastructure value chain. Our aim is to provide a fast track solution to our clients, both for ongoing expansion of our existing telecom operators and the roll out plans of the new ones.

We have achieved unique position vis-à-vis other infrastructure providers with better quality tower infrastructure, carriage and transport infrastructure along with the unified approach as an integrated service provider.

RITL is best positioned to attract tenants for:

- High quality portfolio, capable of housing 4 tenants;
- With marginal Capex, tower tenant capacity of 4 can be enhanced up to 7 tenants.

Home/DTH Business

As Reliance Digital TV moves into its 3rd full year of operations, we have launched the stand alone HD Set top box, completing the most comprehensive product line up inclusive of SD, HD and HD DVR STB. We launched 6 full HD channels and 34 new SD channels during the financial year 2010-11. On the anvil are plans to further strengthen our channel offerings to the consumers.

Adequacy of internal control and Systems

The Company has built adequate systems of internal controls aimed at achieving efficiency in operations, optimum utilisation of resources, effective monitoring and compliance with all applicable laws.

The internal control mechanism comprises of a well-defined organisational structure, documented policy guidelines, pre-determined authority levels and processes commensurate with the level of responsibility.

The Management Audit Team undertakes extensive checks and reviews through external firms of Chartered Accountants, who provide independent and professional observations. The Audit Committee of the Board reviews major internal audit reports as well as the adequacy of internal controls.

Risk Management Framework

The Company has instituted a self-governed Risk Management framework based on identification of potential risk areas, evaluation of risk intensity, and clear-cut risk mitigation policies, plans and procedures both at the enterprise and operating levels. The framework seeks to facilitate a common organisational understanding of the exposure to various risks and uncertainties at an early stage, followed by timely and effective mitigation. The Audit Committee of the Board reviews the risk management framework at periodic intervals.

Human resource and employees relations

The Company executed country wide communication program to

promote RCOM's Vision, Values and Mission among all employees through a real time launch across all offices in India and abroad. The Company's values of 'Valuing People', 'Speed', 'Ownership', 'Trust' and 'Open Communication' were further reinforced through Senior Leadership interactions. To institutionalize and build value based work culture, the Company introduced special Reward and Recognition scheme.

The Company has been organising, throughout the year, series of employee engagement events involving all employees and their families to create a 'Happy People Organisation'.

The Company has revisited and revised organisation structures of businesses to ensure higher standards of customer delivery and higher productivity. As a business continuity plan, the high potential employees were earmarked to be developed as leaders for future business requirements. In addition to this, throughout the year, the Company introduced several other employee related initiatives aimed at enhancing productivity, morale and motivation with greater focus on Development and Retention of 'Quality' talent.

It has been also the Company's endeavor to make its policies, processes and procedures more transparent, employee-friendly and objective, in line with best industry practices. Automation of these policies and processes enabled ease of operations, transparency and faster resolution.

During the year, Company was successfully able to meet the manpower skill requirements emerging from our expanding and evolving business. The manpower as on March 31, 2011 was 28,065 across all business.

RCOM Management Board

In order to strengthen the principles of governance and bring more accountability and responsibility in line with the delegation of authorities, RCOM Management Board has been constituted with the senior executives of the Company to ensure quicker response and smooth operation of the Company. The RCOM Management Board will be accountable and responsible for day to day operations, delivering AoP, operational excellence and growth plans of the Company.

Corporate Governance

The Company has policy on "Code of Conduct" which has set out the systems, process and policies conforming to international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors both local and global and all other stakeholders. We maintained the highest standards of corporate governance principles and best practices.

Information technology

Reliance Tech Services(RTech), while continuing to service various RCOM business units, also provides application development and maintenance services to Group Companies like Reliance Big Entertainment and Reliance Health. RTech is the one of the leading Technology (IT) arm with Hi-Tech capabilities at par with the world wide knowledge. In order to optimally use our manpower and resources we have automated many major processes, delivering the products at low cost and reducing time to market. Our next major initiative will be focused on integration of the client processes and infrastructures. This integration will infuse intelligence that in turn will bring in more efficiency, productivity and responsiveness. A new era in the telecom sector has begun with the launch of much anticipated 3G services. RTech helped RCOM remain the frontrunners in launching the 3G services, rolling out in a record time of around 100 days of receiving 3G Spectrum in major metros of India and also developed and tweaked our systems for MNP compliance.

Awards and Recognitions

During the year under review, we won Voice and Data Award for the year 2010. We have won this award in the Broadband category.

Reliance Communications was also awarded the Maharashtra IT Award (MITA) for 2010 under the category of Datacenters.

Reliance Communications Limited

Management Discussion and Analysis

We have also won INFOCOMM – CMAI National Telecom Award for the "Largest Telecom Network" category, presented by Secretary, DoT and Chairman, Telecom Commission.

We won International CTO Forum Award 2010; held in Dublin Ireland. RCOM CIO, Ms. Alpna J. Doshi was awarded "Women CIO of the Year" award for innovative and smart use of technology in "Campaign Automation" system.

Our product "Reliance iCall" has been nominated for TM Forum Excellence Award.

We won the prestigious "EDGE" award for our product "My Services" under "Documentation Management" category. This award identifies, recognizes and honors end-user companies in India that have demonstrated the best use of technology to solve a business problem, improve their business competitiveness, and deliver quantifiable ROI to stakeholders.

Corporate Social Responsibility

We continue to strive for sustainability in our operations by promoting the integration of CSR into our business strategy as well as our everyday functioning.

During the year under review, we focused on 6 core areas namely environment, community development, education, women's empowerment, social awareness and health.

CSR Initiatives

Apart from supporting CSR initiatives promoted by Reliance Group, our CSR initiatives include the following:

i. Employee Volunteerism:

This year employee volunteers and the business teams had gone a step ahead and formed volunteer groups in the various areas including Environment, thereby leading to substantial decrease in individual carbon footprints. Their contributions also helped in significant savings of energy and other natural resources. Employee Volunteers helped in the construction of dwellings for those under-privileged near Karjat, Raigad district. 2,100 employees came together to contribute more than 27,000 volunteering hours in support of social endeavors.

ii. Environment:

Our group has over the past few years adopted a multipronged approach to help create a sustainable ecosphere through a low carbon economy. In the last one year the effort has been to engage internal as well as external stakeholders to promote the group's philosophy on the 5 R's (reduce, reuse, renew, recycle and respect for the environment) through various programs like Go Green, GreenMile, Water Stewardship, conservation of natural resources and endangered ecospheres etc. We at RCOM supported plantation of one lakh saplings across the country in the last one year.

iii. Community Development:

In the area of Community Development the company has taken efforts to train the underprivileged youth in the required skills of new age economy. Programs like Aajeevika, Swavlambhan have been some of the endeavours to build a stable and self-sustaining community base of empowered women and differently abled members. Other programs such as Little Genius and E-Shikshit helped in enhancing computer literacy drive for the underprivileged youth and women from rural India in order to bridge the digital divide.

Over the last one year we sent out over 200 million socially relevant messages to our subscriber base in order to sensitize the public at large on relevant areas. To mention a few i.e. Women empowerment, save the Girl child, conserve natural resources, promote voluntary blood donors etc.

iv. Healthcare

At RCOM, we focus on extending quality healthcare support to the underserved communities based in both rural and urban India. This year we extended palliative and curative eye-care services to more than 6,000 individuals in the rural terrains of Kerala. We also supported street dwellers by extending healthcare network and services through Project Aastha. We donated more than 10,000 units of voluntary blood to those in need.

Auditors' Certificate on Corporate Governance

To,

The Members of Reliance Communications Limited

We have examined the compliance of conditions of Corporate Governance by **Reliance Communications Limited** ('the Company') for the financial year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No: 101720W

C. D. Lala
Partner
Membership No: 35671

Mumbai
May 30, 2011

For **B S R & Co.**
Chartered Accountants
Firm Reg. No: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Corporate Governance Report

In accordance with Clause 49 of the Listing Agreement executed with the Stock Exchanges in India and some of the best practices on Corporate Governance, the report containing the details of governance systems and processes at Reliance Communications Limited is as under:

Reliance Communications Limited has maintained the highest standards of corporate governance principles and best practices by adopting the "Reliance Group - Corporate Governance Policies and Code of Conduct" as is the norm for all constituent companies in the group. These Policies and Code prescribe a set of systems, processes and principles, which conform to the best international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors both local and global and all other stakeholders.

The Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations and in all interactions with its stakeholders, including shareholders, employees, the government, lenders and the society. The Company believes that all its operations and actions must serve the underlying goal of enhancing long-term shareholder value. In our commitment to practice sound governance principles, we are guided by the following core principles:

1. **Transparency**
To maintain the highest standards of transparency in all aspects of our interactions and dealings.
2. **Disclosure**
To ensure timely dissemination of all price sensitive information and matters of interest to our stakeholders.
3. **Empowerment and accountability**
To demonstrate the highest levels of personal accountability and to ensure that employees consistently pursue excellence in everything they do.
4. **Compliances**
To comply with all the laws, rules and regulations applicable to the Company.
5. **Ethical conduct**
To conduct the affairs of the Company in an ethical manner.
6. **Stakeholders' interest**
To promote the interests of all stakeholders including customers, shareholders, employees, lenders, vendors and the community.

Governance practices beyond regulatory requirements

Our governance practices go beyond the mere letter of statutory and regulatory requirements. With this in mind, we have formulated a number of policy documents and introduced the following set of governance practices:

- A. **Values and commitments**
We have set out and adopted a policy document on 'values and commitments' of Reliance Communications. We believe that any business conduct can be ethical only when it rests on the nine core values viz; honesty, integrity, respect, fairness, purposefulness, trust, responsibility, citizenship and caring.
- B. **Code of ethics**
Our policy document on 'code of ethics' demands that our employees conduct the business with impeccable integrity and by excluding any consideration of personal profit or advantage.

- C. **Business policies**
Our 'business policies' cover a comprehensive range of issues such as fair market practices, insider information, financial records and accounting integrity, external communication, work ethics, personal conduct, policy on prevention of sexual harassment, health, safety, environment and quality.
- D. **Separation of the Board's supervisory role from the executive management**
In line with the best global practices, we have adopted the policy of separating the Board's supervisory role from the executive management. We have also split the posts of Chairman and CEO.
- E. **Prohibition of insider trading policy**
This document contains the policy on prohibiting trading in the equity shares of the Company, based on insider or privileged information.
- F. **Policy on prevention of sexual harassment**
Our policy on prevention of sexual harassment aims at promoting a productive work environment and protects individual rights against sexual harassment.
- G. **Whistle blower policy**
Our Whistle Blower policy encourages disclosure in good faith of any wrongful conduct on a matter of general concern and protects the whistle blower from any adverse personnel action.
- H. **Environment policy**
The Company is committed to achieving excellence in environmental performance, preservation and promotion of clean environment. These are the fundamental concern in all our business activities.
- I. **Risk management**
Our risk management procedures ensure that the management controls various business related risks through means of a properly defined framework.
- J. **Boardroom practices**
 - i. **Chairman**
In line with the highest global standards of corporate governance, the Board has separated the Chairman's role from that of an executive in managing day-to-day business affairs.
 - ii. **Board charter**
The Board of Directors has adopted a comprehensive charter, which sets out clear and transparent guidelines on matters relating to the composition of the Board, the scope and function of various Board committees etc.
 - iii. **Board committees**
The Board constituted Audit Committee, Nomination/ Remuneration Committee and Shareholders'/ Investors' Grievances Committee. The Board rotates the Chairman of these Committees once in two years.
 - iv. **Tenure of independent directors**
Tenure of independent directors on the Board of the Company shall not exceed nine years, subject to their re-appointment on retirement by rotation as per statutory provisions.
 - v. **Independent director's interaction with shareholders**
Member(s) of the Shareholders' / Investors' Grievances Committee interact with shareholders on their suggestions and queries, if any, which are forwarded to the Company Secretary.

Corporate Governance Report

- vi. **Lead independent director**
Recognising the need for a representative and spokesperson for the independent directors, the Board has appointed an independent director as the lead independent director. The lead independent director performs the following roles in addition to the role of a non-executive independent director:
- preside over all executive sessions of the Board's independent directors;
 - work closely with the Chairman to finalise the information flow, meeting agenda and meeting schedules;
 - liaise between the Chairman and the independent directors on the Board; and
 - take a lead role along with the Chairman in the Board evaluation process.
- The Board designated Shri A. K. Purwar as the lead independent director. The position of the lead independent director is rotated.
- vii. **Training of Board Members**
The Board members are periodically given formal orientation and training with respect to the Company's vision, strategic direction, core values including ethics, corporate governance practices, financial matters and business operations. The Directors are facilitated to get familiar with the Company's functions at the operational levels. Periodic presentations are made at the Board and Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved. The Board members are also provided with the necessary documents/brochures, reports and internal policies to enable them to familiarise with the Company's procedures and practices.
Periodic updates and training programs for Board members are also conducted on relevant statutory changes and landmark judicial pronouncements encompassing important laws.
- viii. **Meeting of independent directors with operating team**
The independent directors of the Company meet in executive sessions with the various operating teams as and when they deem necessary. These discussions may include topics such as, operating policies and procedures, risk management strategies, measures to improve efficiencies, performance and compensation, strategic issues for Board consideration, flow of information to directors, management progression and succession and others as the independent directors may determine. During these executive sessions, the independent directors have access to members of management and other advisors, as the independent directors may determine and deem fit.
- ix. **Commitment of directors**
The meeting dates for the entire financial year are scheduled in the beginning of the year and an annual calendar of meetings of the Board and its committees is circulated to the directors. This enables the directors to plan their commitments and facilitates attendance at the meetings of the Board and its committees.
- K. **Governance practices being followed to promote the interests of our stakeholders**
We have introduced several trend setting governance practices to improve stakeholders satisfaction. Some of the major ones among them are:
- i. **Customers**
We have taken various customer caring initiatives, which give various services to our subscribers at all times. We also have captive contact centers having one of the largest facilities accommodating approx. 9,500 personnel on round the clock shift basis. In addition to this, we have provided various on line measures on Reliance World platform which also gives ready access to the customers. Our customers can view and pay their bills online and manage their account information online.
- ii. **Employees**
We are committed in making Reliance Communications a "Great Place to Work" and hence our pursuit has been to drive 'Employee Engagement' through multiple platforms, events and extensive Employee communications involving employees and their families. This is aimed at increasing the Happiness Quotient of our employees, employee retention, employee engagement score, thereby leading to higher productivity, better quality of our products and services and thus creating Happy Customers.
Our continuous effort has been in re-engineering our Organisation Design work flows and processes, enhanced automation, enabling us to evolve into an efficient, productive and agile organisation.
In the hyper competitive market scenario, it is imperative that we not only surpass the Annual targets, but also outperform competition. We have introduced Incremental Revenue Market Share (IRMS) as a critical measure for rewarding individual and team achievements, thereby, institutionalizing an objective and transparent, high-performing culture.
This, in conjunction with quarterly performance assessment and payouts, has helped to build a healthy employee stake in the Business, align employees completely with Business goals and enable them to get immediate rewards.
We are relentlessly driving capability, leadership and culture building and acquiring, developing and retaining quality talent. Our leadership development process is aligned to the Reliance DNA, which identifies high potential talent on a periodic basis and provides necessary learning interventions to help them take on larger responsibilities and roles.
- iii. **Shareholders**
The Company recognises the importance of two-way communication with shareholders and of giving a balanced report of results and progress and responds to questions and issues raised in a timely and consistent manner. To ensure this, the Company's corporate website; www.rcom.co.in has information for institutional and retail shareholders alike. Shareholders seeking information may contact the Company directly throughout the year. They also have an opportunity to ask questions in person at the Annual General Meeting. Shareholders can contact RCOM via dedicated shareholders contact points as provided in this report or through any of Investor Service Centers of the Company's Registrars and Transfer Agents spread in more than 84 cities across India, details of which are available on the Company's website.
- iv. **Lenders**
The Company has been prompt in honoring all debt obligations to its lenders.

Corporate Governance Report

v. Society

The Company, in keeping with its Corporate Social Responsibility policy, focuses on healthcare, education, and other social initiatives.

L. Role of the Company Secretary in Governance Process

The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information, details and documents are made available to the directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory requirements and is the interface between the management and regulatory authorities for governance matters. All the Directors of the Company have access to the advice and services of the Company Secretary.

M. Independent Statutory Auditors

The Company's accounts are audited by a panel of two leading independent audit firms namely:

- M/s. Charturvedi & Shah, Chartered Accountants.
- M/s. B S R & Co., Chartered Accountants.

Compliance with the code and rules of Luxembourg Stock Exchange and Singapore Stock Exchange

The Global Depository Receipts (GDR) issued by the Company are listed on the Luxembourg Stock Exchange (LSE). The Company had also issued Zero Coupon Foreign Currency Convertible Bonds, which are listed at Singapore Stock Exchange (SGX). The Company has reviewed the code on corporate governance of LSE and SGX, though the same are not applicable to the Company. However, the Company's corporate governance practices conform to these codes and rules.

Compliance with Clause 49 of the listing agreement

The Company is fully compliant with the mandatory requirements of Clause 49 of the listing agreement formulated by the Securities and Exchange Board of India.

We present our report on compliance of governance conditions specified in Clause 49 of the listing agreement:

I. Board of Directors

1. Board composition – Board strength and representation

As on March 31, 2011, the Board consisted of five members. The composition of and the category of directors on the Board of the Company were as under:

Category	Particulars of directors
Promoter, non-executive and non-independent Director	Shri Anil D. Ambani, Chairman
Independent Directors	Prof. J. Ramachandran Shri S. P. Talwar Shri Deepak Shourie Shri A. K. Purwar

Notes:

- a. None of the director is related to any other director.
- b. None of the director has any business relationship with the Company.
- c. None of the director has received any loans and advances from the Company during the year.

All the independent Directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent. All such declarations are placed before the Board.

The Company has re-appointed Shri Hasit Shukla, President and Company Secretary as the Manager of the Company in terms of provisions of the Companies Act, 1956 for a period of five years with effect from February 8, 2011.

2. Conduct of Board proceedings

The day to day business is conducted by the executives and the business heads of the Company under the direction of the Board led by the Chairman. The Board holds minimum four meetings every year to review and discuss the performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

The Board performs the following specific functions in addition to overseeing the business and the management:

- review, monitor and approve major financial and business strategies and corporate actions;
- assess critical risks facing by the Company – review options for their mitigation;
- provide counsel on the selection, evaluation, development and compensation of senior management;
- ensure that processes are in place for maintaining the integrity of:
 - a) the Company
 - b) the financial statements
 - c) compliance with law
 - d) relationship with all the stakeholders
- delegation of appropriate authority to the senior executives of the Company for effective management of operations.

3. Board meetings

The Board held 6 meetings during 2010-11 on May 15, 2010, June 5, 2010, August 13, 2010, September 28, 2010, November 13, 2010 and February 14, 2011. The maximum time gap between any two meetings was 92 days and the minimum gap was 20 days. The meetings are normally held at Mumbai.

The Board periodically reviews compliance reports of all laws applicable to the Company.

4. Standards issued by ICSI

The Institute of Company Secretaries of India (ICSI) has issued various 'Secretarial Standards' on key corporate functions like Board meetings, General meetings, Payment of Dividend, Maintenance of Registers and Records, Minutes of Meetings, Transmission of Shares and Debentures, Passing of Resolutions by Circulation, Affixing of Common Seal, Forfeiture of Shares and Board's Report.

Although these standards are not mandatory, the Company adheres to them voluntarily.

5. Attendance of directors

Attendance of directors at the Board meetings held during 2010-2011 and the last Annual General Meeting held on September 28, 2010 and the details of directorships (calculated as per provisions of Section 275 and 278 of the Companies Act, 1956), Committee Chairmanships and the Committee memberships held by the directors as on March 31, 2011:

Reliance Communications Limited

Corporate Governance Report

Name of the Director	Number of Board meetings attended out of six meetings held during the tenure	Attendance at the last AGM held on 28.09.2010	Number of directorship (including RCOM)	Committee(s) ^a membership ^b	
				Membership	Chairmanship
Shri Anil D. Ambani	6	Present	6	1	–
Prof. J. Ramachandran	5	Present	7	6	2
Shri S. P. Talwar	4	Present	12	8	4
Shri Deepak Shourie	5	Present	1	2	–
Shri A. K. Purwar	6	Present	11	6	3

(a) The information provided above pertains to the following committees in accordance with the provisions of Clause 49 of the listing agreement: i. Audit Committee ii. Shareholders'/Investors' grievances committee

(b) Membership of committees includes chairmanship, if any.

6. Other directorships

None of the director holds directorships in more than 15 public limited companies.

7. Membership of Board committees

No director holds membership of more than 10 committees of Board nor any director is a chairman of more than 5 committees of Board.

8. Details of directors

The abbreviated resumes of all Directors are furnished hereunder:

Shri Anil D. Ambani

Regarded as one of the foremost corporate leaders of contemporary India, Shri Anil D. Ambani, 52 is the Chairman of Reliance Communications Limited, Reliance Capital Limited, Reliance Infrastructure Limited and Reliance Power Limited. He is also on the board of Reliance Infratel Limited and Reliance Anil Dhirubhai Ambani Group Limited. He is the President of the Dhirubhai Ambani Institute of Information and Communication Technology, Gandhinagar, Gujarat.

He is a member of Shareholders'/Investors' Grievances Committee of the Company.

An MBA from the Wharton School of the University of Pennsylvania, Shri Ambani is credited with pioneering several path-breaking financial innovations in the Indian capital markets. He spearheaded the country's first forays into overseas capital markets with international public offerings of global depository receipts, convertibles and bonds. Under his Chairmanship, the constituent companies of the Reliance Group have raised nearly US\$ 7 billion from global financial markets in a period of less than 3 years.

Shri Ambani has been associated with a number of prestigious academic institutions in India and abroad.

He is currently a member of:

- Wharton Board of Overseers, The Wharton School, USA
- Board of Governors, Indian Institute of Management (IIM), Ahmedabad
- Executive Board, Indian School of Business (ISB), Hyderabad.

In June 2004, Shri Ambani was elected as an Independent member of the Rajya Sabha – Upper House, Parliament of India, a position he chose to resign voluntarily on March 29, 2006.

Select Awards and Achievements

- Awarded by Light Readings as the Person of the Year – 2008 for outstanding achievements in the communication industry.
- Voted 'the Businessman of the Year' in a poll conducted by The Times of India – TNS, December, 2006.
- Voted the 'Best role model' among business leaders in the biannual Mood of the Nation poll conducted by India Today magazine, August 2006.
- Conferred 'the CEO of the Year 2004' in the Platts Global Energy Awards.
- Conferred 'The Entrepreneur of the Decade Award' by the Bombay Management Association, October 2002.
- Awarded the First Wharton Indian Alumni Award by the Wharton India Economic Forum (WIEF) in recognition of his contribution to the establishment of Reliance as a global leader in many of its business areas, December, 2001.

Shri Anil D. Ambani holds 18,59,171 equity shares of the Company as of March 31, 2011.

Prof. J. Ramachandran

Prof. J. Ramachandran, Director, 54 is the Chair Professor of Business Policy at the Indian Institute of Management, Bangalore. He is a qualified Chartered Accountant and Cost Accountant and has obtained his doctorate from the Indian Institute of Management, Ahmedabad.

He is also a director of Sasken Communication Technologies Limited, Redington India Limited, Bhoruka Power Corporation Limited, Indofil Industries Limited, Tejas Networks Limited and Infotech Enterprises Limited.

He is a member of Audit Committee and Shareholders'/Investors' Grievances Committee of the Company. He is a Chairman of Share Transfer and Investors' Grievance Committee of Sasken Communication Technologies Limited and Redington India Limited. He is member of Audit Committee of Redington India Limited and Infotech Enterprises Limited. He holds 698 equity shares of the Company as of March 31, 2011.

Shri S. P. Talwar

Shri S. P. Talwar, Director, 72 was a former Deputy Governor of Reserve Bank of India. He was also former Chairman-cum-Managing Director of Bank of Baroda, Union Bank of India and Oriental Bank of Commerce. He is graduate in Arts and Law. He is also qualified as CAIIB. He has vast experience in financial services sector in the country.

Corporate Governance Report

He is also director of Crompton Greaves Limited, Reliance General Insurance Company Limited, Reliance Infratel Limited, Videocon Industries Limited, Reliance Life Insurance Company Limited, AB Hotels Limited, Housing Development and Infrastructure Limited, Kalpataru Power Transmission Limited, Uttam Galva Steels Limited, SPS Ispat & Power Limited and GTL Infrastructure Limited.

He is a Chairman of Audit Committee of Reliance Life Insurance Company Limited, Videocon Industries Limited, Housing Development and Infrastructure Limited and the Company. He is a member of Audit Committee of Reliance General Insurance Company Limited, Crompton Greaves Limited and Reliance Infratel Limited. He is a member of Shareholders'/ Investors' Grievances Committee of the Company. He does not hold any share in the Company as of March 31, 2011.

Shri Deepak Shourie

Shri Deepak Shourie, Director, 62 is Bachelor of Arts in Economics with Honours and has more than 39 years' exposure with an emphasis on media, consumer goods, and corporate affairs. He is presently working as Director, South Asia for BBCW Channels Private Limited.

He was the Executive Vice President and Managing Director of Discovery Communications of India.

He is a member of Audit Committee and Shareholders'/ Investors' Grievances Committee of the Company. He does not hold any share in the Company as of March 31, 2011.

Shri A. K. Purwar

Shri A. K. Purwar, Director, 65 was the former Chairman and Managing Director of State Bank of India (SBI). He was also former Managing Director of State Bank of Patiala. He is graduated in Commerce and Diploma in Business Administration. Under his leadership, the State Bank of India had taken giant strides in technological innovations, all the 13800+ branches of the SBI were fully computerised by 2004.

He is also Director of Vardhman Textiles Limited, Jindal Steel and Power Limited, Jindal Power Limited, India Infoline Investment Services Limited, Apollo Tyres Limited, Engineers India Limited, IL&FS Renewable Energy Limited, C & C Constructions Limited, ONGC-Tripura Power Company Private Limited and India Infoline Limited. Shri Purwar has been associated with a number of prestigious academic institutions, committees set up by various State and Central Governments and international institutions.

He is a Chairman of Audit Committee of Engineers India Limited and ONGC Tripura Power Company Pvt. Limited. He is a member of Audit Committee of Jindal Power Limited, C & C Constructions Limited and the Company. He is a Chairman of the Shareholders'/ Investors' Grievances Committee of the Company. He does not hold any share in the Company as of March 31, 2011.

9. Insurance coverage

The Company has obtained Directors and Officers liability insurance coverage in respect of any legal action that might be initiated against directors.

II. Audit Committee

In terms of Clause 49 of the listing agreement as well as Section 292A of the Companies Act, 1956, the Board has constituted Audit Committee of the Board of Directors at its meeting held on February 8, 2006. At present, the Committee consists of all the four independent non-executive directors of the Company.

viz; Shri S. P. Talwar, Chairman, Prof. J. Ramachandran, Shri Deepak Shourie and Shri A. K. Purwar as members. Shri S. P. Talwar has wide experience on accounting, financial, business policies and taxation issues. All other members of the Committee are financially literate.

The Audit Committee, inter alia advises the management on the areas where systems, processes, measures for controlling and monitoring revenue assurance, internal audit can be improved. The minutes of the meetings of the Audit Committee are placed before the Board. The terms of reference of the Audit Committee are in accordance with all the items listed in Clause 49(II) of the listing agreement as follows:

- i. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial information is correct, sufficient and credible;
- ii. Recommending the appointment, reappointment and replacement/removal of statutory auditor and fixation of audit fee;
- iii. Approving payment for any other services by statutory auditors;
- iv. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on;
 - a. Matters required to be included in the Director's Responsibility Statement included in the report of the Board of Directors
 - b. Any changes in accounting policies and practices and reasons thereof
 - c. Major accounting entries based on exercise of judgment by management
 - d. Qualifications in draft audit report, if any.
 - e. Significant adjustments arising out of audit
 - f. Compliance with listing and other legal requirements concerning financial statements
 - g. Disclosure of related party transactions
- v. Reviewing with the management the quarterly financial statements before submission to the Board for approval;
- vi. Reviewing with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter;
- vii. Reviewing with the management, the performance of the external and internal auditors, the adequacy of internal control systems;
- viii. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- ix. Discussion with internal auditors on any significant findings and follow up thereon;
- x. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal

Corporate Governance Report

control systems of a material nature and reporting the matter to the Board;

- xi. Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xii. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors;
- xiii. To review financial statement of subsidiary companies, in particular its investments;
- xiv. To review the functioning of the Whistle Blower mechanism;
- xv. To approve appointment of Chief Financial Officer after assessing qualification, experience, and background etc.
- xvi. Carrying out all other functions as is mentioned in the terms of reference of the Audit committee;
- xvii. Review the following information:
 - a. Management Discussion and Analysis of Financial Condition and Results of Operations
 - b. Internal audit reports relating to internal control weaknesses
 - c. Management letters / letters of internal control weaknesses issued by statutory auditors
 - d. Statement of significant related party transactions and
 - e. The appointment, removal and terms of remuneration of the Chief internal auditor.

The Audit Committee has the following powers:

- i. to investigate any activity within its terms of reference;
- ii. to seek any information from any employee;
- iii. to obtain outside legal and professional advice;
- iv. to secure attendance of outsiders with relevant expertise, if it considers necessary.

Attendance at the meetings of the Audit Committee held during 2010-2011.

The Audit Committee held its meetings on May 15, 2010, August 13, 2010, November 13, 2010 and February 14, 2011. The maximum gap between any two meetings was 92 days and the minimum gap was 89 days.

Members	Number of Meetings held during the tenure	Number of Meetings attended
Shri S. P. Talwar	4	2
Prof. J. Ramachandran	4	4
Shri Deepak Shourie	4	3
Shri A. K. Purwar	4	4

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

The meetings considered all the points in terms of its reference at periodic intervals.

Shri Hasit Shukla, President, Company Secretary and Manager acts as the Secretary to the Audit Committee.

During the year, the Committee discussed with the Company's auditors the overall scope and plans for the independent audit. The Management represented to the Committee that the Company's financial statements were prepared in accordance

with prevailing laws and regulations. The Committee discussed the Company's audited financial statements, the rationality of significant judgments and the clarity of disclosures in the financial statements. Based on the review and discussions conducted with the Management and the auditors, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with prevailing laws and regulations in all material aspects.

The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with the prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company. The Committee also reviewed the financial policies of the Company and expressed its satisfaction with the same. The committee, after review expressed, its satisfaction on the independence of both the internal and the statutory auditors.

Based on the committee's discussion with the Management and the auditors and the committee's review of the representations of the Management, the Committee has recommended the following to the Board of Directors:

1. The audited annual financial statements of the Company for the year ended March 31, 2011, be accepted by the Board as a true and fair statement of the financial status of the Company.
2. The audited abridged financial statements of the Company for the year ended March 31, 2011, be accepted by the Board as a true and fair statement of the financial status of the Company.
3. The audited consolidated financial statements of the Company and its subsidiaries for the year ended March 31, 2011, be accepted by the Board as a true and fair statement of the financial status.

III. Nomination / Remuneration Committee

The Nomination/Remuneration Committee of the Board is constituted to formulate from time to time (a) process for selection and appointment of new directors and succession plans and (b) recommend to the Board from time to time, a compensation structure for directors and the manager. Presently, the Company has no executive director.

The Nomination/Remuneration Committee comprises of five directors i.e. Prof. J. Ramachandran, Chairman, Shri Anil D. Ambani, Shri S. P. Talwar, Shri Deepak Shourie and Shri A. K. Purwar as members. During the year, the Nomination/Remuneration Committee met on May 15, 2010 and August 13, 2010.

Attendance at the meetings of the Nomination / Remuneration Committee held during 2010-2011.

Members	Number of Meetings held during the year	Number of Meetings attended
Prof. J. Ramachandran	2	2
Shri Anil D. Ambani	2	2
Shri S. P. Talwar	2	2
Shri Deepak Shourie	2	1
Shri A. K. Purwar	2	2

Shri Hasit Shukla, President, Company Secretary and Manager acts as the Secretary to the Nomination/Remuneration Committee.

Corporate Governance Report

Managerial remuneration policy

The Nomination/Remuneration Committee determines and recommends to the Board, the compensation of the Directors and the Manager. The key components of the Company's Remuneration Policy are:

- Compensation will be a major driver of performance.
- Compensation will be competitive and benchmarked with a select group of companies from the service sector.
- Compensation will be transparent, fair and simple to administer.
- Compensation will be fully legal and tax compliant.

The Members at the 6th Annual General Meeting held on September 28, 2010, had approved payment of commission to non executive directors, who were not in the whole time employment, upto the limits laid down under the provisions of Section 309(4) of the Companies Act, 1956, computed in the manner specified in the Act. The Ministry of Corporate Affairs vide its Circular No. 4/2011 dated March 4, 2011 has decided that a Company can pay Commission upto 3 per cent of its net profit to the Non-Whole Time Director(s) without approval of the Central Government, if it does not have a Managing Director or Whole Time Director(s). In view of above Circular, the Company can pay Commission upto 3 per cent of net profit to the Non Whole Time Directors of the Company.

The Board of Directors based on recommendation of Nomination/Remuneration Committee at their meeting held on August 13, 2010 had approved payment of commission of ₹ 60 lac to the Non Executive Independent Directors of the Company for the year ended March 31, 2010 based on various parameters, which was paid during the year 2010-11.

The dynamic leadership and personalised involvement of Shri Anil D. Ambani, Chairman has blossomed the Company into a composite telecom conglomerate with competitive edge. Shri Anil D. Ambani had voluntarily devoted a significant amount of his time for the activities of the Company. He is a non-executive Chairman and not entitled to any fixed remuneration from the Company. Shri Anil D. Ambani waived his commission for the year 2009-10. This is the second consecutive year in which he has not taken any commission from the Company.

Criteria for making payments to non-executive directors

The remuneration to non executive directors is benchmarked with the relevant market and performance oriented, balanced between financial and sectoral market, comparative scales, aligned to Corporate goals, role assumed and number of meetings attended.

Details of Sitting fees and Commission paid during the year ended March 31, 2011

Name of Director	Commission ¹ (₹ lac)	Sitting Fee (₹ lac)
Shri Anil D. Ambani	-	2.40
Prof. J. Ramachandran	15.00	3.00
Shri S. P. Talwar	15.00	2.00
Shri Deepak Shourie	15.00	2.40
Shri A. K. Purwar	15.00	3.20

- 1 Commission paid for the year commencing April 1, 2009 to March 31, 2010.
- 2 Shri Anil D. Ambani, Chairman had waived Commission for the year 2009-10. This is the second consecutive year in which he has not taken any commission from the Company.

Notes:

- There were no other pecuniary relationships or transactions of non-executive directors vis-à-vis the Company.
- Pursuant to the limits approved by the Board, all directors being non executive, are paid sitting fees of ₹ 20,000 for attending each meeting of the Board and its committees.

IV. Shareholders / Investors Grievances Committee

The Shareholders / Investors Grievances Committee consist of five directors of the Company, viz; Shri A. K. Purwar, Chairman, Shri Anil D. Ambani, Shri S. P. Talwar, Prof. J. Ramachandran and Shri Deepak Shourie as members. The Company has appointed Karvy Computershare Pvt. Ltd. to act as Registrar and Transfer Agent of the Company.

The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company. The Committee also monitors redressal of investor's grievances. Particulars of investors' grievances received and redressed are furnished in the Investor Information Section of this Report. The Committee oversees performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

During the year, the Shareholders/ Investors Grievances Committee held its meetings on May 15, 2010, August 13, 2010, November 13, 2010 and February 14, 2011. The maximum gap between any two meetings was 92 days and the minimum gap was 89 days.

Attendance at the meetings of the Shareholders / Investors Grievances Committee held during 2010-2011.

Members	Number of Meetings held during the Year	Number of Meetings attended
Shri A. K. Purwar	4	4
Shri Anil D. Ambani	4	4
Prof. J. Ramachandran	4	4
Shri S. P. Talwar	4	2
Shri Deepak Shourie	4	3

Shri Hasit Shukla, President, Company Secretary and Manager acts as the Secretary to the Shareholders / Investors Grievances Committee.

V. Compliance Officer

Shri Hasit Shukla, President, Company Secretary and Manager is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreements with the Stock Exchanges.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review were 68. There were no complaints pending as on March 31, 2011. The details of period taken for transfer of shares and nature of complaints are furnished in the investor information section of this annual report.

46 requests for transfer of 1426 shares and 76 requests for dematerialisation of 6457 shares were pending for approval as on March 31, 2011 which were approved, processed and dispatched on or before April 4, 2011.

Corporate Governance Report

VI. Employees Stock Option Scheme (ESOS) Compensation Committee

The ESOS Compensation Committee comprises of four independent directors i.e. Shri S. P. Talwar as the Chairman, Prof. J. Ramachandran, Shri Deepak Shourie and Shri A. K. Purwar as members. Shri Hasit Shukla, President, Company Secretary and Manager acts as the Secretary to the ESOS Compensation Committee.

No meeting of the ESOS Compensation Committee was held during the year.

VII. Employee Stock Option Scheme

In order to share the growth in value and reward the employees for having participated in the success of the Company, our Employee Stock Option Scheme (the Scheme) has been implemented by the Company to the eligible employees based on specified criteria, under Employee Stock Option Plans 2008 and 2009.

The Plans are prepared in due compliance of Scheme, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and other applicable laws.

VIII. General Body Meetings

The Company held its last three Annual General Meetings as under:

Year	Date and Time	Whether Special Resolution passed or not
2009-2010	September 28, 2010 2.00 p.m.	Yes 1. Qualified Institutional Placement (QIP) 2. Approval for payment of commission to non-executive Directors
2008-2009	September 22, 2009 11.00 a.m.	No
2007-2008	September 30, 2008 11.00 a.m.	No

Above Annual General meetings were held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020.

IX. Postal Ballot

The Company had not conducted any Postal Ballot during the year and there is no resolution proposed to be passed by postal ballot at the ensuing Annual General Meeting.

None of the Businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through postal ballot.

X. Means of communication

- Quarterly Results:** Quarterly Results are published in Business Standard, English daily newspaper circulating in substantially the whole of India and in Navshakti, Marathi vernacular daily newspaper and are also posted on the Company's website www.rcom.co.in.
- Media Releases and Presentations:** Official media releases are sent to the Stock Exchanges before their release to the media for wider dissemination. Presentations made to media, analysts, institutional investors, etc. are posted on the Company's website.
- Website:** The Company's website contains a separate dedicated section 'Investor Relations'. It contains

comprehensive database of information of interest to our investors including the financial results and Annual Report of the Company, information on dividend declared by the Company, any price sensitive information disclosed to the regulatory authorities from time to time, business activities and the services rendered/ facilities extended by the Company to our investors, in a user friendly manner. The basic information about the Company as called for in terms of clause 54 of the Listing Agreement with the Stock Exchanges is provided on the Company's website and the same is updated regularly.

- Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report and is displayed on the Company's website.
- Corporate Filing and Dissemination System (CFDS):** The CFDS portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by listed companies. All disclosures and communications to BSE and NSE are filed electronically through the CFDS portal and hard copies of the said disclosures and correspondence are also filed with the Stock Exchanges.
- Unique Investor helpdesk :** Exclusively for investor servicing, the Company has set up a unique investor Help Desk with multiple access modes as under:
Toll free No. (India) : 1800 4250 999
Telephone Nos. : +91 40 4030 8000
Fax No. : +91 40 2342 0859
Email : rcom@karvy.com
Post your request : <http://kcpl.karvy.com/adag>
- Designated email-id :**
The Company has also designated the email-id rcom.investors@relianceada.com for investor servicing.

XI. Compliance with other mandatory requirements

1. Management Discussion and Analysis

A Management Discussion and Analysis Report forms part of this Annual Report and includes discussions on various matters specified under Clause 49(IV)(F) of the listing agreement.

2. Subsidiaries

Reliance Infratel Limited (RITL) is a material non-listed Indian subsidiary Company in terms of Clause 49 (III) of the listing agreement. Accordingly, Shri S. P. Talwar, Director has been appointed on the Board of RITL.

The Company monitors performance of subsidiary companies, *inter alia*, by the following means:

- Financial statements, in particular the investments made by unlisted subsidiary companies are reviewed quarterly by the Audit Committee of the Company.
- Minutes of the meetings of the Board of Directors of all subsidiary companies are placed before the Company's Board regularly.
- A statement containing all the significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board / Audit Committee.

Corporate Governance Report

- d) Quarterly review of Risk Management process by the Risk Management Committee / Audit Committee / Board.

3. Disclosures

- a. There has been no instance of non-compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory Authority.

b. Related party transactions

During the year 2010-11, no transactions of material nature had been entered into by the Company with the Promoters or Directors or Management or their relatives, their subsidiaries that may have a potential conflict with interest of the Company. The related party transactions with subsidiary companies and others are disclosed in Notes to Accounts.

c. Accounting treatment

In the preparation of financial statements, the Company has followed the Accounting Standards as prescribed under Companies (Accounting Standards) Rules, 2006, as applicable. The Accounting Policies followed by the Company to the extent relevant, are set out elsewhere in this Annual Report.

d. Risk management

The Company has laid down a robust Risk Management Policy, defining Risk profiles involving Strategic, Technological, Operational, Financial, Organisational, Legal and Regulatory risks within a well defined framework. The Risk Management Policy acts as an enabler of growth for the Company by helping its businesses to identify the inherent risks, assess, evaluate and monitor these risks continuously and undertake effective steps to manage these risks.

A Risk Management Committee (RMC) consisting of senior executives of the company periodically reviews the robustness of the Risk Management Policy. The periodical update on the risk management practices and mitigation plan of the Company and subsidiaries are presented to the Audit Committee and Board of Directors. The Audit Committee and Board periodically review such updates and findings and suggest areas where internal controls and risk management practices can be improved.

e. Code of conduct

The Company has adopted the code of conduct and ethics for directors and senior management. The code has been circulated to all the members of the Board and senior management and the same has been put on the Company's website www.rcom.co.in. The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Manager of the Company appointed in terms of the Companies Act, 1956 (i.e. the CEO within the meaning of Clause 49-V of the listing agreement) is given below:

"It is hereby declared that the Company has obtained from all members of the Board and senior management personnel affirmation that they have complied with the code of conduct for directors and senior management of the Company for the year 2010-11".

Hasit Shukla
Manager

f. CEO and CFO certification

Shri Hasit Shukla, President, Company Secretary and Manager, being the CEO and Shri Udayan Maroo, the CFO of the Company give certification on financial reporting and internal controls to the Board as required under Clause 49(V) of the Listing Agreement.

g. Review of Directors' responsibility statement

The Board in its report have confirmed that the annual accounts for the year ended March 31, 2011 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

XII. Policy on insider trading

The Company has formulated a Code of Conduct for Prevention of Insider Trading (Code) in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Board has appointed Shri Hasit Shukla, President, Company Secretary and Manager as the Compliance Officer under the Code responsible for complying with the procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct under the overall supervision of the Board. The Company's Code, inter alia, prohibits purchase and/or sale of shares of the Company by an insider, while in possession of unpublished price sensitive information in relation to the Company and also during certain prohibited periods. The Company's updated Code is available on the Company's website.

XIII. Compliance of Clause 5A of Listing Agreement

Pursuant to clause 5A of the Listing agreement (as amended), equity shares issued in physical and electronic form pursuant to a public issue or any other issue, which remain unclaimed, the registrar shall send at least three reminders at the address given in the application form as well as captured in depository's database asking for the correct particulars. The Registrar has sent three reminder notices to such shareholders. The remaining unclaimed shares will be dematerialised and transferred into one folio under the nomenclature of "Unclaimed Suspense Account" in due course in accordance with the requirement of the listing agreement.

XIV. Compliance with non-mandatory requirements

1. Tenure of independent directors on the Board

The tenure of independent directors on the Board of the Company shall not exceed nine years in aggregate.

2. Nomination / Remuneration Committee

The Board has set up a Nomination / Remuneration Committee, details whereof are furnished at Sr. No. III of this report.

3. Disclosures

The quarterly financial results including summary of significant events of relevant period are published in newspapers and hosted on the website of the Company.

4. Audit qualifications

Strategic decisions were taken during the year resulting in unqualified financial statements of the Company.

5. Training of Board members

A programme has been devised to train Board members in the business model of the Company, risk profile of the business parameters and their responsibilities as directors.

Corporate Governance Report

6. Whistle blower policy

The Company has formulated a policy to prohibit managerial personnel from taking adverse action against employees, who are disclosing in good faith alleged wrongful conduct on matters of public concern involving violation of any law, mismanagement, gross waste or misappropriation of public funds, substantial and specific danger to public health and safety or an abuse of authority. The policy also lays down the mechanism for making enquiry into whistle blower complaint received by the Company.

Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee. Employees knowingly making false allegations of alleged wrongful conduct to the audit Committee shall be subject to disciplinary action. No personnel of the Company have been denied access to the grievance redressal mechanism of the Company.

XV. Corporate Governance Voluntary Guidelines 2009

The Company has ensured substantially compliance with most of the guidelines issued by the Ministry of Corporate Affairs on Corporate Governance in the year 2009,

notwithstanding that they are subject to only voluntary compliance by corporates.

XVI. General shareholder information

The mandatory and various additional information of interest to investors are voluntarily furnished in a separate section on investor information in this annual report.

Auditor's certificate on corporate governance

The Auditors' certificate on compliance of Clause 49 of the listing agreement relating to corporate governance is published elsewhere in this report.

Review of governance practices

We have in this report attempted to present the governance practices and principles being followed at Reliance Communications, as evolved over a period, and as best suited to the needs of our business and stakeholders.

Our disclosures and governance practices are continually revisited, reviewed and revised to respond to the dynamic needs of our business and ensure that our standards are at par with the globally recognised practices of governance, so as to meet the expectations of all our stakeholders.

Investor Information

Annual General Meeting

The 7th Annual General Meeting (AGM) of the Company will be held on Tuesday, September 27, 2011 at 12.00 noon or soon after conclusion of the annual general meeting of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

Financial year of the Company

The financial year of the Company is from April 1 to March 31 each year.

Website

www.rcom.co.in contains a sub-menu on Investor Relations. It carries comprehensive information of interest to our investors including on the results of the company, quarterly report on operations of the Company, transcript of quarterly earning calls, dividends declared by the company, any price sensitive information disclosed to the regulatory authorities from time to time, business activities of the company and the services rendered / facilities extended by the company to our investors.

Dedicated email id for investors

For the convenience of our investors, the Company has designated an email id for investors i.e. rcom.investors@relianceada.com.

Registrar and Transfer Agent (RTA)

Karvy Computershare Private Limited
Unit: Reliance Communications Limited
Madhura Estate, Municipal No. 1-9/13/C
Plot No. 13 & 13C, Madhapur Village
Hyderabad 500 081
Andhra Pradesh

email: rcom@karvy.com

Toll free no. (India) : 1800 4250 999

Telephoe : +91 40 4030 8000

Fax No.: +91 40 2342 0859

Email: rcom@karvy.com

Post your request : <http://kcpl.karvy.com/adag>

Shareholders/Investors are requested to forward share transfer documents, dematerialisation requests (through their Depository Participant) and other related correspondence directly to Karvy Computershare Private Limited at the above address for speedy response.

Dividend announcement

The Board of Directors of the Company has recommended a dividend of Re. 0.50 per Equity Share of ₹ 5 each i.e. 10 per cent for the financial year ended March 31, 2011 subject to the approval by shareholders at the ensuing Annual General Meeting. The dividend, if declared, will be paid after the meeting. Such declaration of dividend is in compliance with the Companies (Declaration of Dividend out of Reserves) Rules, 1975.

Book closure dates for the purpose of dividend and AGM

To determine the entitlement of shareholders to receive the dividend, if any, for the financial year ended March 31, 2011, the Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 19, 2011 to Tuesday, September 27, 2011 (both days inclusive) for the purpose of dividend as well as for the purpose of AGM.

Dividend remittance

Dividend on Equity Shares as recommended by the Board for the financial year ended March 31, 2011, when declared at the Annual General Meeting, will be paid to:

- (i) all those equity shareholders whose names appear in the Register of Members as on September 18, 2011 and
- (ii) those whose names as beneficial owners as on September 18, 2011, as furnished by the National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.

Modes of payment of Dividend

The Dividend is paid under two modes viz:

- (a) Credit to the Bank account via Electronic Clearing Services
- (b) Dispatch of Physical dividend warrant

Investor Information

Payment of dividend through National Electronic Clearing Service (NECS) facility

NECS facility is a centralised version of ECS facility. The NECS system takes advantage of the centralised accounting system in banks. Accordingly, the account of a bank that is submitting or receiving payment instructions is debited or credited centrally at Mumbai. The branches participating in NECS can, however, be located anywhere across the length and breadth of the country. NECS has no restriction of centres or of any geographical area inside the country. Presently around 50,000 branches of 116 banks participate in NECS.

Benefits of NECS (payment through electronic facilities)

Shareholders are advised to avail the payment of dividend through NECS, which has the following advantages:

- Shareholders need not make frequent visits to their bank for depositing the physical paper instruments.
- Prompt credit to the bank account of the investor through electronic clearing.
- Fraudulent encashment of warrants is avoided.
- Exposure to delays / loss in postal service avoided.
- As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.

How to avail of NECS Facility?

Investors holding shares in physical form may send their NECS Mandate Form, duly filled in, to the Company's RTA. The Form may be downloaded from the Company's website www.rcom.co.in under the section "Investor Relations".

However, if shares are held in dematerialised form, NECS mandate has to be sent to the concerned DP directly, in the format prescribed by the DP.

Investors must note that NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS). Therefore, shareholders are requested to furnish the new Bank Account Number allotted by the banks post implementation of CBS, along with a copy of cheque pertaining to the concerned account, to the Company's RTA in case the shares are held in physical form and to the concerned depository participant in case shares are held in demat form. In case shareholders do not provide their new account number allotted after implementation of CBS, the ECS to their old account may either be rejected or returned.

Payment of dividend through Direct Credit

The Company will be appointing one bank as its Dividend banker for distribution of dividend. The said banker will carry out direct credit to those investors who are maintaining accounts with the said bank, provided the bank account details are registered with the DP for dematerialised shares and / or registered with Company's RTA for shares held in physical form prior to the payment of dividend.

NECS Facility may be opted out by investors

Investors have a right to opt out from this mode of payment by giving an advance notice of four weeks, prior to payment of dividend, either to the Company's RTA or to the concerned DP, as the case may be.

Company can not take on record the bank details in case of dematerialised shares

As per the Depository Regulations, the Company is obliged to pay dividend on dematerialised shares as per the bank account details furnished by the concerned Depository. Therefore, investors are requested to keep their bank particulars updated with the Depository Participants.

Bank details for physical shareholdings

In order to provide protection against fraudulent encashment of dividend warrants, members are requested to provide, if not provided earlier, their bank account numbers, bank account type, names and addresses of bank branches, quoting folio numbers, to the registrar and share transfer agents of the company to enable them to incorporate the same on their dividend warrants. This is a mandatory requirement in terms of Securities and Exchange Board of India (SEBI) circular no. D&CC/ FITTC/CIR-04/2001 dated November 13, 2001.

Bank details for electronic shareholdings

While opening Accounts with depository participants (DPs), you may have given your bank accounts details, which will be used by the company for printing on dividend warrants for remittance of dividend. SEBI vide its circular no. DCC/FITTCIR- 3/2001 dated October 15, 2001 has advised that all companies should mandatorily use electronic clearing service (ECS) facility, wherever available. SEBI has also, vide its circular dated November 13, 2001 referred to above, advised companies to mandatorily print the bank account details furnished by the depositories, on the dividend warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the monies in the account specified on the dividend warrants and ensures safety for the investors. However, members who wish to receive dividend in an account other than the one specified while opening the depository account, may notify their DPs about any change in bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their banks to their DPs.

Course of Action in case of Non-receipt of Dividend, Revalidation of Dividend Warrant etc.

Shareholders may write to the Company's RTA, furnishing the particulars of the dividend not received, and quoting the folio number/DPID and Client ID particulars (in case of dematerialised shares). On expiry of the validity period, if the dividend warrant is still shown as unpaid in records of the Company, duplicate warrant will be issued. The Company's RTA would request the concerned shareholder to execute an indemnity before issuing the duplicate warrant. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed.

Shareholders are requested to note that they have to wait till the expiry of the validity of the original warrant before a duplicate warrant is issued to them, since the dividend warrants are payable at par at several centres across the country and the banks do not accept 'stop payment' instructions on the said warrants.

Unclaimed dividend

The Dividend for the following years remaining unclaimed for 7 years from the date of declaration are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and various dates for the transfer of such amounts are as under

Financial Year	Dividend No.	Date of declaration	Due for transfer on
2006-07	1 st	July 17, 2007	August 16, 2014
2007-08	2 nd	September 30, 2008	October 30, 2015
2008-09	3 rd	July 31, 2009	August 30, 2016
2009-10	4 th	September 28, 2010	October 28, 2017

Reliance Communications Limited

Investor Information

Members who have so far not encashed dividend warrant for the aforesaid years are requested to seek issue of duplicate warrant by writing to the Company's Registrar and Transfer Agent, Karvy Computershare Private Limited, immediately.

Members are requested to note that no claims shall lie against the Company or the IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date that it first became due for payment and no payment shall be made in respect of any such claim.

Nomination facility

Individual shareholders holding physical shares can nominate any person/s for the shares held by them. This will save the nominee from going through the lengthy process of getting the shares later on transmitted to his/her name. Shareholders, especially those who are holding shares in single name, are advised to avail of the nomination facility by submitting the prescribed Form 2B to the Company's RTA. Form 2B may be downloaded from the Company's website, www.rcom.co.in under the section "Investor Relations". However, if shares are held in dematerialised form, nomination has to be registered with the concerned DP directly, as per the format prescribed by the DP.

Share transfer system

Shareholders / Investors are requested to send share certificate (s) along with share transfer deed in the prescribed form 7B, duly filled in, executed and affixed with share transfer stamps, to the Company's RTA. If the transfer documents are in order, the transfer of shares is registered within 7 days of receipt of transfer documents by Company's RTA.

Permanent Account Number (PAN) for transfer of shares in physical form mandatory

SEBI vide its Circular dated May 20, 2009 has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company' RTA for registration of such transfer of shares.

Odd lot shares scheme for small shareholders

In view of the difficulty experienced by the shareholders of the Company in selling their odd lot shares in the stock market and to mitigate the hardships caused to them, Reliance Group has framed a scheme for the purchase and disposal of odd lot equity shares at the prevailing market price. The scheme has been launched and is available to the shareholders of Reliance Communications Limited, who hold upto 49 shares in physical form. The shareholders who wish to avail the above facility can contact the Registrar and Transfer Agent of the Company.

Group coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969)

The following persons constitute the Group coming within the definition of 'group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), which exercises, or is established to be in a position to exercise control directly or indirectly, over the Company:

Shri Anil Dhirubhai Ambani, Smt Tina A. Ambani, Smt Kokila D Ambani, Shri Jai Anmol Ambani, Master Jai Anshul Ambani, K D Ambani Trust, Fidelity Shares and Securities Private Limited, Gaylord Investments and Trading Private Limited, Guruvas Textiles Private Limited, Hansdhvani Trading Company Private Limited, KDA Enterprises Private Limited, Shreeji Comtrade LLP, Guruvas Commercials LLP, Shrikrishna Tradecom LLP,

Lord Comtrade LLP, Krupa Commercials LLP, Dhvani Enterprises LLP, Reliance Innoventures Private Limited, AAA Enterprises Private Limited, AAA Communication Private Limited, AAA Project Ventures Private Limited, AAA Power Systems (Global) Private Limited, AAA Pivotal Enterprises Private Limited, AAA Infrastructure Consulting & Engineers Private Limited, AAA Entertainment Private Limited, AAA Industries Private Limited, AAA & Sons Enterprises Private Limited, AAA International Capital Private Limited, AAA Business Machines Private Limited, AAA Infrastructure Finance Management Private Limited, AAA Corporation Private Limited, AAA Facilities Solutions Private Limited, AAA Resources Private Limited, AAA Home Entertainment Services Private Limited, AAA Micro Services Private Limited, AAA Integrated Services Private Limited, AAA Electrical Power Development Private Limited, Atlanta Advisory Services Private Limited, AAA Industrial Services Private Limited, AAA Utility Ventures Private Limited, AAA Commercial Enterprises Private Limited, Relcom Software Solutions Private Limited, AAA Capital Consultants Private Limited, Aricent Commercial Services Private Limited, AAA Engineering Services Private Limited, Acerock Infrastructure & Consulting Private Limited, Sealink Infra Technology Private Limited, Ambani Enterprises Private Limited, Dhirubhai Ambani Enterprises Private Limited, Quadro Mercantile Private Limited, AAA Multivision Services Private Limited, Whitehills Mercantile Private Limited, Whitehills Corporate Services Private Limited, AAA Cinecreation Services Private Limited, Alsoft Techventures Private Limited, AAA Allied Services Private Limited, AAA Infra Advising Services Private Limited, AAA Advertisement Private Limited, AAA Evershine Entertainment Private Limited, Jumbo Mercantile Private Limited, Atlantic Ventures Private Limited, Microtech Development Private Limited, AAA Illuminative Solutions Private Limited, ADA Enterprises and Ventures Private Limited, Ambani Industries Private Limited, Reliance Enterprises and Ventures Private Limited, Shreenathji Krupa Project Management Private Limited, Shriji Krupa Endeavour Management Private Limited, Solaris Information Technologies Private Limited, Sevenstar Corporate Services Private Limited, Ariel Trading Private Limited, Trans-Pacific Advisory Services Private Limited, Trans-Americas Enterprise Private Limited, Trans-Atlantic Endeavour Management Private Limited, AAA Communication Partners, AAA Enterprises Partners, AAA Project Ventures Partners, AAA Project Ventures Holdings Partners, RCOM Holdings Partners, RCap Holdings Partners, RPower Holdings Partners, RInfra Holdings Partners, Reliance Innoventures Partners, Reliance ADA Group Holdings Partners, AAA Infrastructure Investments Private Limited, AAA Enterprises and Ventures Private Limited, AAA Telecom Holdings Private Limited, AAA Commercial Enterprises Private Limited, Deltainfra Technology Private Limited, Trans-Pacific Holdings Private Limited, Reliance ADA Group Trustees Private Limited, Reliance Capital Limited, Reliance General Insurance Company Limited, Reliance Land Private Limited, Reliance Infrastructure Limited, Reliance Power Limited, Reliance Media works Limited, Reliance Broadcast Network Limited.

The above disclosure has been made, inter alia, for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Investor Information

Shareholding Pattern:

Sr No.	Category	As on 31.03.2011		As on 31.03.2010	
		No of Shares	%	No. of shares	%
1	Promoters	1400730060	67.86	1394920060	67.58
2	Foreign Holdings				
	A. Foreign holdings – GDRs	12803701	0.62	12397463	0.60
	B. Direct By Foreign Companies	263673	0.01	281474	0.01
	C. Individual and Others	14683395	0.71	14612849	0.71
	D. Foreign Institutional Investors	168077518	8.15	158680969	7.69
	Sub-Total	195828287	9.49	185972755	9.01
3	Public Financial/ Development Institutions and Central and State Government owned Institutions holdings	206222879	9.99	214747801	10.40
4	Bank and Mutual Funds	21466115	1.04	36405376	1.76
5	General Public	239779540	11.62	231980889	11.25
	Total	2064026881	100.00	2064026881	100.00

Notes:

- a. The outstanding Foreign Currency Convertible Bonds issued by the Company, if converted into the Equity Shares of the Company, would result in increase to the paid up Equity Share Capital of the Company by 6,17,25,849 Equity Shares each of ₹ 5/-.
- b. The outstanding options are 72,09,506 options exercisable into equal number of fully paid up Equity Shares of the Company granted to the Eligible employees under ESOS Plan 2008 and 2009.

Distribution of shareholding

Number of Shares	Number of Shareholders as on 31.03.2011		Total Shares as on 31.03.2011		Number of Shareholders as on 31.03.2010		Total Shares on 31.03.2010	
	Number	%	Number	%	Number	%	Number	%
Upto 500	2071339	98.69	176001451	8.52	2094010	96.82	144780909	7.01
501 to 5000	25925	1.24	57917578	2.81	65887	3.05	74332430	3.60
5001 to 100000	1287	0.06	42692665	2.07	2702	0.12	42044696	2.04
100001 and above	192	0.01	1787415187	86.60	308	0.01	1802868846	87.35
Total	2098743	100.00	2064026881	100.00	2162907	100.00	2064026881	100.00

Dematerialisation of shares

The Company has admitted its shares to the depository system of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of Shares. The International Securities Identification Number (ISIN) allotted to the Company is INE 330H01018. The equity shares of the Company are compulsorily traded in dematerialised form as mandated by SEBI.

Out of total 206,40,26,881 equity shares, 201,50,05,343 equity shares constituting 97.62 per cent of total equity share capital are held in dematerialized form with NSDL and CDSL as on March 31, 2011.

Electronic holdings			Physical Holding			Total		
No. of Beneficial Owners	No. of Shares	%	No. of Folios	No. of Shares	%	No of Shareholders	No of Shares	%
1223502	2015005343	97.62	875241	49021538	2.38	2098743	2064026881	100.00

Investors' grievances attended:

Received from	Received during		Redressed during		Pending as on	
	2010-2011	2009-2010	2010-2011	2009-2010	31.3.2011	31.3.2010
SEBI	28	26	28	26	Nil	Nil
Stock Exchanges	29	24	29	24	Nil	Nil
NSDL/CDSL	0	4	0	4	Nil	Nil
Direct from investors	11	195	11	195	Nil	Nil
Total	68	249	68	249	Nil	Nil

Reliance Communications Limited

Investor Information

Analysis of grievances

	2010-2011		2009-2010	
	Numbers	Percentage	Numbers	Percentage
Non Receipt of Annual Reports	13	19.12	7	2.81
Non-receipt of dividend warrants	31	45.59	185	74.30
Non credit of shares	0	0.00	0	0.00
Non-receipt of share certificates	24	35.29	57	22.89
Others	0	0.00	0	0.00
Total	68	100.00	249	100.00

There were no complaint pending as on March 31, 2011.

Notes:

1. Investors queries / grievances are normally attended within a period of 3 days from the date of receipt thereof, except in cases involving external agencies or compliance with longer procedural requirements specified by the authorities concerned.
2. The shareholder base was 20,98,743 as of March 31, 2011 and 21,62,907 as of March 31, 2010.

Investor's queries/ grievances are normally attended within a period of three days from the date of receipt thereof, except in cases involving external agencies or compliance with longer procedural requirements specified by the authorities concerned. The queries and grievances received correspond to 0.003 per cent of the number of members.

Green Initiative in Corporate Governance

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. In accordance with the recent circular no. 17/2011 dated April 21, 2011 and circular no. 18/2011 dated April 29, 2011 issued by the Ministry, Companies can now send various notices and documents, including Annual Report, to its shareholders through electronic mode to the registered e- mail addresses of shareholders. This welcome initiative of MCA will reduce paper consumption to a great extent and enhance corporate contribution to a greener and safer environment.

All shareholders of the Company can contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode to their registered e- mail address.

Company had informed all the shareholders who have registered their email address with the depository/ Company for their consent to use their email address for sending documents including Annual Report through email. Company has sent annual report to the shareholders who have registered their email address with the Registrar. The shareholders who hold shares in physical form can register their email address with our Registrar and Transfer Agent - Karvy Computershare Private Limited.

All the shareholders are requested to contribute to this initiative and reduce paper usage by opting to receive various notices and documents through electronic mode to their registered e- mail address with the depository/ Company.

Legal proceedings

There are certain pending cases relating to disputes over title to shares, in which the Company is made a party. These cases are however not of material in nature.

Equity capital build up

Sr No	Date	Particulars	Issue Price (₹)	No. of Shares	Cumulative (No. of Shares)
1	16.07.2004	Allotted upon Incorporation	10	10000	10000
2	25.07.2005	Additional issue of shares	10	40000	50000
3	11.08.2005	Sub division equity shares of ₹10 into ₹ 5 per share	N.A	100000	100000
4	27.01.2006	Allotment pursuant to Scheme of Arrangement	N.A	1223130422	1223230422
5	27.01.2006	Cancelled pursuant to Scheme	N.A	(100000)	1223130422
6	14.09.2006	Allotment pursuant to Scheme of Arrangement	N.A	821484568	2044614990
7	18.10.2007 to 31.01.2008	Conversion of FCCBs	480.68/ 661.23	19411891*	2064026881

* Of above 667,090 shares were converted @ ₹ 661.23 on 31.10.2007.

Stock Exchange listings

The Company's equity shares are actively traded on the BSE and NSE.

A. Stock Exchanges on which the shares of the Company are listed

1. National Stock Exchange of India Limited (NSE)
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051
Telephone : +91 22 2659 8235 / 8236 / 8100 - 8114
Fax : +91 22 2659 8237 - 38
e-mail : cmlist@nse.co.in
Website : www.nseindia.com

2. Bombay Stock Exchange Limited (BSE)
Phiroze Jeejeebhoy Towers,
Dalal Street,
Fort, Mumbai 400 001
Telephone : +91 22 2272 1233 - 34
Fax : +91 22 2272 1919
e-mail : corp.relations@bseindia.com
Website : www.bseindia.com

Investor Information

- B. GDRs of the Company are listed on Luxembourg Stock Exchange (LSE)
Société de la Bourse de Luxembourg
11, avenue de la Porte-Neuve, L-2227 Luxembourg
Telephone : +352 47 79 36 -1
Fax : +352 47 32 98
e-mail : info@bourse.lu
Website : www.bourse.lu
- C. Zero per cent foreign currency convertible bonds are listed on Singapore Exchange Securities Trading Limited (SGX-ST)
2 Shenton Way, #19-00 SGX Centre 1
Singapore 068804
Telephone : +65 6236 8888
Fax : +65 6236 8888
Website : www.sgx.com
- D. Depository for GDR holders
1. Depository
Deutsche Bank Trust
Company Americas, 60
Wall Street, New York – 10005
Telephone : +1 212 250 9100
Fax : +1 212 797 0327
 2. Custodian
Deutsche Bank AG
Mumbai Branch
222, Kodak House, Post Box No.1142,
Fort, Mumbai – 400001
- The listing fees payable to BSE and NSE for 2011-12, SGX-ST for 2011 and LSE for 2011 have been paid in full by the Company.
- E. Debt Securities:
11.20% Secured Redeemable Non-Convertible Debentures of the Company are listed on the Wholesale Debt Market(WDM) Segment of BSE and NSE.
Debenture Trustees :
Axis Trustee Services Limited
Maker Towers, F Wing, 6th Floor,
Cuffe Parade, Colaba, Mumbai – 400 005
Telephone : +91 22 6707 1310
Fax : +91 22 2216 2467

Stock codes

	Physical	Electronic
BSE (Equity shares)	532712	INE330H01018
NSE (Equity shares)	RCOM	INE330H01018
Non convertible Debentures (BSE)	946049	INE330H07015
Non convertible Debentures (NSE)	RCOM19	INE330H07015
Singapore Stock Exchange (FCCBs US\$ 1 Billion)	N.A.	XS0286677447

Security codes of GDRs

	Master Rule 144A GDRs	Master Regulation S GDRs
CUSIP	75945T106	75945T205
ISIN	US75945T1060	US75945T2050
Common Code	025317530	025317645

Note: The GDRs are admitted to listing on the official list of the Luxembourg Stock Exchange and trading on the Euro MTF market. The Rule 144A GDRs have been accepted for clearance and settlement through the facilities of DTC, New York. The Regulation S GDRs have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream, Luxembourg. The Rule 144A GDRs have been designated as eligible for trading on PORTAL.

An Index Scrip: Equity shares of the Company are included in S & P CNX Nifty index, CNX 100, S&P CNX500 and Futures and Options trading. BSE 30, BSE 100, BSE 200, BSE 500.

Outstanding GDRs of the Company, conversion date and likely impact on equity

Outstanding GDRs as on March 31, 2011 represent 12803701 equity shares constituting 0.62 per cent of the paid-up equity share capital of the Company.

Stock price and volume

Month	Bombay Stock Exchange			National Stock Exchange		
	Highest ₹	Lowest ₹	Volume Nos.	Highest ₹	Lowest ₹	Volume Nos.
April, 2010	181.20	163.05	14,935,953	181.45	163.15	47,013,035
May, 2010	166.45	131.80	29,115,109	166.45	131.50	102,351,908
June, 2010	204.75	138.35	115,738,966	207.80	138.00	352,006,392
July, 2010	197.00	177.60	31,838,715	197.40	177.30	126,855,296
August, 2010	181.45	155.00	16,384,475	181.40	155.00	73,100,563
September, 2010	177.75	157.00	20,636,768	176.75	156.50	97,313,569
October, 2010	188.50	166.70	22,842,640	188.00	166.20	99,006,307
November, 2010	186.45	123.05	26,535,874	186.40	123.00	102,909,342
December, 2010	145.85	119.75	37,011,199	146.30	119.50	133,208,825
January, 2011	149.90	121.25	23,744,391	150.00	121.05	96,855,078
February, 2011	125.20	85.20	81,421,539	125.05	85.00	237,062,721
March, 2011	111.95	74.65	89,361,152	111.75	84.25	281,252,593

Reliance Communications Limited

Investor Information

Share Price Performance in comparison to broad based indices - BSE Sensex and NSE Nifty as on March 31, 2011

Period	RCOM	Sensex	Nifty
FY 2010-11	-36.91	10.94 per cent	11.14 per cent
2 years	-38.32	100.29 per cent	93.11 per cent
3 years	-78.81	24.29 per cent	23.22 per cent

Depository services

For guidance on depository services, shareholders may write to the Registrar and Transfer Agent (RTA) of the Company or National Securities Depository Limited, Trade World, 5th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013, Telephone : +91 22 2499 4200, Fax: +91 22 2497 2993 / 2497 6351, e-mail: info@nsdl.co.in, website: www.nsdl.com or Central Depository Services (India) Limited, Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Mumbai 400023. Telephone: +91 22 2272 3333 Fax: +91 22 2272 3199 / 2072, website: www.cdslindia.com, email: investors@cdslindia.com.

Communication to members

The quarterly Financial Results of the Company are announced within 45 days of the end of the respective quarter. The Company's Media Releases and details of significant developments are also made available on the Company's website www.rcom.co.in. These are also published in leading newspapers.

Reconciliation of share capital audit

The Securities and Exchange Board of India has directed vide Circular No. D&CC/ FITTC/CIR-16/2002 dated December 31, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued / paid-up capital.

The said certificate, duly certified by the Chartered Accountants is submitted to the Stock Exchanges where the securities of the Company are listed within 30 days of the end of each quarter and the Certificate is also placed before the Board of Directors of the Company.

Key Financial Reporting Dates for the Financial Year 2011-12

Unaudited results for the first quarter ended June 30, 2011	: On or before August 13, 2011
Unaudited results for the second quarter / half year ended September 30, 2011	: On or before November 14, 2011
Unaudited results for the third quarter ended December 31, 2011	: On or before February 14, 2012
Audited results for the financial year 2011-12	: On or before May 30, 2012

Investors' correspondence may be addressed to the Registrar / Compliance Officer of the Company:

Shareholders/Investors are requested to forward documents related to share transfer, dematerialisation requests (through their respective Depository Participant) and other related correspondence directly to Karvy Computershare Private Limited at the below mentioned address for speedy response.

Karvy Computershare Private Limited
Unit: Reliance Communications Limited
Madhura Estate, Municipal No. 1-9/13/C,
Plot No. 13 & 13C, Madhapur Village,
Hyderabad 500 081
Andhra Pradesh, India

Shareholders / Investors can also send the above correspondence to the Compliance Officer of the Company at the following address:

The Company Secretary
Reliance Communications Limited
H Block, 1st Floor, Dhirubhai Ambani Knowledge City,
Mumbai 400 710
Telephone : +91 22 3038 6286
Fax : +91 22 3037 6622
Email : RCOM.investors@relianceada.com

Plant locations

The Company is engaged in the business of providing telecommunications services and as such has no plant.

Auditors' Report on Abridged Accounts

**To
The Members of
Reliance Communications Limited**

We have examined the attached abridged Balance Sheet of Reliance Communications Limited ('the Company'), as at 31st March 2011 and also the abridged Profit and Loss account and abridged Cash flow statement for the year ended on that date annexed thereto, together with the significant accounting policies and notes thereon. These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the audited accounts of the Company for the year ended 31st March 2011 prepared in accordance with the provisions of Section 211 of the Companies Act, 1956

and covered by our report of even date to the members of the Company, which is attached hereto.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No: 101720W

For **B S R & Co.**
Chartered Accountants
Firm Reg. No: 101248W

C. D. Lala
Partner
Membership No: 35671
Mumbai
30 May 2011

Bhavesh Dhupelia
Partner
Membership No: 042070

Auditors' Report

**To
The Members of
Reliance Communications Limited**

- 1 We have audited the attached Balance Sheet of Reliance Communications Limited ('the Company') as at 31 March 2011 and also the Profit and Loss Account and the Cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Further to our comments in the Annexure referred to in the paragraph 3 above, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

- (d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (e) on the basis of written representations received from the directors of the Company as at 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2011 from being appointed as a director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
- (f) in our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
 - (ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No: 101720W

For **B S R & Co.**
Chartered Accountants
Firm Reg. No: 101248W

C. D. Lala
Partner
Membership No: 35671
Mumbai
30 May 2011

Bhavesh Dhupelia
Partner
Membership No: 042070

Reliance Communications Limited

Annexure to the Auditors' Report – 31 March 2011

With reference to the Annexure referred to in the Auditors' Report to the Members of Reliance Communications Limited ('the Company') on the financial statements for the year ended 31 March 2011, we report the following:

1. (a) The Company is in the process of updating its fixed asset register including, to give effect to the assets transferred on demerger of the optical fibre undertaking and the passive infrastructure to a subsidiary company.
- (b) We are informed that the Company physically verifies its assets over a three year period, except for base trans-receiver stations. We are informed that these assets are under continuous operational surveillance at National Network Operating Centre and are therefore not separately physically verified. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this policy, the Company has physically verified certain fixed assets during the year.
- (c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.
2. (a) The inventory has been physically verified by management during the current year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. Discrepancies identified on physical verification of inventories as compared to book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
4. In our opinion, and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements for which suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of services. In our opinion, activities of the Company do not involve sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control system.
5. In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 in respect of telecommunication activities and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Wealth Tax, Income Tax, Service Tax, Customs Duty, Sales Tax, Entry Tax, Employees' State Insurance and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Excise Duty and Investor Education and Protection Fund. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Wealth Tax, Income Tax, Service Tax, Customs Duty, Sales Tax, Entry Tax, Employees' State Insurance and other material statutory dues were in arrears as at 31 March 2011 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income Tax, Wealth Tax, Service Tax, Customs Duty, Employees' State Insurance which have not been deposited on account of any dispute. The dues of Excise Duty, Sales Tax and Entry Tax as disclosed below have not been deposited by the Company on account of disputes.

Name of the Statute	Nature of the Dues	Amount (Rs crores)	Period to which the amount relates	Forum where dispute is pending
The Central Excise and Salt Act, 1944	Excise duty	2.08	2002-04	Tribunal
Entry Tax Act, Uttar Pradesh	Entry Tax	0.13	2003-04	Trade Tax Tribunal, Lucknow
Trade Tax Act, Uttar Pradesh	Sales Tax	0.93	2004-05	Trade tax Tribunal, (Appeals)
		10.53	2005-06	Joint Commissioner (Appeals)
		0.24	2003-04	Trade Tax Tribunal, Lucknow

Annexure to the Auditors' Report – 31 March 2011

Name of the Statute	Nature of the Dues	Amount (Rs crores)	Period to which the amount relates	Forum where dispute is pending
Entry Tax Act, Madhya Pradesh	Entry Tax	0.29	2002-03	Deputy Commissioner of Appeals (Commercial Taxes)
		0.20	2003-04	Deputy Commissioner of Appeals (Commercial Taxes)
		0.16	2005-06	Deputy Commissioner of Appeals (Commercial Taxes)
		0.15	2006-07	Deputy Commissioner of Appeals (Commercial Taxes)
		0.65	2007-08	Deputy Commissioner of Appeals (Commercial Taxes)
Punjab VAT Act	VAT	0.01	2007-08	Deputy Commissioner (Appeals)
Entry Tax Act, Chhattisgarh	Entry Tax	0.03	2003-04	Deputy Commissioner (Appeals) (Commercial Taxes)
Uttarakhand VAT Act	VAT	0.01	2005-06	Deputy Commissioner of Commercial Taxes
West Bengal VAT Act	VAT	1.49	2005-06	First appellate authority
		1.80	2006-07	First appellate authority
		2.40	2007-08	Deputy Commissioner of Sales Tax
Entry Tax Act, Rajasthan	Entry tax	0.03	2005-06	Deputy Commissioner of Appeals (Commercial Taxes)
		10.78	2007-08	Deputy Commissioner of Appeals (Commercial Taxes)
		10.59	2008-09	Deputy Commissioner of Appeals (Commercial Taxes)
Delhi VAT Act	VAT	36.48	2007-08	Commissioner (Appeals)
Maharashtra Sales Tax	Sales Tax	4.79	2004-05	Deputy Commissioner of Sales tax
West Bengal, CST	CST	0.21	2007-08	Deputy Commissioner of Sales Tax
Punjab VAT Act	VAT	0.05		First appellate authority

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or debenture holders or to any financial institutions.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by wholly owned subsidiaries and other companies with whom the Company has business dealings, from banks or financial institutions are not prejudicial to the interest of the Company.
16. In our opinion and according to the information and explanations given to us and examination of the records of the Company by us, the term loans taken by the Company have been applied for the purpose for which they were raised except portion of term loans availed as at the end of the year is kept in bank, to be applied for the purpose for which it was obtained.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investment.
18. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, the Company has created security in respect of debentures issued.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no significant fraud on or by the Company, that causes a material misstatement to the financial statements, has been noticed or reported during the year.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No: 101720W

For **B S R & Co.**
Chartered Accountants
Firm Reg. No: 101248W

C. D. Lala
Partner
Membership No: 35671
Mumbai
30 May 2011

Bhavesh Dhupelia
Partner
Membership No: 042070

Reliance Communications Limited

Abridged Balance Sheet as at 31st March, 2011

(Statement containing the salient features of Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956)

	As at 31st March, 2011	(₹ in crore) As at 31st March, 2010
SOURCES OF FUNDS		
Shareholders' Funds		
(a) Capital		
(i) Equity Capital (Refer Note 2, Notes on Accounts)	1 032.01	1 032.01
(b) Reserves and Surplus		
(i) Capital Reserve	0.05	0.05
(ii) Debenture Redemption Reserve	81.94	81.94
(iii) Securities Premium Account (Refer Note 2 (i),(ii),(vi) and 4 (i), Notes on Accounts)	8,581.51	8,882.63
(iv) General Reserve I (Refer Note 4 (ii), Notes on Accounts)	5,538.00	5,538.00
(v) General Reserve II (Refer Note 4 (iii), Notes on Accounts)	2,785.21	2,785.21
(vi) General Reserve III (Refer Note 4 (iv), (vi) and 5 (iii), Notes on Accounts)	28,838.66	30,229.81
(vii) Reserve for Business Restructuring (Refer Note 4 (v), Notes on Accounts)	1,287.10	1,287.10
(viii) Surplus in Profit and Loss Account	-	662.14
	47,112.47	49,466.88
Loan Funds		
(a) Non Convertible Debentures	3,000.00	3,000.00
(b) Secured Loans (Other than Debentures)	12,226.02	-
(c) Unsecured Loans (Refer Note 2, Notes on Accounts)	16,226.72	21,478.28
TOTAL	79,597.22	74,977.17
APPLICATION OF FUNDS		
Fixed Assets		
(a) Net Block (Original Cost Less Depreciation)	28,840.90	30,612.48
(b) Capital Work-in-Progress	9,907.66	1,683.52
	38 748.56	32,296.00
Investments		
(a) Government Securities - Quoted (Market Value ₹ 0.28 crore (Previous year ₹ 0.29 crore))	0.28	0.29
(b) Government Securities - Unquoted	0.01	0.01
(c) Investment in Subsidiary Companies - Unquoted	32,079.53	31,875.99
(d) Others - Unquoted	22.31	22.31
	32,102.13	31,898.60
Current Assets, Loans and Advances		
(a) Inventories	306.11	298.34
(b) Sundry Debtors	1,969.25	1,738.63
(c) Cash and Bank Balances	3,813.21	82.18
(d) Other Current Assets		
(i) To Subsidiary Companies	741.74	557.16
(ii) To Others	1,369.08	1,371.56
(e) Loans and Advances		
(i) To Subsidiary Companies (Refer Note 19, Notes on Accounts)	6,955.85	12,390.32
(ii) To Others	3,998.58	3,567.75
	19,153.82	20,005.94
Less: Current Liabilities and Provisions		
(a) Current Liabilities (Refer Note 17, Notes on Accounts)	7,551.94	5,836.53
(b) Provisions (Refer Note 4 (vi) and 8, Notes on Accounts)	2,855.35	3,386.84
	10,407.29	9,223.37
Net Current Assets	8,746.53	10,782.57
TOTAL	79,597.22	74,977.17

Refer Significant Accounting Policies

Refer Notes on Accounts

Compiled from the Audited Accounts of the Company referred to in our Report dated 30th May, 2011

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

C. D. Lala
Partner
Membership No. 35671
Mumbai
30th May, 2011

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

Bhavesh Dhupelia
Partner
Membership No. 042070

For and on behalf of the Board
Chairman

Directors

President, Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Hasit Shukla

Abridged Profit and Loss Account for the year ended 31st March, 2011

(Statement containing the salient features of Profit and Loss Account as per Section 219(1)(b)(iv) of the Companies Act, 1956)

	For the year ended 31st March, 2011	(₹ in crore) For the year ended 31st March, 2010
I INCOME		
Service Revenue (net of Service Tax)	11,989.19	12,080.98
Other Operating Income (net of Service Tax)	140.58	209.63
Other Income	484.25	221.11
	<u>12,614.02</u>	<u>12,511.72</u>
II EXPENDITURE		
Access Charges, License Fees and Network Expenses (Refer Note 22, Notes on Accounts)	9,327.66	9,017.64
Selling Expenses (Refer Note 22, Notes on Accounts)	958.32	974.96
Salary, Wages and Other Employee Benefits (Refer Note 16 and 22, Notes on Accounts)	607.83	671.05
Managerial Remuneration	0.24	0.74
Commission to Non Executive Directors (Refer Note 8 (i) and (ii), Notes on Accounts)	-	0.60
Financial Charges (Net)	178.11	(1,058.38)
(Includes Financial Income of ₹ Nil and Interest Income of ₹ 668.18 crore (Previous year Financial Income of ₹ 152.42 crore and Interest Income of ₹ 577.11 crore))		
Depreciation and Amortisation	2,855.62	2,795.22
Depreciation adjusted against Provision for Business Restructuring (Refer Note 4 (vi), Notes on Accounts)	(86.39)	(107.50)
Depreciation adjusted against General Reserve III (Refer Note 4 (vi), Notes on Accounts)	(1,174.96)	(1,176.48)
Auditors' Remuneration (Refer Note 11, Notes on Accounts)	6.41	7.36
Provision for Doubtful Debts, Loans and Advances	130.84	108.78
General Administration Expenses (Refer Note 22, Notes on Accounts)	676.58	639.91
Profit/ (Loss) before Exceptional Items and Tax	<u>(866.24)</u>	<u>637.82</u>
Exceptional Items (Refer Note 21, Notes on Accounts)		
Stamp Duty paid on demerger	-	25.00
Amortisation/ (write back) of Compensation under Employee Stock Option Scheme	(6.73)	(6.65)
III Profit/ (Loss) Before Tax and Adjustments	<u>(859.51)</u>	<u>619.47</u>
IV Provision for		
- Current Tax	-	140.54
- Short/(Excess) provisions for tax of earlier years	(101.52)	-
V Profit/ (Loss) After Tax and Before Adjustments	<u>(757.99)</u>	<u>478.93</u>
Investments in Global Innovative Solutions Private Limited written off	1.00	-
Equivalent amount withdrawn from General Reserve III (Refer Note 5 (iii), Notes on Accounts)	(1.00)	-
VI Profit/ (Loss) After Tax and Adjustments	<u>(757.99)</u>	<u>478.93</u>
Add : Balance Brought Forward from Previous year	662.14	502.75
Amount available for Appropriations	<u>(95.85)</u>	<u>981.68</u>
VII APPROPRIATIONS		
Transferred to Debenture Redemption Reserve (Refer Note 23, Notes on Accounts)	-	74.96
Transferred to/ (from) General Reserve III (Refer Note 24, Notes on Accounts)	(216.19)	40.00
Proposed Dividend on Equity Shares	103.20	175.44
Tax on Proposed Dividend	17.14	29.14
Balance carried to Balance Sheet	<u>-</u>	<u>662.14</u>
Earnings per Share of face value of ₹ 5 each fully paid up (before Exceptional Items) (Refer Note 18, Notes on Accounts)		
- Basic (₹)	(3.70)	2.41
- Diluted (₹)	(3.70)	2.31
Earnings per Share of face value of ₹ 5 each fully paid up (after Exceptional Items) (Refer Note 18, Notes on Accounts)		
- Basic (₹)	(3.67)	2.32
- Diluted (₹)	(3.67)	2.22

Refer Significant Accounting Policies

Refer Notes on Accounts

Compiled from the Audited Accounts of the Company referred to in our Report dated 30th May, 2011

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

For and on behalf of the Board
Chairman

Anil D. Ambani

C. D. Lala
Partner
Membership No. 35671

Bhavesh Dhupelia
Partner
Membership No. 042070

Directors

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Mumbai
30th May, 2011

President, Company Secretary and Manager

Hasit Shukla

Reliance Communications Limited

Cash Flow Statement annexed to Abridged Balance sheet for the year ended 31st March, 2011

	For the year ended 31st March, 2011	(₹ in crore) For the year ended, 31st March, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/ (Loss) before tax as per Profit and Loss Account	(859.51)	619.47
Adjusted for:		
Provision for Doubtful Debts	130.84	108.78
Depreciation and Amortisation	1,594.27	1,511.24
Exceptional and Non Recurring items		
- Employee Compensation Expenses (ESOS)	(6.73)	(6.65)
- Discount on buyback of FCCBs	-	(24.49)
Effect of Foreign Exchange Rate Change	(240.96)	(2,044.98)
Writeback of Provision towards Disputed Liabilities	-	(190.52)
Profit on Sale of Assets and Capital Work-in-Progress	(426.16)	-
Profit on Sale of Investments	(19.09)	(0.24)
Interest Expenses and Finance Charges	712.17	1,113.13
Rent Income	(2.92)	(2.92)
Interest Income	(643.12)	(577.11)
Operating Profit before Working Capital Changes	238.79	505.71
Adjusted for:		
Receivables and Other Advances	(635.39)	(648.63)
Inventories	(7.77)	(45.20)
Trade Payables	1,098.13	1,297.82
Cash Generated from Operations	693.76	1,109.70
Tax Refund	254.04	204.73
Tax Paid	(222.24)	(239.00)
Net Cash from Operating Activities	725.56	1,075.43
B CASH FLOW FROM INVESTING ACTIVITIES		
Additions to Fixed Assets and Capital Work-in-Progress	(8,745.75)	(843.36)
Sale of Fixed Assets and Capital Work-in-Progress	207.42	-
Purchase of Investments	(17,572.94)	(3,814.28)
Redemption of Investments	19,890.80	2,842.05
Refund of Loans given to Subsidiaries	31,447.38	47,955.13
Loans given to Subsidiaries	(28,512.92)	(42,385.00)
Rent Income	2.92	2.92
Interest Income	482.15	581.86
Net Cash used in/(from) Investing Activities	(2,800.94)	4,339.32
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from/ (Repayment of) Short Term Borrowings (net)	4,016.21	(2,527.35)
Proceeds from Secured/ Unsecured Term Loans	5,186.51	2,428.07
Repayment of Secured/ Unsecured Term Loans	(2,129.24)	(4,422.88)
Dividend Paid (including Tax)	(202.47)	(191.12)
Interest Paid (includes interest capitalised ₹ 355.09 crore)	(1,063.89)	(1,155.38)
Net Cash used in/(from) Financing Activities	5,807.12	(5,868.66)
Net Increase/ (Decrease) in Cash and Cash Equivalents	3,731.74	(453.91)
Opening Balance of Cash and Cash Equivalents	82.18	535.15
Cash and Cash Equivalents acquired on Scheme of Amalgamation and Arrangement (Refer Note 5, Notes on Accounts)	0.02	-
Effect of Exchange (Loss)/Gain on Cash and Cash Equivalents	(0.73)	0.94
Closing Balance of Cash and Cash Equivalents	3,813.21	82.18

Notes

- Figures in brackets indicate cash outgo.
- Cash and cash equivalents includes cash on hand and bank balances including Fixed Deposits.
- During the year, 2,50,00,000, 8% Redeemable, Non Convertible, Non Cumulative Preference Shares of ₹ 10/- each at a premium of ₹ 990 per share acquired from Reliance Infratel Limited by adjusting Loan amounting to ₹ 2,500 crore have not been considered in the above Statement.

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

C. D. Lala
Partner
Membership No. 35671
Mumbai
30th May, 2011

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

Bhavesh Dhupelia
Partner
Membership No. 042070

For and on behalf of the Board
Chairman

Directors

President, Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Hasit Shukla

Significant Accounting Policies to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

1 Basis of Preparation of Financial Statements

The Financial Statements are prepared under historical cost convention and fair valuation under scheme approved by the High Court, in accordance with the generally accepted accounting principles (GAAP) in India and provisions of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006 (Accounting Standard Rules) as well as applicable pronouncements of the Institute of Chartered Accountants of India (the ICAI).

2 Use of Estimates

The preparation and presentation of Financial Statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent 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 is recognised in the period in which the results are known/ materialised.

3 Fixed Assets

- (i) Fixed Assets are stated at cost/ fair value net of Modvat/ Cenvat, Value Added Tax and include amount added on revaluation less accumulated depreciation, amortisation and impairment loss, if any.
- (ii) All costs including financing cost of qualifying assets till commencement of commercial operations, net charges of foreign exchange contracts and adjustments arising up to March 31, 2007 from exchange rate variations, relating to borrowings attributable to fixed assets, are capitalised.
- (iii) Expenses incurred relating to project, prior to commencement of commercial operation, are considered as project development expenditure and shown under Capital Work-in-Progress.
- (iv) Telecom Licenses are stated at fair value less accumulated amortisation.
- (v) Indefeasible Rights of Connectivity (IRC) are stated at cost less accumulated amortisation.

4 Lease

In respect of Operating Leases, lease rentals are expensed on straight line basis with reference to lease terms and considerations except for lease rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalised.

5 Depreciation/ Amortisation

- (i) 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 case of the following assets which are depreciated as given below.
 - (a) Telecom Electronic Equipments - 18 years
 - (b) Furniture, Fixtures and Office Equipments - 10 years
 - (c) Customer Premises Equipments - 3 years
 - (d) Vehicles - 5 years
 - (e) Ducts and Cables - 18 years
- (ii) Leasehold Land is depreciated over the period of the lease term.
- (iii) Intangible assets, namely Telecom Licenses and Brand Licence are amortised equally over the period of Licenses. IRC and Software are amortised from the date of acquisition or commencement of commercial services, whichever is later. The life of amortisation of the intangible assets are as follows.
 - (a) Telecom Licenses - 12.5 to 20 years
 - (b) Brand License - 10 years
 - (c) Indefeasible Right of Connectivity - 15, 20 years
 - (d) Software - 5 years
- (iv) Depreciation on additions is calculated pro rata from the following month of addition.

6 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 recognised in prior accounting period is increased/ reversed where there has been change in the estimate of recoverable value. The recoverable value is the higher of the assets' net selling price and value in use.

7 Investments

Current Investments are carried at lower of cost and market value computed Investment wise. Long Term Investments are stated at cost or fair value as required under order of the High Court. 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.

8 Inventories of Stores and Spares

Inventories of stores and spares are accounted for at cost, determined on weighted average basis or net realisable value, whichever is less.

9 Employee Benefits

Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period.

Long term employee benefits

(i) Defined contribution plan

The Company's contribution towards Employees' Superannuation Plan is recognised as an expense during the period in which it accrues.

(ii) Defined benefit plans

Provident Fund

Provident Fund contributions are made to a Trust administered by the Trustees. Interest payable to the Provident Fund members, shall not be at a rate lower than the statutory rate. Liability is recognised for any shortfall in the income of the fund vis-à-vis liability of the interest to the members as per statutory rates.

Gratuity Plan

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

Reliance Communications Limited

Significant Accounting Policies to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government Securities as at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

(iii) Other Long term employment benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the Balance Sheet date, determined based on actuarial valuation using Projected Unit Credit Method. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government Securities as at the Balance Sheet date.

10 Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets upto 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 recognised as expense in the year in which they are incurred.

11 Issue Expenses and Premium on Foreign Currency Convertible Bonds (FCCBs)

The premium payable on redemption of Foreign Currency Convertible Bonds (FCCBs) is charged to Securities Premium Account over the period of the issue. Issue expenses are debited to Securities Premium account at the time of the issue.

12 Foreign Currency Transactions

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

(ii) 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 transaction rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.

(iii) Non monetary foreign currency items are carried at cost.

(iv) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Account.

(v) Any loss arising out of marking of a class of derivative contracts to market price is recognised in the Profit and Loss Account. Income, if any, arising out of marking a class of derivative contracts to market price is not recognised in the Profit and Loss Account.

13 Revenue Recognition

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

(ii) Interest income on investment is recognised on time proportion basis. Dividend is considered when right to receive is established.

14 Provision for Doubtful Debts and Loans and Advances

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

15 Miscellaneous Expenditure

Miscellaneous Expenditure is charged to the Profit and Loss Account as and when it is incurred.

16 Taxes on Income and Deferred Tax

Provision for Income Tax is made on the basis of taxable income for the year at current rates. Tax expense comprises of 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. The Deferred Tax Asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, Deferred Tax Assets are recognised only if there is virtual certainty of realisation of assets.

17 Government Grants

Subsidies granted by the Government for providing telecom services in rural areas are recognised as Other Operating Income in accordance with the relevant terms and conditions of the scheme and agreement.

18 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the Financial Statements.

19 Earning per Share

In determining Earning per Share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing Basic Earning per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing Diluted Earning per Share comprises the weighted average shares considered for deriving Basic Earnings per Share and also the weighted average number of shares that could have been issued on the conversion of all dilutive potential Equity Shares unless the results would be anti - dilutive. Dilutive potential Equity Shares are deemed converted as of the beginning of the period, unless issued at a later date.

20 Employee Stock Option Scheme

In respect of stock options granted pursuant to the Company's Employee Stock Option Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period. Employees compensation cost recognised earlier on grant of options is reversed in the period when the options are surrendered by any employee.

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

1 Previous year

Figures of the previous year have been regrouped and reclassified, wherever required. Previous year's figures are not comparable on account of the effects of the Scheme considered during the year.

2 Foreign Currency Convertible Bonds (FCCBs)

- (i) The Company issued FCCBs in two tranches; 5,00,000 FCCBs for 5 years, 4.65%, USD 500 million issued on May 9, 2006 and 10,000 FCCBs for 5 years, 4.95%, USD 1,000 million issued on February 28, 2007. Pursuant to the exercise of an option by the FCCB Holders and in accordance with the terms and conditions thereof, the Company, during the earlier years, allotted 1,87,44,801 fully paid Equity Shares of ₹ 5 each at a pre determined premium of ₹ 475.68 per share against 2,03,051 FCCBs and 6,67,090 fully paid Equity Shares of ₹ 5 each at a pre determined premium of ₹ 656.23 per share against 100 FCCBs respectively.
- (ii) During the earlier years, the Company has bought back and cancelled 647 nos. of 5 year, 4.95%, FCCBs of the face value of USD 1,00,000 each, as per approval of the Reserve Bank of India, at a discount to the face value.
Out of total FCCBs issued, 2,96,949 (Previous year 2,96,949) FCCBs and 9,253 (Previous year 9,253) FCCBs from the respective tranches were outstanding as on March 31, 2011.
- (iii) Subsequent to the date of Balance sheet, i.e. March 31, 2011, in accordance with the terms of issue of 5,00,000 FCCBs for 5 years, 4.65%, USD 500 million issued on May 9, 2006, the Company has redeemed all outstanding FCCBs by making payment on due date i.e. May 9, 2011. As a result, the Company is not required to allot 2,74,13,085 Equity Shares of ₹ 5 each arising out of conversion of the said FCCBs.
- (iv) In the event, if the outstanding FCCBs are fully converted into Equity Shares, the Equity Share Capital of the Company would increase by approximately 6.17 crore (Previous year 8.91 crore) Equity Shares of ₹ 5 each.
- (v) In case of the above mentioned FCCBs, on and at anytime after February 28, 2010 on and prior to the maturity date, the Company may, subject to certain terms and conditions as per the offering memorandum, redeem the FCCBs in whole and not in part at their Early Redemption amount, provided that no such redemption may be made unless the aggregate value (as defined in the terms and conditions) on each trading day during the periods of not less than 30 consecutive trading days, ending not earlier than 14 days prior to the date upon which notice of such redemption is given, was at least 130 percent of the early redemption amount.
- (vi) FCCBs amount includes ₹ 1,245.87 crore (Previous year ₹ 942.32 crore), being the premium on redemption of FCCBs computed on pro rata basis for the period up to March 31, 2011.

3 Foreign Exchange

During the year, loss of ₹ 105.36 crore (Previous year ₹ Nil) arising out of marking related Derivative Contracts to market has been recognized in the Profit and Loss Account, in compliance with the announcement dated March 29, 2008 by the Institute of Chartered Accountants of India (the ICAI) regarding Accounting for Derivatives.

4 Schemes of Amalgamation and Arrangement of the earlier years

The Company, during the past years, undertook various Schemes including restructuring of ownership structure of telecom business so as to align the interest of the shareholders. Accordingly, pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved by the Hon'ble High Courts of respective judicature, the Company, during the respective years, recorded all necessary accounting effects, along with requisite disclosure in the notes to the accounts, in accordance with the provisions of the said Schemes. The cumulative effects of the Schemes in case of Equity Share Capital of the Company have been disclosed below the respective Schedule to the Accounts. Reserves, pursuant to the said Schemes, include:

- (i) ₹ 8,882.62 crore, being Securities Premium Account, which was part of the Security Premium of erstwhile Reliance Infocomm Limited (RIC), the transferor company.
- (ii) General Reserves I of ₹ 5,538.00 crore representing the unadjusted balance being the excess of assets over liabilities relating to Telecommunications Undertaking transferred and vested into the Company.
- (iii) General Reserves II of ₹ 2,785.21 crore representing the unadjusted balance of the excess of assets over liabilities received by the Company relating to Telecommunications Undertaking transferred and vested into the Company.
- (iv) General Reserve III of ₹ 30,229.81 crore comprises of ₹ 4,375.43 crore transferred to General Reserve from the Profit and Loss Account and ₹ 25,854.38 crore arising pursuant to Scheme of Amalgamation of Reliance Gateway Net Limited.
- (v) Reserve for Business Restructuring of ₹ 1,287.10 crore representing the unadjusted balance of revaluation of investment in Reliance Communications Infrastructure Limited (RCIL), the Holding company of Reliance Infratel Limited (RITL) after withdrawing an amount equivalent to writing off Passive Infrastructure assets, transferred to RITL, to the Profit and Loss Account. Balance in Reserve for Business Restructuring shall be available to meet the increased depreciation, costs, expenses and losses including on account of impairment of or write down of assets etc.
- (vi) Additional depreciation arising on fair value of the assets has been adjusted from General Reserve III and Provision for Business Restructuring.

Reliance Communications Limited

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

5 Scheme of Amalgamation and Arrangement

Pursuant to the Scheme of Amalgamation ("the Scheme") under Sections 391 to 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay vide Order dated April 29, 2011 and filed with the Registrar of Companies (RoC) on May 25, 2011, Global Innovative Solutions Private Limited (GISPL), a Wholly Owned Subsidiary of the Company, engaged in allied telecommunication activities, has been amalgamated into the Company with effect from the Appointed Date as on April 1, 2010.

As per the said Scheme:

- (i) All the assets and liabilities as appearing in the books of GISPL as on the Appointed Date have been recorded in the books of the Company at their respective book values and inter company balances have been cancelled.
- (ii) Excess of assets over liabilities of ₹ 1.002 crore has been credited to General Reserve III of the Company.
- (iii) The Company's investment in the share capital of GISPL amounting to ₹ 1.00 crore has been written off to the Profit and Loss Account and an equivalent amount has been withdrawn from General Reserve III.

Had the Scheme not prescribed this treatment, ₹ 0.002 crore would have been credited to Capital Reserve as required by the Purchase Method prescribed by Accounting Standard (AS) 14 "Accounting for Amalgamation".

6 Depreciation on Electronic Equipments

During the previous year, the Company had carried out technical/ technology assessment to determine the useful life of some of its telecommunications equipments. The useful life of such telecommunications equipments had been re-assessed and ascertained as 18 years, impacting the provision of depreciation of these assets for the year ended on March 31, 2010. As a result, depreciation charge was lower and profits for the previous year was higher by ₹ 771.00 crore. The accounting treatment so determined has been fully in accordance with the applicable provisions of the Companies Act, 1956.

7 Project Development Expenditure

Details of Project Development Expenditure (Included under Capital Work-in-Progress) :

	For the year ended March 31, 2011	For the year ended March 31, 2010
		(₹ in crore)
Opening Balance	148.25	771.10
Add: Expenditure incurred during the year		
Payments to and Provisions for Employees	13.03	-
Rent, Rates and Taxes	7.92	10.11
Repairs	0.02	0.07
Travelling	1.45	0.11
Professional Fees	66.14	6.00
Network Setup Costs	34.37	38.00
General and Administrative Expenses	2.66	5.06
Interest on Term Loans	355.09	-
Passive Infrastructure Charges	96.83	256.63
Others	0.47	10.63
	<u>577.98</u>	<u>326.61</u>
	726.23	1,097.71
Less:		
Capitalised during the year	<u>111.04</u>	<u>949.46</u>
Closing Balance	<u>615.19</u>	<u>148.25</u>

8 Provisions

- (i) Provisions include, provision for disputed claims of verification of customers ₹ 9.04 crore (Previous year ₹ 9.04 crore) and others of ₹ 1,398.75 crore (Previous year ₹ 1,650.88 crore) net of payment of ₹ 150 crore to Department of Telecommunications (DoT) in relation to the matter pertaining to Home Country Direct (HCD) Calls and Provision for Commission to Non Executive Directors of ₹ Nil (Previous year ₹ 0.60 crore).
- (ii) During the year, an amount of ₹ Nil (Previous year ₹ 140.00 crore) relating to Roll out obligations, ₹ 102.13 crore (Previous year ₹ 50.52 crore) relating to disputed liabilities have been reversed and provided an amount of ₹ Nil (Previous year ₹ 5.64 crores) towards disputed interconnect usage charges. Further, the Company paid ₹ 0.60 crore (Previous year ₹ 0.60 crore) towards commission to Non Executive Directors for the financial year 2009-10.
- (iii) Also refer Note 2 (vi) above.

The aforesaid provisions shall be utilised on settlement of the claims, if any, thereagainst.

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

9 Contingent Liabilities and Capital Commitment (as represented by the Management)

	As at March 31, 2011	As at March 31, 2010
(i) Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for	356.78	220.22
(ii) Disputed Liabilities in Appeal		
- Sales Tax and VAT	12.48	52.05
- Excise and Service Tax	2.08	2.08
- Entry Tax and Octroi	23.30	1.55
- Other Litigations	27.19	0.30
- Interest on ADC on FWP/T	160.40	-
(iii) Guarantees given by the Company on behalf of its Subsidiaries	1,116.14	2,536.64
(iv) Guarantees given by the Company on behalf of other companies for business purpose	420.64	461.99

10 Deferred Tax Assets and Liabilities

The Company being in the business of Telecommunication Services, Broadband Network and Internet services, are eligible for deduction u/s 80IA (Tax Holiday) of the Income tax Act, 1961. Since the Deferred Tax Liability in respect of timing difference is expected to reverse during Tax Holiday Period, the same is not recognised in books of accounts as at March 31, 2011 as per the Accounting Standard (AS) 22 of "Accounting for Taxes on Income" as referred to in Accounting Standard Rules. Following the principle of prudence, the Company has not recognised Deferred Tax Asset in respect of debits for equalised lease rentals.

11 Auditors' Remuneration (Excluding service tax)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Statutory Audit	6.20	6.20
Certification and Other Services	-	1.00
Out of Pocket Expenses	0.21	0.16
	<u>6.41</u>	<u>7.36</u>

12 Operating Lease (Note 16 - Schedule Q of Annual Accounts)

The Company's significant leasing arrangements are in respect of operating leases for premises and network sites. These lease agreements provide for cancellation by either parties thereto as per the terms and conditions of the agreements. The Company is a lessee in respect of Optic Fibres and in respect of this lease, lease rent of ₹1,141.00 crore, (Previous year ₹1,141.00 crore) including ₹ 1,129.00 crore (Previous year ₹1,129.00 crore) not leviable for the year as per the lease agreement, has been recognised on a straight line basis as Network Expenses and corresponding amount is included in Sundry Creditors.

	As at March 31, 2011	As at March 31, 2010
Estimated future minimum payments under non cancellable operating leases		
(i) Not later than one year	12.00	12.00
(ii) Later than one year and not later than five years	6,675.00	6,687.00
(iii) Later than five years	4,450.00	4,450.00

13 Particulars of Derivative Instruments (Note 17 - Schedule Q of Annual Accounts)

Particulars of Derivative Instruments acquired for hedging	For the year ended March 31, 2011			For the year ended March 31, 2010		
	No. of Instruments	USD in crore	(₹ in crore)	No. of Instruments	USD in crore	(₹ in crore)
Principal Only Swap	2	3.50	156.08	12	22.42	1,011.81
Interest Rate Swaps FC	19	63.80	2,845.16	39	88.40	3,990.38
Interest Rate Swaps INR	25	18.50	825.00	25	17.17	775.00
Options FC	7	34.36	1,532.20	13	50.92	2,298.34
Options INR	-	-	-	1	2.00	90.28

No derivative instruments are acquired for speculation purpose.

Reliance Communications Limited

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

In respect of Foreign Currency Swap and Interest Rate Swap transactions, which are linked with LIBOR rates and exchange rate during the period of contract, gains/ losses, if any, are recognised on the settlement day or the reporting day, whichever is earlier, at the rate prevailing on respective day.

Foreign Currency exposures that are not hedged by derivative instruments or otherwise for Loans and Liabilities are USD 480.70 crore (Previous year USD 436.30 crore), equivalent to ₹ 21,436 crore (Previous year ₹ 19,693 crore) and for Receivable and Investments USD 20.70 crore and Euro 2.21 crore (Previous year USD 98 crore and Euro Nil) equivalent to ₹ 925 crore for USD and ₹ 140 crore for Euro (Previous year ₹ 4,424 crore and ₹ Nil).

Above exposure status does not include the effects of accruals.

The unamortized premium of Buyers' Credit to be recognized is ₹ 0.19 crore (Previous year ₹ 1.58 crore) for one or more subsequent accounting periods.

14 Export Commitments (Note 18 - Schedule Q of Annual Accounts)

The Company has obtained licenses/ authorisations under the Export Promotion Capital Goods (EPCG) Scheme for importing capital goods at a concessional rate of customs duty against submission of bonds. Under the terms of the respective licenses/ authorisations, the Company is required to export goods of FOB value equivalent to or more than, eight times the amount of duty saved in respect of such licenses/ authorisations, where export obligation has been refixed by the order of Director General Foreign Trade (DGFT), Ministry of Commerce and Industry, Government of India, as applicable. The Company has fulfilled its export obligation under the aforesaid licenses as on March 31, 2011 and has submitted the necessary documents to DGFT for availing redemption letter for completion of export obligation amounting to ₹ 334.00 crore (Previous year ₹ 494.40 crore).

15 Segment Performance (Note 19 - Schedule Q of Annual Accounts)

Disclosure as per Accounting Standard (AS) 17 "Segment Reporting" is reported in Consolidated Accounts of the Company. Therefore, the same has not been separately disclosed in line with the provision of AS.

16 Employee Benefits (Note 20 - Schedule Q of Annual Accounts)

Gratuity : In accordance with the applicable Indian laws, the Company provides for the gratuity, a defined benefit retirement plan (Gratuity Plan) for all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on respective employee's last drawn salary and for the years of employment with the Company.

The following table sets out the status of the Gratuity Plan as required under Accounting Standard ("AS") 15 (Revised) "Employee Benefits".

(₹ in crore)

Particulars	Gratuity *		Leave Encashment	
	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
Obligation at the beginning of the year	30.13	29.18	80.53	97.68
Service Cost	7.06	7.62	2.51	2.12
Interest Cost	2.26	2.04	5.40	5.94
Actuarial (gain)/ loss	(0.99)	(4.24)	15.46	11.68
Benefits Paid	(6.43)	(4.47)	(29.28)	(36.89)
Obligation at the end of the year	32.03	30.13	74.62	80.53
* Defined benefit obligation liability is wholly funded by the Company				
(ii) Change in plan assets				
Plan assets at the beginning of the year, at fair value	28.84	21.23	-	-
Expected return on plan assets	2.17	1.49	-	-
Actuarial gain/ (loss)	(0.51)	2.46	-	-
Contributions	1.46	8.13	29.28	36.89
Benefits	(6.43)	(4.47)	(29.28)	(36.89)
Plan assets at the end of the year, at fair value	25.53	28.84	-	-
(iii) Reconciliation of present value of the obligation and the fair value of the plan assets				
Fair value of plan assets at the end of the year	25.53	28.84	-	-
Present value of the defined benefit obligation at the end of the year	32.03	30.13	74.62	80.53
Liability recognized in the Balance Sheet	6.50	1.29	(74.62)	(80.53)

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

(₹ in crore)

Particulars	Gratuity *		Leave Encashment	
	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
(iv) Cost for the year				
Service Cost	7.06	7.62	2.51	2.12
Interest Cost	2.26	2.04	5.40	5.94
Expected return on plan assets	(2.17)	(1.49)	NA	NA
Actuarial (gain)/ loss	(0.48)	(6.70)	15.46	11.68
Net Cost	6.67	1.47	23.37	19.74
(v) Investment details of plan assets				
100% of the plan assets are invested in Balanced Fund Instruments				
(vi) Actual return on plan assets	1.66	3.95	-	-
(vii) Experience Adjustment				
On Plan Liabilities	1.56	(2.33)	-	-
On Plan Assets	(0.51)	2.46	-	-
(viii) Assumptions				
Interest rate	8.20%	7.50%	8.20%	7.50%
Estimated return on plan assets	8.20%	7.50%	8.20%	7.50%
Salary growth rate	6.50%	6.00%	6.50%	6.00%

The estimates, of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

(ix) Particulars of the amounts for the year and Previous years

	Gratuity				
	2011	2010	2009	2008	2007
Present Value of benefit obligation	32.03	30.13	29.18	23.24	14.60
Fair value of plan assets	25.53	28.84	21.23	23.58	11.06
Excess of obligation over plan assets (plan assets over obligation)	6.50	1.29	7.95	(0.34)	3.54

Provident Fund : The guidance on implementing Accounting Standards ("AS") 15 "Employee Benefits" (revised 2005) issued by the ICAI states that the benefits involving employer established Provident Fund, which require interest shortfalls to be recompensed are to be considered defined benefit plans. The actuary of the Company has expressed his inability to reliably measure provident fund liabilities as the guidance note from The Institute of Actuaries of India is yet to be issued. Accordingly, the Company is unable to provide the related information.

17 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) (Note 21 – Schedule Q of Annual Accounts)

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to MSME. On the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small Enterprises.

(₹ in crore)

	As at March 31, 2011	As at March 31, 2010
(a) Principal amount due to any supplier as at the year end	35.23	19.94
(b) Interest due on the principal amount unpaid at the year end to any supplier	5.89	1.00
(c) Amount of Interest paid by the Company in terms of Section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
(d) Payment made to the enterprises beyond appointed date under Section 16 of MSMED	15.36	74.45
(e) Amount of Interest due and payable for the period of delay in making payment, which has been paid but beyond the appointed day during the year, but without adding the interest specified under MSMED	0.38	0.25
(f) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	6.27	1.25
(g) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED	4.11	0.71

Reliance Communications Limited

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

18 Earnings per Share (EPS) (Note 22 – Schedule Q of Annual Accounts)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Basic and Diluted EPS before Exceptional Items		
(a) Profit /(Loss) attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	(764.72)	497.28
(b) Profit /(Loss) attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	(764.72)	497.28
(c) Weighted average number of Equity Shares (used as denominator for calculating Basic EPS)	2,064,026,881	2,064,026,881
(d) Add: Effect of potential Equity Shares to be issued under FCCBs	89,138,933	89,138,933
(e) Weighted average number of Equity Shares (used as denominator for calculating Diluted EPS)	2,153,165,814	2,153,165,814
(f) Basic EPS of ₹ 5 each (₹)	(3.70)	2.41
(g) Diluted EPS of ₹ 5 each (₹)	(3.70)	2.31
Basic and Diluted EPS after Exceptional Items		
(a) Profit /(Loss) attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	(757.99)	478.93
(b) Profit /(Loss) attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	(757.99)	478.93
(c) Weighted average number of Equity Shares (used as denominator for calculating Basic EPS)	2,064,026,881	2,064,026,881
(d) Add: Effect of potential Equity Shares to be issued under FCCBs	89,138,933	89,138,933
(e) Weighted average number of Equity Shares (used as denominator for calculating Diluted EPS)	2,153,165,814	2,153,165,814
(f) Basic EPS of ₹ 5 each (₹)	(3.67)	2.32
(g) Diluted EPS of ₹ 5 each (₹)	(3.67)	2.22

19 Disclosures required by Clause 32 of the Listing Agreement (Note 23 – Schedule Q of Annual Accounts)

(₹ in crore)

Loans and Advances in the nature of Loans to Subsidiary Companies

Sr. No.	Name of the Company	As at March 31, 2011	As at March 31, 2010	Maximum Balance during the year	Maximum Balance during the Previous year
(i)	Reliance Webstore Limited	332.05	308.24	387.13	552.67
(ii)	Netizen Rajasthan Limited	7.20	7.20	7.20	7.20
(iii)	Gateway Net Trading Pte. Limited	-	-	-	10.14
(iv)	Reliance Telecom Limited	1,467.21	3,571.08	9,196.72	8,635.81
(v)	Campion Properties Limited	141.28	114.62	141.28	114.62
(vi)	Reliance Communications Infrastructure Limited	1,529.36	1,617.49	2,966.65	3,204.51
(vii)	Reliance Infocomm Infrastructure Private Limited	405.64	545.37	545.37	793.53
(viii)	Reliance Big TV Limited	319.45	268.87	613.57	400.12
(ix)	Reliance Infratel Limited	2,718.94	5,942.18	5,942.18	7,322.32
(x)	Reliance Tech Services Private Limited	34.72	15.27	42.49	44.27
		6,955.85	12,390.32	19,842.59	21,085.19

Loans and Advances to subsidiaries except Reliance Telecom Limited and Reliance Infratel Limited are interest free loans, where there is no repayment schedule and are repayable on demand.

20 Employee Stock Option Scheme (Note 24 – Schedule Q of Annual Accounts)

The Company operates two Employee Stock Option Plans; ESOS Plan 2008 and ESOS Plan 2009, which cover eligible employees of the Company, the Holding Company and its Subsidiaries. ESOS Plans are administered through an ESOS Trust. The Vesting of the Options is on the expiry of one year from the date of Grant as per Plan under the respective ESOS(s). In respect of Options granted, the accounting value of Options (based on market price of the share on the date of the grant of the option) is accounted

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

as deferred employee compensation, which is amortised on a straight line basis over the Vesting Period. Each Option entitles the holder thereof to apply for and be allotted one Equity Share of the Company of ₹ 5 each upon payment of the Exercise Price during the Exercise Period. The maximum Exercise Period is 10 years from the date of Grant of Options.

The Company has established a Trust for the implementation and management of ESOS for the benefit of its present and future employees. Advance of ₹ 388.77 crore (Previous year ₹ 331.16 crore) has been granted to the Trust and ₹ 390.95 crore (Previous year ₹ 331.00 crore) has been utilised by the Trust for purchasing 2.13 crore (Previous year 1.67 crore) Equity Shares during the period upto March 31, 2011.

Amortization of compensation includes write back of ₹ 6.73 crore (Previous year ₹ 6.65 crore) based on intrinsic value of Options which have been vested under ESOS Plan 2008 and reflected as Exceptional Item in Profit and Loss Account. No amount is chargeable in respect of Options granted under ESOS Plan 2009.

Particulars	Employees Stock Option Plans			
	ESOS Plan 2008		ESOS Plan 2009	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
Number of Options Outstanding at the beginning of the year	11,22,211	389.70	93,23,215	206.00
Number of Options granted	-	-	-	-
Number of Options vested	11,22,211	-	93,23,215	-
Total number of Options exercised	-	-	-	-
Total number of Options forfeited/ lapsed	2,46,958	368.65	29,88,962	206.00
Number of Options outstanding at the end of the year	8,75,253	395.64	63,34,253	206.00

If the entity would have estimated fair value computed on the basis of Black Scholes pricing model, the compensation cost for the year ended March 31, 2011 for ESOS Plan 2008 and ESOS Plan 2009 would have been higher by ₹ 5.86 crore and ₹ 15.91 crore respectively. The key assumptions used to estimate the fair value of options are given below.

Particulars	ESOS Plan 2008	ESOS Plan 2009
Risk-free interest rate	8.01%	8.01%
Expected life	7 years	8 years
Expected volatility	45.60%	45.60%
Expected dividend yield	0.09%	0.29%
Price of the underlying share in market at the time of Option grant	₹ 541.15	₹ 174.00

21 Exceptional Items (Note 25 – Schedule Q of Annual Accounts)

Amortization of compensation is net of write back of charges of ₹ 6.73 crore (Previous year ₹ 6.65 crore) based on intrinsic value of Options, which have lapsed under ESOS Plan 2008 as mentioned in Note 20 above and Stamp Duty of ₹ Nil (Previous year ₹ 25 crore) paid by the Company on conveyancing of the assets pursuant to the Schemes approved by the Hon'ble High Court.

22 Recovery of Expenses (Note 26 – Schedule Q of Annual Accounts)

Expenses under the heads Provision for Employees Cost and Other Expenses are net of recoveries for common cost from Reliance Communications Infrastructure Limited (RCIL), a Wholly Owned Subsidiary of the Company. Such amounts recovered for the year amount to ₹ 200.44 crore (Previous year ₹ 116.86 crore) for Salaries, ₹ 434.61 crore (Previous year ₹ 506.91 crore) for Sales and General Administration Expenses comprising of ₹ 34.87 crore (Previous year ₹ 81.00 crore) for Advertising Expenses, ₹ 326.96 crore (Previous year ₹ 339.62 crore) for Customer Acquisition, Commission, Billing and Collection, Webstore expenses and Customer Care, ₹ 72.78 crore (Previous year ₹ 86.29 crore) for Hire Charges. Similarly, the amount recovered from Reliance Infratel Limited (RITL), a subsidiary of RCIL for the year includes ₹ 88.09 crore (Previous year ₹ 17.75 crore) for Salaries and ₹ 26.54 crore (Previous year ₹ 35.76 crore) for Sales and General Administration Expenses. The Company has also collected interest, equivalent to its cost of funds, from RITL and Reliance Telecom Limited (RTL) amounting to ₹ 594.63 crore (Previous year ₹ 250.55 crore) and ₹ 47.85 crore (Previous year ₹ 230.96 crore) respectively for the year ended March 31, 2011. Similarly, the amount recovered from Reliance Big TV Limited (RBTV), a Wholly Owned Subsidiary of the Company includes ₹ 4.53 crore (Previous year ₹ Nil) for Hire Charges and ₹ 26.08 crore (Previous year ₹ 37.11 crore) for Salaries.

23 Debenture Redemption Reserve (Note 27 – Schedule Q of Annual Accounts)

In view of the loss during the year, the Company has not created Debenture Redemption Reserve of ₹ 74.96 crore in terms of Section 117 (C) of the Companies Act, 1956. The Company shall create such reserve out of profit, if any in future years.

24 General Reserve (Note 28 – Schedule Q of Annual Accounts)

The Company, during the year, transferred ₹ 216.19 crore, out of the balance of ₹ 4,375.43 crore in General Reserve III created by transfer from Profit and Loss Account in earlier years, pursuant to Section 205A (3) of the Companies Act, 1956 and the Companies (Declaration of Dividend out of Reserves) Rules, 1975 and proposed dividend out of the accumulated profits of the previous years.

25 License Fees (Note 29 – Schedule Q of Annual Accounts)

The Company accounts for its liabilities in respect of Licence Fees payable for its Telecom as well as Direct To Home (DTH) businesses by way of Revenue Share to be computed on the Gross Revenue of the Company after taking into account the

Reliance Communications Limited

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

decision of Telecom Disputes Settlement And Appellate Tribunal (TDSAT) dated August 30, 2007 specifying that revenues not related to Unified Access Services (UAS) and Other Licences under which the Company operates are not to be included in the computation of Revenue Share. The TDSAT has, by its decision dated March 26, 2009 and May 7, 2010 applied the said decision dated August 30, 2007 to the Company. The decision of the TDSAT is the subject matter of Appeal pending before the Supreme Court. No provision is considered necessary in this regard.

26 Special Audit (Note 30 – Schedule Q of Annual Accounts)

Pursuant to the Telecom License Agreement, Department of Telecommunications (DoT) directed audits of various Telecom companies including of the Company. The Special Auditors appointed by DoT were required to verify records of the Company and some of its subsidiaries for the years ended March 31, 2007 and March 31, 2008 relating to license fees and revenue share. The report of the Special Auditor's alleging a shortfall of license fee and revenue share of ₹ 316.00 crore is mala fide and is in the Company's opinion biased and full of errors and inaccuracies. Criminal complaints filed by the Company against the wrongful leaking of the Report are being investigated by the Police. The ICAI is investigating the professional and other misconduct of the Special Auditor. The Company has also made presentations and representations to DoT on the observations of the Special Auditor. The Company is advised that based, *inter alia*, on current understanding of the regulation by the industry and judicial pronouncements directly applicable to the issues raised in the special audit report, all of which have not been properly considered nor appreciated in the Report, no provision is required in the accounts of the Company.

27 Financial Statements of Subsidiary Companies (Note 31 – Schedule Q of Annual Accounts)

The Ministry of Corporate Affairs, Government of India vide its General circular no. 2 and 3 dated February 8, 2011 and February 21, 2011 respectively, has granted general exemption from compliance with Section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circulars. The Company has satisfied the conditions stipulated in the circulars and hence, is entitled to the exemption. Necessary information relating to the subsidiaries has been included in the Consolidated Financial Statements.

28 Performance Ratios

	For the year ended March 31, 2011	For the year ended March 31, 2010
(i) Total Income/ Total Assets	0.14	0.15
(ii) Net Profit Before Interest and Tax/ Capital Employed (%)	(0.86)	(0.59)
(iii) Return on Networth (%)	(1.57)	0.95
(iv) Profit After Tax/ Income (%)	(6.01)	3.83

29 Related Parties (Note 32 – Schedule Q of Annual Accounts)

As per Accounting Standard (AS) 18, 'Related Party Disclosures' prescribed under the Accounting Standard Rules, the disclosures of transactions with the related parties are given below.

A List of Related Parties : where control exists

Sr. No.	Name of the Subsidiary Companies (direct and step down subsidiaries)	Sr. No.	Name of the Subsidiary Companies (direct and step down subsidiaries)
1	Reliance WiMax Limited	21	Reliance Globalcom Limited
2	Reliance Digital Home Services Limited	22	FLAG Telecom Singapore Pte. Limited
3	Reliance Webstore Limited	23	FLAG Atlantic UK Limited
4	Reliance Infocomm Infrastructure Private Limited	24	Reliance FLAG Atlantic France SAS
5	Campion Properties Limited	25	FLAG Telecom Taiwan Limited
6	Reliance Big TV Limited	26	Reliance FLAG Pacific Holdings Limited
7	Reliance Tech Services Private Limited	27	FLAG Telecom Group Services Limited
8	Reliance Telecom Limited	28	FLAG Telecom Deutschland GmbH
9	Reliance Communications Infrastructure Limited	29	FLAG Telecom Hellas AE
10	Reliance Communications Investment and Leasing Limited	30	FLAG Telecom Asia Limited
11	Reliance Infratel Limited	31	FLAG Telecom Nederland BV
12	Netizen Rajasthan Limited	32	Reliance Globalcom (UK) Limited
13	Reliance Globalcom BV	33	Yipes Holdings Inc.
14	Reliance Communications (UK) Limited	34	Reliance Globalcom Services Inc.
15	Reliance Communications (Hong Kong) Limited	35	YTV Inc.
16	Reliance Communications (Singapore) Pte. Limited	36	Reliance Infocom Inc.
17	Reliance Communications (New Zealand) Pte. Limited	37	Reliance Communications Inc.
18	Reliance Communications (Australia) Pty. Limited	38	Reliance Communications International Inc.
19	Anupam Global Soft (U) Limited	39	Reliance Communications Canada Inc.
20	Gateway Net Trading Pte. Limited	40	Bonn Investment Inc.
		41	FLAG Telecom Development Limited

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

Sr. No.	Name of the Subsidiary Companies (direct and step down subsidiaries)
42	FLAG Telecom Development Services Company LLC
43	FLAG Telecom Network Services Limited
44	Reliance FLAG Telecom Ireland Limited
45	FLAG Telecom Japan Limited
46	FLAG Telecom Ireland Network Limited
47	FLAG Telecom Network USA Limited
48	FLAG Telecom Espana Network SAU
49	Reliance Vanco Group Limited
50	Euronet Spain SA
51	Net Direct SA (Proprietary) Limited (Under liquidation)
52	Vanco (Shanghai) Co. Limited
53	Vanco (Asia Pacific) Pte. Limited
54	Vanco Australasia Pty. Limited
55	Vanco EpE
56	Vanco Sp Zoo
57	Vanco Euronet Sro (Under liquidation)
58	Vanco Gmbh
59	Vanco Japan KK
60	Vanco Net Direct Limited Ireland (Struck off w.e.f. 8th April, 2011)
61	Vanco NV
62	Vanco SAS
63	Vanco South America Ltda
64	Vanco Srl
65	Vanco Sweden AB
66	Vanco Switzerland AG
67	Vanco Deutschland GmbH
68	Vanco BV
69	Vanco Benelux BV
70	Vanco UK Limited
71	Vanco International Limited
72	Vanco Row Limited
73	Vanco Global Limited
74	WANcom GmbH
75	VNO Direct Limited
76	Vanco US LLC
77	Vanco Solutions Inc.
78	Reliance WiMAX World BVI
79	Reliance WiMAX World BV
80	Reliance WiMAX World Limited
81	Reliance WiMAX World LLC
82	Reliance WiMAX Congo Brazzaville BV
83	Interconnect Brazzaville S. A.
84	Reliance WiMAX Guinea BV
85	Access Guinea SARL
86	Reliance WiMAX Sierra Leone BV
87	Equatorial Communications Limited
88	Reliance WiMAX Cameroon BV
89	Equatorial Communications SARL
90	Reliance WiMax D.R.C. BV
91	Reliance WiMax Gambia BV
92	Reliance WiMax Mauritius BV
93	Reliance WiMax Mozambique BV
94	Reliance WiMax Niger BV

Sr. No.	Name of the Subsidiary Companies (direct and step down subsidiaries)
95	Reliance WiMax Zambia BV
96	Access Bissau LDA
97	Reliance Mobile Commerce Limited (w.e.f December 6, 2010)
98	Seoul Telenet Inc. (Board Control)
99	FLAG Holdings (Taiwan) Limited (Board Control)
100	Reliance Telecom Infrastructure (Cyprus) Holdings Limited (Board Control)
101	Lagerwood Investments Limited (Board Control)
102	Flag Pacific Limited (Upto March 25, 2011)
103	FLAGWEB Limited (Upto March 25, 2011)
104	Flag Telecom Servizi Italia SpA (Upto January 21, 2011)
105	Flag Telecom Belgium Network SA (Upto March 29, 2011)
106	FLAG Telecom Taiwan Services Limited (Upto October 18, 2010)
107	RCOM Malaysia SDN.BHD (Upto March 29, 2011)
108	Vanco Aps (Upto March 29, 2011)
109	Vanco Hongkong Solutions Limited (Upto March 29, 2011)
110	Yipes Systems Inc. (Upto March 25, 2011)
111	FLAG Access India Private Limited, India (Upto March 23, 2011)
112	Vanco Net Direct Limited, UK (Upto March 29, 2011)
113	Matrix Innovations Limited (Upto April 1, 2010)
114	Reliance Global IDC Limited (Upto January 1, 2011)
115	Global Innovative Solutions Private Limited (Upto April 1, 2010)

Joint Venture

116	Alcatel Lucent Managed Solutions India Private Limited
-----	--

Holding Company

117	Reliance Innoventures Private Limited
-----	---------------------------------------

Individuals

Promoters

118	Shri Anil D. Ambani, the person having control during the year
-----	--

Key Managerial Personnel

119	Shri Hasit Shukla
-----	-------------------

B List of Other Related Parties where there have been transactions

Associate Companies

1	Warf Telecom International Private Limited
2	Mumbai Metro Transport Private Limited

Fellow Subsidiaries

3	Reliance Capital Limited
4	Reliance General Insurance Company Limited

Reliance Communications Limited

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with a related party during the year ended March 31, 2011

- 1 Fixed assets acquired during the year include ₹ 34.28 crore from Reliance Tech Services Private Limited, ₹ 31.65 crore from Reliance Infratel Limited and ₹ 27.82 crore from Alcatel Lucent Managed Solutions India Private Limited, a JV (Previous year – Fixed assets acquired include ₹ 38.97 crore from Reliance Tech Services Private Limited and ₹ 238.94 crore from Reliance Infratel Limited. The Company transferred fixed assets pertaining to passive infrastructure of ₹ 452.19 crore and Capital Work-in-Progress of ₹ 436.89 crore to Reliance Infratel Limited).
- 2 Loans and Advances include loans granted during the year of ₹ 5,944.99 crore to Reliance Communications Infrastructure Limited, ₹ 230.51 crore to Reliance Webstore Limited, ₹ 479.88 crore to Reliance Big TV Limited, ₹ 69.25 crore to Reliance Infocomm Infrastructure Private Limited, ₹ 144.49 crore to Reliance Tech Services Private Limited, ₹ 21,291.04 crore to Reliance Telecom Limited, ₹ 26.66 crore to Campion Properties Limited, ₹ 326.11 crore to Reliance Infratel Limited and repaid /adjusted during the year ₹ 6,033.12 crore by Reliance Communications Infrastructure Limited, ₹ 23,394.91 crore by Reliance Telecom Limited, ₹ 3,549.35 crore by Reliance Infratel Limited, ₹ 125.01 crore by Reliance Tech Services Private Limited, ₹ 208.98 crore by Reliance Infocomm Infrastructure Private Limited, ₹ 206.70 crore by Reliance Webstore Limited and ₹ 429.31 crore by Reliance Big TV Limited (Previous year – Loans and Advances include loan granted ₹ 15,496.03 crore to Reliance Communications Infrastructure Limited, ₹ 137.18 crore to Reliance Webstore Limited, ₹ 802.66 crore to Reliance Infratel Limited, ₹ 326.13 crore to Reliance Big TV Limited, ₹ 56.37 crore to Reliance Infocomm Infrastructure Private Limited, ₹ 57.24 crore to Reliance Tech Services Private Limited, ₹ 25,485.59 crore to Reliance Telecom Limited, ₹ 23.80 crore to Campion Properties Limited and repaid during the year ₹ 15,506.48 crore by Reliance Communications Infrastructure Limited, ₹ 289.82 crore by Reliance Webstore Limited, ₹ 195.08 crore by Reliance Big TV Limited, ₹ 29,794.00 crore by Reliance Telecom Limited, ₹ 1,835.69 crore by Reliance Infratel Limited, ₹ 45.60 crore by Reliance Tech Services Private Limited, ₹ 10.14 crore by Gateway Net Trading Pte. Limited and ₹ 278.30 crore by Reliance Infocomm Infrastructure Private Limited).
- 3 Sundry Debtors include ₹ 276.93 crore from Reliance Communications Inc., ₹ 12.95 crore from Reliance Flag Atlantic France SAS ₹ 115.2 crore from Reliance Communications Infrastructure Limited, ₹ 20.20 crore from Reliance Communications International Inc., ₹ 2.08 crore from Reliance Communications Canada Inc., ₹ 31.33 crore from Reliance Telecom Limited, ₹ 48.46 crore from Reliance Big TV Limited, ₹ 10.51 crore from Reliance Webstore Limited. (Previous year – Sundry Debtors include ₹ 303 crore from Reliance Communications, Inc., ₹ 14.20 crore from Reliance Flag Telecom Ireland Network Limited, ₹ 46.08 crore from Reliance Communications Infrastructure Limited, ₹ 42.43 crore from Reliance Communications International Inc., ₹ 0.94 crore from Reliance Communications Canada Inc., ₹ 92.20 crore from Reliance Telecom Limited, ₹ 24.65 crore from Reliance Big TV Limited and ₹ 21.69 crore from Reliance Webstore Limited).
- 4 Loans include ₹ 319.45 crore to Reliance Big TV Limited, ₹ 1,529.36 crore to Reliance Communications Infrastructure Limited, ₹ 405.64 crore to Reliance Infocomm Infrastructure Private Limited, ₹ 332.05 crore to Reliance Webstore Limited, ₹ 7.20 crore to Netizen Rajasthan Limited, ₹ 1,467.21 crore to Reliance Telecom Limited, ₹ 141.28 crore to Campion Properties Limited, ₹ 2,718.94 crore to Reliance Infratel Limited, ₹ 34.74 crore to Reliance Tech Services Private Limited and Advances include ₹ 1,430.51 crore to Reliance Communications Infrastructure Limited, ₹ 70.39 crore to Reliance Big TV Limited and ₹ 0.36 crore to Reliance Communications Investment and Leasing Limited (Previous year – Loans include ₹ 268.87 crore to Reliance Big TV Limited, ₹ 1,617.49 crore to Reliance Communications Infrastructure Limited, ₹ 545.37 crore to Reliance Infocomm Infrastructure Private Limited, ₹ 308.24 crore to Reliance Webstore Limited, ₹ 7.20 crore to Netizen Rajasthan Limited, ₹ 3,571.08 crore to Reliance Telecom Limited, ₹ 114.62 crore to Campion Properties Limited, ₹ 5,942.18 crore to Reliance Infratel Limited, ₹ 15.27 crore to Reliance Tech Services Private Limited and Advances includes ₹ 1,425.88 crore to Reliance Communications Infrastructure Limited).
- 5 Sundry Creditors include ₹ 107.59 crore to Reliance Flag Atlantic France SAS, ₹ 3,211.96 crore to Reliance Infratel Limited, ₹ 53.34 crore to Reliance Communications (UK) Limited, ₹ 55.17 crore to Reliance Tech Services Private Limited, ₹ 3.63 crore to Reliance Infocomm Inc., ₹ 79.48 crore to Alcatel Lucent Managed Solutions India Private Limited, a JV and ₹ 34.13 crore to Reliance Infocomm Infrastructure Private Limited (Previous year – Sundry Creditor include ₹ 40.63 crore to Reliance Flag Atlantic France SAS, ₹ 1,036.00 crore to Reliance Infratel Limited, ₹ 25.84 crore to Reliance Communications (UK) Limited, ₹ 18.24 crore to Reliance Tech Services Private Limited, ₹ 3.72 crore to Reliance Infocomm Inc, ₹ 8.37 crore to Gateway Net Trading Pte. Limited ₹ 20.31 crore to Reliance Infocomm Infrastructure Private Limited, ₹ 63.66 crore to Alcatel Lucent Managed Solutions India Private Limited, a JV). Sundry Creditors also include ₹ 217.30 crore to Reliance Infratel Limited for availing passive infrastructure services for 3G Operations.
- 6 Turnover includes ₹ 845.40 crore from Reliance Communications Infrastructure Limited, ₹ 488.27 crore from Reliance Communications Inc., ₹ 71.39 crore from Reliance Communications International Inc., ₹ 19.21 crore from Reliance Webstore Limited, ₹ 17.39 crore from Reliance Flag Atlantic France SAS, ₹ 4.64 crore from Reliance Communications Canada Inc., ₹ 21.59 crore from Reliance Big TV Limited and ₹ 666.21 crore from Reliance Telecom Limited (Previous year – Turnover includes ₹ 596.35 crore from Reliance Communications Infrastructure Limited, ₹ 342.37 crore from Reliance Communications Inc., ₹ 111.41 crore from Reliance Communications International Inc., ₹ 42.47 crore from Reliance Webstore Limited, ₹ 15.10 crore from Reliance Telecom Ireland Network Limited, ₹ 4.05 crore from Reliance Communications Canada Inc., ₹ 21.51 crore from Reliance Big TV Limited and ₹ 462.52 crore from Reliance Telecom Limited).
- 7 Other Income includes Sale of Capital inventories of ₹ 94.97 crore to Reliance Webstore Limited (Previous year – ₹ Nil).

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

- 8 Expenditure includes Access Charges: ₹ 125.87 crore to Reliance Communications Inc., ₹ 240.43 crore to Reliance Telecom Limited. Network Operation Expenses: ₹ 4,679.52 crore to Reliance Infratel Limited. ₹ 78.47 crore to Reliance Flag Atlantic France SAS, ₹ 4.44 crore to Reliance Communications Infrastructure Limited and ₹ 27.71 crore to Reliance Communications (UK) Limited and ₹ 174.29 crore to Alcatel Lucent Managed Solutions India Private Limited, a JV. Selling and Marketing expenses: ₹ 150.81 crore to Reliance Communications Infrastructure Limited and ₹ 117.02 crore to Reliance Webstore Limited. General and Administrative Expenses: ₹ 225.89 crore to Reliance Communications Infrastructure Limited, ₹ 40.57 crore to Reliance Infocomm Infrastructure Private Limited and ₹ 21.12 crore to Reliance Tech Services Private Limited. (Previous year - Expenditure include Access Charges: ₹ 149.38 crore to Reliance Communications Inc., ₹ 137.87 crore to Reliance Telecom Limited. Network Operation Expenses: ₹ 4,946.47 crore to Reliance Infratel Limited, ₹ 67.18 crore to Reliance Flag Atlantic France SAS, ₹ 6.86 crore to Reliance Communications Infrastructure Limited and ₹ 17.69 crore to Reliance Communications (UK) Limited. Selling and Marketing expenses: ₹ 132.45 crore to Reliance Communications Infrastructure Limited, ₹ 142.06 crore to Reliance Webstore Limited. General and Administrative Expenses: ₹ 195.33 crore to Reliance Communications Infrastructure Limited, ₹ 51.19 crore to Reliance Infocomm Infrastructure Private Limited, ₹ 18.04 crore to Reliance Tech Services Private Limited, ₹ 154.26 crore to Alcatel Lucent Managed Solutions India Private Limited, a JV. ₹ 23.09 crore to Reliance General Insurance Company Limited. Rent, Rates and Taxes: ₹ 2.63 crore to Reliance Capital Limited).
- 9 Expenditure under the heads Provision for Salaries, Selling and Distribution, General and Administration and Other Expenses are net of recoveries for common cost from Reliance Communications Infrastructure Limited, Reliance Infratel Limited and Reliance Big TV Limited (Refer Note 22, Notes on Accounts).
- 10 Financial Guarantee issued includes ₹ 69.80 crore to Reliance Globalcom BV (Previous year - ₹ 69.80 crore to Reliance Globalcom BV).
- 11 Corporate Guarantee issued includes ₹ 188.64 crore to Reliance Infratel Limited, ₹ 79.92 crore to Gateway Net Trading Pte. Limited, ₹ 749.38 crore to Reliance Telecom Limited and ₹ 93.83 crore to Reliance Big TV Limited (Previous year - Corporate Guarantee issued include ₹ 934.28 crore to Reliance Infratel Limited, ₹ 330.18 crore to Gateway Net Trading Pte. Limited, ₹ 949.25 crore to Reliance Telecom Limited).
- 12 Finance Charges includes ₹ 594.63 crore received from Reliance Infratel Limited, and ₹ 47.84 crore from Reliance Telecom Limited (Previous year - Finance Charges include ₹ 326.20 crore from Reliance Infratel Limited and ₹ 230.96 crore from Reliance Telecom Limited, ₹ 6.03 crore to Reliance Webstore Limited).
- 13 Interest Receivable includes ₹ 670.27 crore from Reliance Infratel Limited and ₹ 47.84 crore from Reliance Telecom Limited (Previous year -Interest Receivable include ₹ 326.20 crore from Reliance Infratel Limited and ₹ 230.96 crore from Reliance Telecom Limited)
- 14 Investments include conversion of Loans into Preference Shares during the year ₹ 2,500 crore of Reliance Infratel Limited and conversion of Preference Shares of ₹ 2,275.66 crore of Reliance Globalcom BV into Equity Shares. Redemption of Preference Shares during the year includes ₹ 1,527.68 crore of Reliance Globalcom BV and ₹ 763.67 crore of Reliance Globalcom Limited Bermuda (Previous year - Investments include ₹ 1,500 crore of adjustment of Loans into Preference Shares of Reliance Infratel Limited and ₹ 100 crore purchased of Reliance Wimax Limited. Redemption of Preference Shares include ₹ 791.90 crore of Reliance Globalcom BV, ₹ 126.80 crore of Gateway Net Trading Pte. Limited and ₹ 148.09 crore of Reliance Globalcom Limited, Bermuda).
- 15 Unearned income includes ₹ 14.94 crore from Flag Telecom Ireland Network Limited and ₹ 3.56 crore from Reliance FLAG Atlantic France SAS (Previous year- Unearned Income includes ₹ 15.82 crore from Flag Telecom Ireland Network Limited and ₹ 2.97 crore from Reliance FLAG Atlantic France SAS).
- 16 Prepaid expense includes ₹ 10.39 crore from Reliance FLAG Atlantic France SAS (Previous year - Prepaid expenses includes ₹ 11.77 crore from Reliance FLAG Atlantic France SAS).
- 17 Refer Note 5, Notes on Accounts relating to the Scheme of Amalgamation of GISPL, a Wholly Owned Subsidiary with the Company.

Transactions with Related Parties during the year April 1, 2010 to March 31, 2011

Sr. No.	Nature of Transactions	Subsidiaries	Joint Venture	Fellow Subsidiaries	Others	(₹ in crore)
						Total
(A)	Investments					
	Balance as at April 1, 2010	31,876.01	22.31	-	-	31,898.32
		(31,342.35)	(22.30)	-	-	(31,364.65)
	Purchased/ adjusted during the year	2,502.00	-	-	-	2,502.00
		(1,600.50)	(0.01)	-	-	(1,600.51)
	Sold/ adjusted as per the Scheme of Arrangement	2,291.85	-	-	-	2,291.85
		(1,066.84)	-	-	-	(1,066.84)
	Foreign Exchange Fluctuation	6.62	-	-	-	6.62
		-	-	-	-	-
	Balance as at March 31, 2011	32,079.54	22.31	-	-	32,101.85
		(31,876.01)	(22.31)	-	-	(31,898.32)
(B)	Purchase of Assets	65.93	27.82	-	-	93.75
		(277.92)	-	-	-	(277.92)

Reliance Communications Limited

Notes on Accounts to Abridged Balance Sheet as at 31st March, 2011 and Abridged Profit and Loss Account for the year ended on that date

Sr. No.	Nature of Transactions	Subsidiaries	Joint Venture	Fellow Subsidiaries	Others	(₹ in crore) Total
(C)	Sundry Debtors as at March 31, 2011	517.66 (545.19)	-	-	-	517.66 (545.19)
(D)	Loans & Advances					
	(i) Loans Given					
	Balance as at April 1, 2010	12,390.31 (17,960.44)	-	-	-	12,390.31 (17,960.44)
	Given during the year	28,512.93 (42,385.00)	-	-	-	28,512.93 (42,385.00)
	Repaid and Adjusted during the year	33,947.38 (47,955.13)	-	-	-	33,947.38 (47,955.13)
	Balance as at March 31, 2011	6,955.86 (12,390.31)	-	-	-	6,955.86 (12,390.31)
	(ii) Advances	1,501.31 (1,501.28)	-	1.36 (0.63)	0.60	1,503.27 (1,501.91)
	(iii) Other Current Assets	718.13 (557.16)	-	-	-	718.13 (557.16)
	(iv) Prepaid Expenses	10.39 (11.77)	-	-	-	10.39 (11.77)
(E)	(i) Sundry Creditors as at March 31, 2011	3,683.12 (1,153.13)	79.48 (63.66)	-	-	3,762.60 (1,219.42)
	(ii) Unearned Income	18.50 (18.79)	-	-	-	18.50 (18.79)
(F)	Income					
	Turnover	2,134.10 (1,595.81)	-	-	-	2,134.10 (1,595.81)
	Other Income	95.47 -	-	-	-	95.47 -
	Interest Income	642.47 (557.16)	-	-	-	642.47 (557.16)
(G)	Expenditure					
	Access Charges	366.30 (287.25)	-	-	-	366.30 (287.25)
	Network Operation Expenses	4,790.13 (5,049.22)	174.29 (154.26)	-	-	4,964.42 (5,203.48)
	Selling and Marketing Expenses	267.83 (274.50)	-	-	-	267.83 (274.50)
	General and Administration Expenses	287.58 (265.27)	-	-	-	287.58 (288.36)
	Professional Fees	0.01 (0.04)	-	-	-	0.01 (0.04)
	Rent, Rates and Taxes	-	-	-	-	-
	Recovery of Expenses	780.29 (714.39)	-	(2.63)	-	780.29 (714.39)
(H)	Corporate Guarantee	1,116.14 (2,213.71)	-	-	-	1,116.14 (2,213.71)
(I)	Person having control during the year	-	-	-	0.02	0.02
	Shri Anil D. Ambani- Sitting Fees	-	-	-	(0.02)	(0.02)
(J)	Managerial Remuneration	-	-	-	0.24	0.24
	Shri Hasit Shukla	-	-	-	(0.74)	(0.74)

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

C. D. Lala
Partner
Membership No. 35671
Mumbai
30th May, 2011

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

Bhavesh Dhupelia
Partner
Membership No. 042070

For and on behalf of the Board
Chairman

Directors

President, Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Hasit Shukla

Reliance Communications Limited

Auditors' Report on Abridged Consolidated Financial Statements

To the Board of Directors of Reliance Communications Limited

We have examined the attached abridged Consolidated Balance Sheet of Reliance Communications Limited ('the Company') its subsidiaries and associates as at 31st March 2011: the abridged Consolidated Profit and Loss account and abridged Consolidated Cash flow statement for the year ended on that date annexed thereto, together with the significant accounting policies and notes thereon. These abridged consolidated financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the audited consolidated financial statements of the Company for the year ended 31st March 2011 prepared in accordance with the requirements of the Accounting Standard (AS) - 21, "Consolidated Financial Statements" and Accounting Standard (AS) - 23, "Accounting for Investment in Associates in Consolidated Financial Statements" and Accounting

Standard (AS) - 27, "Financial Reporting of Interests in Joint Ventures" notified under the companies (Accounting Standard) Rules, 2006 and covered by our report of even date to the Board of Directors of the Company, which is attached hereto.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No: 101720W

For **B S R & Co.**
Chartered Accountants
Firm Reg. No: 101248W

C. D. Lala
Partner
Membership No: 35671
Mumbai
30 May 2011

Bhavesh Dhupelia
Partner
Membership No: 042070

Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Reliance Communications Limited

We have audited the attached consolidated balance sheet of Reliance Communications Limited ('the Company') and its subsidiaries, associates and joint ventures (collectively called 'the Group') as at 31 March 2011, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 We did not audit the financial statements and other financial information of certain subsidiaries. The financial statements of these subsidiaries for the year ended 31 March 2011 have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of subsidiaries, is based solely on these reports. The attached consolidated financial statements include assets of ₹ 6,087.71 crores as at 31 March 2011, revenues of ₹ 5,790.47 crores and cash outflows amounting to ₹ 85.64 crores in respect of the aforementioned subsidiaries for the year then ended.
- 2 The financial statements of certain subsidiaries for the year ended 31 March 2011 have been audited by one of the joint auditors, Chaturvedi & Shah, Chartered Accountants. The attached consolidated financial statements include assets of ₹ 16,872.64 crores as at 31 March 2011, revenues of

₹ 5,556.43 crores and cash inflows amounting to ₹ 390.97 crores in respect of the aforementioned subsidiaries for the year then ended.

- 3 We have relied on the unaudited financial statements of the subsidiaries and joint ventures whose financial statements reflect total assets of ₹ 3,417.63 crores as at 31 March 2011, total revenue of ₹ 726.29 crores and cash outflows amounting to ₹ 64.34 crores for the year ending 31 March 2011. These unaudited financial statements as approved by the respective Board of Directors of these companies have been furnished to us by the management, and our report in so far as it relates to the amounts included in respect of the subsidiaries is based solely on such approved financial statements.
- 4 The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interest in Joint Ventures, prescribed by the Companies (Accounting Standards) Rules, 2006.
- 5 Without qualifying our report, we draw your attention to:
 - a) Note 10 (vii) of Schedule Q regarding the charge sheet filed by Central Bureau of Investigation (CBI) before the Special Judge, CBI, New Delhi against one of the Directors of the Company's subsidiary and the subsidiary through its Director for alleged charges under Indian Penal Code (IPC) in relation to breach of rules of Regulatory Authorities for the application of license made by a private limited company in violation of Unified Access Service License ('UASL') guidelines referred in the aforesaid note. In the opinion of the management, since the hearing of the above charge sheet is yet to be initiated and based on legal advice

Auditors' Report on Consolidated Financial Statements

received by the Company, there is no impact on these financial statements at this stage.

- b) Note 7 of Schedule Q, regarding change in accounting policy for recognition of revenue with respect to capacity sold under Indefeasible Right to Use (IRU) agreements. During the year, based on opinions received from eminent Chartered Accountants in India, the Company has accounted the receipts under the IRU agreements upfront as 'Indefeasible Right of Use Income' and correspondingly the Company has written down the purchase of IRUs and fixed assets together as accelerated depreciation in the profit and loss account. Due to the above change in accounting policy, Service Income is higher by ₹ 2,545 crores, Depreciation and Amortisation is higher by ₹ 2,564 crores, Profit after Tax is lower by ₹ 47.04 crores, Deferred Revenue balance is lower by ₹ 2,545 crores and Net Block of Fixed Assets is lower by ₹ 2,564 crores.
- c) Note 5 (viii) of Schedule Q to the consolidated financial statements, the Company has computed goodwill on consolidation by comparing the cost of investments with the equity of subsidiaries as on date on which investments were made by Reliance Industries Limited ('the transferor company') prior to demerger instead of considering the date of demerger as the date of investment.
- 6 We draw your attention to Note 5 (iv) of Schedule Q, to the consolidated financial statements regarding the Scheme for the transfer of passive infrastructure by the Company to RITL, a subsidiary of the Company. RITL, based on a legal opinion, considers the general reserve created pursuant to the Scheme, to be a free reserve, available for any purpose and consequently, has withdrawn and credited to the profit and loss account, an amount of ₹159.41 crores in respect

of bad debts and ₹ 77.35 crores in respect of fuel costs incurred during the year in preference to Indian Generally Accepted Accounting Principles. Had the Company not made such a withdrawal as per the Scheme, the consolidated profit before taxes for the year would have been lower by ₹ 236.76 crores.

- 7 Based on our audit as aforesaid, and on consideration of reports of auditors and accounts approved by the Board of Directors as explained in paragraphs 1, 2 and 3 above, and to the best of our information and according to the explanations given to us read with para 5 above and, in the context of exercise of choice by the Company as referred to paragraph 6 above, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2011;
 - (ii) in the case of the consolidated profit and loss account, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No: 101720W

For **B S R & Co.**
Chartered Accountants
Firm Reg. No: 101248W

C. D. Lala
Partner
Membership No: 35671
Mumbai
30 May 2011

Bhavesh Dhupelia
Partner
Membership No: 042070

Reliance Communications Limited

Abridged Consolidated Balance Sheet as at 31st March, 2011

(Statement containing the salient features of Consolidated Balance Sheet as per Section 219(1)(b)(iv) of the Companies Act, 1956)

	As at 31st March, 2011	As at 31st March, 2010	(₹ in crore)
SOURCES OF FUNDS			
Shareholders' Funds			
(a) Capital			
(i) Equity Capital (Refer Note 3, Notes on Accounts)	1,032.01		1,032.01
(b) Reserves and Surplus			
(i) Capital Reserve	0.05	0.05	
(ii) Statutory Reserve Fund	0.06	0.05	
(iii) Securities Premium (Refer Note 3 (i) and 5 (i), Notes on Accounts)	8,581.51	8,882.63	
(iv) Debenture Redemption Reserve	81.94	81.94	
(v) Exchange Fluctuation Reserve	(102.38)	(230.81)	
(vi) General Reserve (Refer Note 17, Notes on Accounts)	18,174.76	22,340.94	
(vii) Reserve for Business Restructuring (Refer Note 5 (v), Notes on Accounts)	1,287.10	1,287.10	
(viii) Surplus in Profit and Loss Account	<u>11,444.13</u>	<u>9,966.73</u>	42,328.63
	39,467.17		658.39
	824.47		
Minority Interest			
Loan Funds			
(a) Non Convertible Debentures	3,000.00	3,000.00	
(b) Secured Loans (Other than Debentures)	18,692.84	-	
(c) Unsecured Loans	<u>17,378.54</u>	<u>26,715.42</u>	29,715.42
	366.81		99.05
Deferred Tax Liability (Refer Note 11, Notes on Accounts)			
TOTAL	<u>80,761.84</u>	<u>73,833.50</u>	
APPLICATION OF FUNDS			
Fixed Assets			
(a) Net Block (Original Cost Less Depreciation/ Impairment and Amortisation)	54,749.64	59,598.24	
(b) Capital Work-in-Progress	<u>18,191.22</u>	<u>11,655.65</u>	71,253.89
	4,747.31		4,997.56
Goodwill			
Investments			
(a) Government Securities - Quoted (Market Value ₹ 0.28 crore (Previous year ₹ 26.32 crore))	0.28	26.32	
(b) Investment in Associates - Unquoted	8.82	18.71	
(c) Others - Quoted (Market Value ₹ Nil (Previous year ₹ 9.77 crore)) - Unquoted	<u>560.65</u>	<u>9.43</u>	4,159.89
	569.75	4,105.43	
Current Assets, Loans and Advances			
(a) Inventories	517.16	544.63	
(b) Sundry Debtors	3,984.00	3,311.67	
(c) Cash and Bank Balances	4,866.34	818.54	
(d) Other Current Assets	2,010.96	2,072.63	
(e) Loans and Advances	<u>5,086.30</u>	<u>5,409.82</u>	
	16,464.76	12,157.29	
Less: Current Liabilities and Provisions			
(a) Current Liabilities	10,601.76	14,708.46	
(b) Provisions	<u>3,359.08</u>	<u>4,026.67</u>	
	13,960.84	18,735.13	
Net Current Assets	<u>2,503.92</u>	<u>(6,577.84)</u>	
TOTAL	<u>80,761.84</u>	<u>73,833.50</u>	

Refer Significant Accounting Policies

Refer Notes on Accounts

Compiled from the Audited Consolidated Accounts of the Company referred to in our Report dated 30th May, 2011

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

C. D. Lala
Partner
Membership No. 35671
Mumbai
30th May, 2011

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

Bhavesh Dhupelia
Partner
Membership No. 042070

For and on behalf of the Board

Chairman

Directors

President, Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Hasit Shukla

Abridged Consolidated Profit and Loss Account for the year ended 31st March, 2011

(Statement containing the salient features of Consolidated Profit and Loss Account as per Section 219(1)(b)(iv) of the Companies Act, 1956)

	For the year ended 31st March, 2011		(₹ in crore) For the year ended 31st March, 2010
I INCOME			
Service Revenue (net of Service Tax)	22,089.39		20,685.05
Other Operating Income (net of Service Tax)	340.96		811.33
Other Income	677.28		635.90
	<u>23,107.63</u>		<u>22,132.28</u>
II EXPENDITURE			
Access Charges, License Fees and Network Expenses	9,276.35		9,278.29
Selling Expenses	2,104.14		2,249.89
Salaries, Wages and Other Employee Benefits	1,475.47		1,499.33
Managerial Remuneration	0.24		0.74
Commission to Non Executive Directors (Refer Note 9 (i) and (ii), Notes on Accounts)	-		0.60
Financial Charges (net)			
Financial Charges	1,132.75	(1,093.18)	
Income from Investments	(60.52)	(93.15)	(1,186.33)
Depreciation/ Impairment and Amortisation	8,511.58		5,570.52
Depreciation/ Impairment adjusted by / transfer from:			
Provision for Business Restructuring (Refer Note 5 (iii), Notes on Accounts)	(86.38)		(107.51)
General Reserve (Refer Note 5 (vi), Notes on Accounts)	(629.90)		(228.15)
General Reserve (Refer Note 5 (iii), Notes on Accounts)	(1,291.47)	(1,488.35)	3,746.51
Auditors' Remuneration	9.27		11.47
Provision for Doubtful Debts, Loans and Advances	168.60		198.28
General and Administration Expenses	991.99		1,073.20
Profit before Adjustments, Exceptional Items and Tax	<u>1,505.51</u>		<u>5,260.30</u>
Exceptional Items (Refer Note 16, Notes on Accounts)	(12.10)		37.47
Adjustments pursuant to the Scheme of Arrangement			
Provision for Bad Debts	159.41		-
Equivalent amount withdrawn from General Reserve (Refer Note 5 (iv), Notes on Accounts)	(159.41)		-
Fuel Expenses	77.35	86.52	
Equivalent amount withdrawn from General Reserve (Refer Note 5 (iv), Notes on Accounts)	(77.35)	(86.52)	-
III Profit Before Tax	<u>1,517.61</u>		<u>5,222.83</u>
IV Provision for			
- Current Tax (includes write back of ₹ 307.89 crore (Previous year provision of ₹ 28.24 crore) pertaining to earlier years)	(280.39)		372.50
- Deferred Tax			72.89
Profit After Tax (before adjustment of Minority Interest/ Associates)	<u>1,505.82</u>		<u>4,777.44</u>
Less: Share of Profit transferred to Minority	150.27		119.25
Less: Share of Loss of Associates	9.90		3.19
V Profit After Tax (after adjustment of Minority Interest/ Associates)	<u>1,345.65</u>		<u>4,655.00</u>
Add: Balance brought forward from Previous year	9,966.73	5,631.30	
Add: Adjustments (Refer Note 17, Notes on Accounts)	35.91	-	5,631.30
Amount available for Appropriations	<u>11,348.29</u>		<u>10,286.30</u>
VI APPROPRIATIONS			
Transferred to Statutory Reserve Fund	0.01		0.03
Transferred to Debenture Redemption Reserve (Refer Note 18, Notes on Accounts)	-		74.96
Transferred to/ (from) General Reserve (Refer Note 17, Notes on Accounts)	(216.19)		40.00
Proposed Dividend on Equity Shares	103.20		175.44
Tax on Proposed Dividend	17.14		29.14
Balance carried to Balance Sheet	<u>11,444.13</u>		<u>9,966.73</u>
Earning per Share of face value of 5 each fully paid up (before Exceptional Items) (Refer Note 15, Notes on Accounts)			
- Basic (₹)	6.46		22.73
- Diluted (₹)	6.19		21.79
Earning per Share of face value of 5 each fully paid up (after Exceptional Items) (Refer Note 15, Notes on Accounts)			
- Basic (₹)	6.52		22.55
- Diluted (₹)	6.25		21.62
Refer Significant Accounting Policies			
Refer Notes on Accounts			
Compiled from the Audited Consolidated Accounts of the Company referred to in our Report dated 30th May, 2011			

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

C. D. Lala
Partner
Membership No. 35671

Mumbai
30th May, 2011

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

Bhavesh Dhupelia
Partner
Membership No. 042070

For and on behalf of the Board

Chairman

Directors

President, Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Hasit Shukla

Reliance Communications Limited

Cash Flow Statement annexed to Abridged consolidated balance sheet for the year ended 31st March, 2011

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
		(₹ in crore)
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Profit and Loss Account	1,517.61	5,222.83
Adjusted for:		
Provision for Doubtful Debts, Loans and Advances	92.70	198.28
Depreciation/ Impairment and Amortisation	6,503.83	3,746.51
Exceptional and Non - Recurring items	(6.73)	12.47
Writeback of Provision towards Disputed Liabilities	-	190.52
Discount on buyback of FCCB	-	(24.49)
Effect of Foreign Exchange Rate Changes (net)	(162.91)	(3,249.41)
(Profit)/Loss on Sale of Assets and Capital Work-in-Progress (net)	(331.19)	1.49
Profit on Sale of Investments	(57.40)	(209.49)
Dividend Income	(0.03)	(0.06)
Other Financial Cost	113.98	209.65
Interest Expenses	902.35	1,342.21
Financial Income	(11.48)	(71.77)
Operating Profit before Working Capital Changes	7,043.12	2,145.91
Adjusted for:		
Receivables and other Advances (Refer note 2 below)	(1,049.38)	1,631.84
Inventories	27.47	(1.91)
Trade Payables	(5,025.13)	929.98
Cash Generated from Operations	2,513.69	9,928.65
Tax Refund	518.74	204.79
Tax Paid	(597.87)	(516.96)
Net Cash from Operating Activities	2,434.56	9,616.48
B CASH FLOW FROM INVESTING ACTIVITIES		
Additions of Fixed Assets and Capital Work-in-Progress	(10,327.26)	(7,496.03)
Sale of Fixed Assets and Capital Work-in-Progress	206.42	0.13
Purchase of Investments	(48,448.52)	(98,170.63)
Sale of Investments	52,095.67	103,659.00
Financial Income	15.82	147.48
Net Cash used in Investing Activities	(6,457.87)	(1,860.05)
C CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from Short term Borrowings	2,684.08	(3,263.24)
Proceeds from Long Term Borrowings	9,090.82	2,668.07
Repayment of Long Term Borrowings	(2,139.32)	(6,394.66)
Dividends Paid (including tax on dividend)	(202.47)	(191.06)
Financial Charges (includes interest capitalised ₹ 355.09 crore)	(1,362.41)	(1,440.84)
Net Cash from (used in) Financing Activities	8,070.70	(8,621.73)
Net Increase/ (Decrease) in Cash and Cash Equivalents	4,047.39	(865.30)
Opening Balance of Cash and Cash Equivalents	818.54	1,682.90
Effect of Exchange Gain/ (Loss) on Cash and Cash Equivalents	0.41	0.94
Closing Balance of Cash and Cash Equivalents	4,866.34	818.54

Notes

- (1) Cash and cash equivalents include cash on hand, cheques on hand, remittances- in-transit and bank balance including Fixed Deposits with Banks.
- (2) Prepaid expenses of ₹ 890.98 crore (Previous year ₹ Nil) written off during the year has not been shown separately as adjusted, pursuant to the Scheme, by withdrawal from General Reserve (Refer note 6 (c) (iv), Notes on Accounts)

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

For and on behalf of the Board
Chairman

Anil D. Ambani

C. D. Lala
Partner
Membership No. 35671

Bhavesh Dhupelia
Partner
Membership No. 042070

Directors

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Mumbai
30th May, 2011

President, Company Secretary and Manager

Hasit Shukla

Significant Accounting Policies to the Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

1 Principles of Consolidation

The Consolidated Financial Statements relate to Reliance Communications Limited ('the Company') and all of its subsidiary companies and the companies controlled, that is, the companies over which the Company exercises control/ joint control over ownership and voting power and the associates and joint venture (hereinafter collectively referred to as the "Group"). The Consolidated Financial Statements have been prepared on the following bases.

- (a) The financial statements of the Company and its subsidiaries are consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, incomes and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealized profits or losses in accordance with the Accounting Standard ("AS") 21 "Consolidated Financial Statements" as referred to in the Companies (Accounting Standards) Rules, 2006 (Accounting Standard Rules).
 - (b) In case of the foreign subsidiaries and companies controlled by the Company, revenue is consolidated at the average exchange rate prevailing during the year. All monetary assets and liabilities are converted at the exchange rate prevailing at the end of the year. While, non monetary assets and liabilities are recorded at the exchange rate prevailing on the date of the transaction or closing rate, as applicable. Any exchange difference arising on consolidation of integral foreign operation and non integral foreign operations is recognised in the Profit and Loss Account and Exchange Fluctuation Reserve respectively.
 - (c) Investments in subsidiaries are eliminated and differences between the cost of investment over the net assets on the date of investment or on the date of the financial statements immediately preceding the date of investment in subsidiaries are recognised as Goodwill or Capital Reserve, as the case may be.
 - (d) The difference between the proceeds from disposal of investment in a subsidiary or in a company controlled by the Company and the proportionate carrying amount of its assets less liabilities as of the date of disposal, is recognised in the Consolidated Profit and Loss Account as the profit or loss on disposal of investment in subsidiaries.
 - (e) Minority Interest's share of net profit or loss of consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Equity Shareholders of the Company.
 - (f) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated Balance Sheet as a separate item from liabilities and the Shareholders' Equity.
 - (g) In case of associates, where the Company directly or indirectly through subsidiaries holds 20% or more of Equity Shares, investments in associates are accounted for using equity method in accordance with Accounting Standard ("AS") 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as referred to in the Accounting Standard Rules. The Company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealised profits and losses resulting from transactions between the Company and its associates to the extent of its share, through its Profit and Loss Account, to the extent such change is attributable to the associates' Profit and Loss Account, based on available information. The difference between the cost of investment in the associates and the share of net assets, at the time of acquisition of shares in the associates, is identified in the financial statements as Goodwill or Capital Reserve, as the case may be.
 - (h) Interest in a jointly controlled entity is reported using proportionate consolidation.
 - (i) As far as possible, the Consolidated Financial Statements are prepared using uniform Accounting Policies for like transactions and other events in similar circumstances and are presented in the same manner as the standalone financial statements of the Company.
- 2 Investments other than in subsidiaries, associates and joint ventures are accounted as per Accounting Standard ("AS") 13 "Accounting for Investments" as referred to in the Accounting Standard Rules.

3 Other Significant Accounting Policies

(a) Basis of Preparation of Financial Statements

The financial statements are prepared under historical cost convention and/ fair valuation under a Scheme approved by the High Court, in accordance with the generally accepted accounting principles in India and provisions of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006 (Accounting Standard Rules) as well as applicable pronouncements of the Institute of Chartered Accountants of India (ICAI).

(b) Use of Estimates

The preparation and presentation of Consolidated Financial Statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent 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 is recognised in the period in which the results are known / materialised.

(c) Fixed Assets

- (i) Fixed Assets are stated at cost/ fair value net of Modvat/ Cenvat, Value Added Tax and include amount added on revaluation less accumulated depreciation, amortisation and impairment loss, if any.
- (ii) All costs including financing cost of qualifying assets till commencement of commercial operations, net charges of foreign exchange contracts and adjustments arising upto March 31, 2007 from exchange rate variations, relating to borrowings attributable to fixed assets, are capitalised.
- (iii) Expenses incurred relating to project, prior to commencement of commercial operation, are considered as project development expenditure and shown under Capital Work-in-Progress.
- (iv) Telecom Licenses are stated at fair value less accumulated amortisation.
- (v) Indefeasible Right of Connectivity (IRC) are stated at cost less accumulated amortisation.

Reliance Communications Limited

Significant Accounting Policies to the Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

(d) Lease

- (i) In respect of Operating Leases, lease rentals are expensed on straight line basis with reference to the term of lease, except for lease rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalised.
Where the lessor effectively retains substantially all risk and benefits of ownership of the leased assets they are classified as operating lease. Operating lease payments are recognised as an expense in profit and loss account.
- (ii) Finance leases prior to April 1, 2001: Rentals are expensed with reference to the term of lease and other considerations.
- (iii) Finance Leases on or after April 1, 2001: The lower of the fair value of the assets and present value of the minimum lease rentals is capitalised as Fixed Assets with corresponding amount shown as liabilities for leased assets. The principal component in lease rental in respect of the above is adjusted against liabilities for leased assets and the interest component is recognised as an expense in the year in which the same is incurred except in case of assets used for capital projects where it is capitalised.

(e) Depreciation/ Amortisation

- (i) 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 case of the following assets which are depreciated at the rates as given below.
 - (a) Ducts and Cables - 18, 20 years
 - (b) Telecom Electronic Equipments - 18 years
 - (c) Furniture, Fixtures and Office Equipments - 5, 10 years
 - (d) Customer Premises Equipments - 3 years
 - (e) Vehicles - 5 years
 - (f) Leasehold improvements - Shorter of the remaining lease term or useful life
 - (g) Cable Systems - Shorter of 15 years or remaining useful lifeIn case of Falcon project, the asset life of Sub Marine Cable Network and Terrestrial Network is estimated at 25 years and 15 to 25 years respectively.
- (ii) Depreciation on assets, taken on finance lease on or after April 1, 2001, is provided over the remaining period of lease from commencement of commercial operations.
- (iii) Expenditure of capital nature incurred on assets taken on operating lease is depreciated over the remaining period of the lease term.
- (iv) Leasehold Land is depreciated over the period of the lease term.
- (v) Intangible assets, namely entry fees/ fees for Telecom Licenses and Brand Licenses are amortised equally over the balance period of Licenses. IRC and Software are amortized from the date of acquisition or commencement of commercial services, whichever is later. The Rights in Cinematography Films are treated as intangible assets and are amortised over the balance period of rights remaining after commencement of commercial operation. The life of amortisation of the intangible assets are as follows.
 - (a) Telecom Licenses - 12.50 to 20 years
 - (b) Brand License - 10 years
 - (c) DTH License - 10 years
 - (d) Indefeasible Right of Connectivity - In the year of purchase, 15/ 20 years
 - (e) Software - 5 years
 - (f) Trade Names and Trademarks - 5 to 10 years
 - (g) Intellectual Property - 7 years
 - (h) Building access Rights - 5 years
- (vi) Depreciation on additions is calculated pro rata from the following month of addition.

(f) Asset Retirement Obligation (ARO)

Asset Retirement Obligation (ARO) relates to the removal of cable systems and equipments when they will be retired from its active use. Provision is recognised based on the best estimate, of the eventual costs (net of recovery) that relates to such obligation and is adjusted to the cost of such assets.

(g) 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 recognised in prior accounting period is increased / reversed where there is change in the estimate of recoverable value. The recoverable value is higher of net selling price and value in use.

(h) Investments

Current Investments are carried at lower of cost and market value computed Investment 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.

(i) Inventories of Stores, Spares and Communication Devices

Inventories of stores, spares and communication devices are accounted for at costs, determined on weighted average basis or net realisable value, whichever is less, except in case of certain subsidiaries, where cost is determined on First In First Out basis.

Significant Accounting Policies to the Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

- (j) **Loans and Advances**
Initial direct costs incurred specifically to earn revenue, in the nature of severance cost paid to third party vendors to acquire the contract are deferred and expensed over the term of the revenue contract, provided that the Company has a legal enforceable right to recover the unabsorbed costs in the event of early termination of the revenue contract.
- (k) **Employee Benefits**
Short-term employee benefits
All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period.
Long term employee benefits
(i) Defined contribution plan
The Company's contribution towards Employees' Superannuation Plan is recognised as an expense during the period in which it accrues.
(ii) Defined benefit plans
Provident Fund
Provident Fund contributions are made to a Trust administered by the Trustees. Interest payable to the Provident Fund members, shall not be at a rate lower than the statutory rate. Liability is recognised for any shortfall in the Income of the fund vis-à-vis liability of the Interest to the members as per statutory rates.
Gratuity Plan
The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.
The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.
The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.
Actuarial gains and losses are recognised immediately in the Profit and Loss Account.
(iii) Other Long term employment benefits
Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the Balance Sheet date, determined based on actuarial valuation using Projected Unit Credit Method. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.
- (l) **Borrowing Cost**
Borrowing costs, that are attributable to the acquisition or construction of qualifying assets, are capitalised as part of the cost of such assets upto 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 recognised as expense in the year in which they are incurred.
- (m) **Issue Expenses and Premium on Foreign Currency Convertible Bonds (FCCBs)**
The Premium payable on redemption of Foreign Currency Bonds (FCCBs) is charged to Securities Premium Account over the period of the issue. Issue expenses are debited to Securities Premium Account at the time of the issue.
- (n) **Foreign Currency Transactions**
(i) Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the time of the transaction.
(ii) 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 recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.
(iii) Non monetary foreign currency items are carried at cost.
(iv) Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Profit and Loss Account.
(v) Any loss arising out of marking a class derivative contracts to market price is recognised in the Profit and Loss Account. Income, if any, arising out of marking a class of derivative contracts to market price is not recognised in the Profit and Loss Account.
- (o) **Revenue Recognition**
(i) Revenue is recognised as and when the services are provided on the basis of actual usage of the Company's network. Revenue on upfront charges for services with lifetime validity and fixed validity periods of one year or more are recognised over the estimated useful life of subscribers and specified fixed validity period, as appropriate. The estimated useful life is consistent with estimated churn of the subscribers.

Significant Accounting Policies to the Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

- (ii) The Company sells Right of Use (ROUs) that provide customers with network capacity, typically over a 10- to 15-year period without transferring the legal title or giving an option to purchase the network capacity. Capacity services revenues are accounted as operating lease and recognised in the Company's income statement over the life of the contract. Bills raised on customers/ payments received from customers for long term contracts and for which revenue is not recognised are included in deferred revenue. Revenue on non cancellable ROUs are recognised upfront as licencing income on activation of services (Refer Note 7 (a), Notes on Accounts for change in accounting policy).
- (iii) Standby maintenance charges are invoiced separately from capacity sales. Revenues relating to standby maintenance are recognised over the period in which the service is provided. Any amounts billed prior to providing of service are included in deferred revenue.
- (iv) Network services include Capacity lease services, IP transit, IPLC (private lines leased to customers), backup service for other network operators and all other services. The customer typically pays the charges for network services periodically over the life of the contract, which may be up to three years. Network revenue is recognised in the Company's income statement over the term of the contract.
- (v) Sales on Handsets and accessories are recognised when goods are supplied and are recorded net of trade discounts, rebates, commissions to Distributors and Dealers and sales taxes. It does not include inter company transfers.
- (vi) Interest income on investment is recognised on time proportion basis. Dividend is considered when right to receive is established. The Group recognises income from the units in the Fixed Income Schemes of Mutual Funds where income accrued is held, till the declaration or payment thereof, for the benefit of the unit holders.
- (vii) Revenue is recognised net of taxes when the Base Transceiver Station (BTS) Towers is Ready For Installation of customer equipments and as per the terms of the agreements.
- (viii) Activation fees in respect of DTH is recognised on upfront basis at the time of activation of services in customers' premises. Subscription revenue towards initial customers are recognised upfront as and when it is realised and the monthly subscription is recognised on accrual basis, net of Service Tax, Entertainment Tax and Trade Discount.
- (p) **Provision for Doubtful Debts and Loans and Advances**
Provision is made in the Accounts for doubtful debts and Loans and Advances in cases where the management considers the debts, loans and advances, to be doubtful of recovery.
- (q) **Miscellaneous Expenditure**
Miscellaneous Expenditure is charged to the Profit and Loss Account as and when it is incurred.
- (r) **Taxes on Income and Deferred Tax**
Provision for income tax is made on the basis of taxable income for the year at current rates. Tax expense comprises of 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. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. MAT credit is recognised as an asset only if there is convincing evidence that the Company will pay normal income tax during the specified period.
- (s) **Government Grants**
Subsidies granted by the Government for providing telecom services in rural areas are recognised as Other Operating Income in accordance with the relevant terms and conditions of the scheme and agreement.
- (t) **Provisions and Contingent Liabilities and Contingent Assets**
Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are neither recognised nor disclosed in the financial statements.
- (u) **Earning per Share**
In determining Earning per Share, the Group considers the net profit after tax and includes the post tax effect of any extraordinary/ exceptional item. The number of shares used in computing Basic Earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing Diluted Earnings per Share comprises the weighted average shares considered for deriving Basic Earnings per Share, and also the weighted average number of shares that could have been issued on the conversion of all dilutive potential Equity Shares where the results would be anti - dilutive. Dilutive potential Equity Shares are deemed converted as of the beginning of the period, unless issued at a later date.
- (v) **Employee Stock Option Plan**
In respect of stock options granted pursuant to the Company's Employee Stock Options Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period. Employee compensation cost recognised earlier on grant of options is reversed in the period when the options are surrendered by any employee.

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

1 Figures of the previous year have been regrouped and reclassified, wherever required. Previous year's figures are not comparable on account of the effects of the Schemes considered during the year.

2 Consolidation

(a) The following subsidiary companies are included in the Consolidated Financial Statements.

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
1	Reliance WiMax Limited	India	100.00%
2	Reliance Digital Home Services Limited	India	100.00%
3	Reliance Webstore Limited	India	100.00%
4	Reliance Infocomm Infrastructure Private Limited	India	100.00%
5	Campion Properties Limited	India	100.00%
6	Reliance Big TV Limited	India	100.00%
7	Reliance Tech Services Private Limited	India	89.00%
8	Reliance Telecom Limited	India	100.00%
9	Reliance Communications Infrastructure Limited	India	100.00%
10	Reliance Communications Investment and Leasing Limited	India	100.00%
11	Reliance Infratel Limited	India	89.71%
12	Netizen Rajasthan Limited	India	89.71%
13	Reliance Globalcom B.V.	The Netherlands	100.00%
14	Reliance Communications (UK) Limited	United Kingdom	100.00%
15	Reliance Communications (Hong Kong) Limited	Hong Kong	100.00%
16	Reliance Communications (Singapore) Pte. Limited	Singapore	100.00%
17	Reliance Communications (New Zealand) Pte. Limited	New Zealand	100.00%
18	Reliance Communications (Australia) Pty. Limited	Australia	100.00%
19	Anupam Global Soft (U) Limited	Uganda	90.00%
20	Gateway Net Trading Pte. Limited	Singapore	100.00%
21	Reliance Globalcom Limited	Bermuda	87.67%
22	FLAG Telecom Singapore Pte. Limited	Singapore	87.67%
23	FLAG Atlantic UK Limited	United Kingdom	87.67%
24	Reliance FLAG Atlantic France SAS	France	87.67%
25	FLAG Telecom Taiwan Limited	Taiwan	52.61%
26	Reliance FLAG Pacific Holdings Limited	Bermuda	87.67%
27	FLAG Telecom Group Services Limited	Bermuda	87.67%
28	FLAG Telecom Deutschland GmbH	Germany	87.67%
29	FLAG Telecom Hellas AE	Greece	87.67%
30	FLAG Telecom Asia Limited	Hong Kong	87.67%
31	FLAG Telecom Nederland B.V.	The Netherlands	87.67%
32	Reliance Globalcom (UK) Limited	United Kingdom	87.67%
33	Yipes Holdings Inc.	USA	88.58%
34	Reliance Globalcom Services Inc.	USA	88.58%
35	YTV Inc.	USA	88.58%
36	Reliance Infocom Inc.	USA	88.58%
37	Reliance Communications Inc.	USA	88.58%
38	Reliance Communications International Inc.	USA	88.58%
39	Reliance Communications Canada Inc.	USA	88.58%
40	Bonn Investment Inc.	USA	88.58%
41	FLAG Telecom Development Limited	Bermuda	87.67%
42	FLAG Telecom Development Services Company LLC	Egypt	87.67%
43	FLAG Telecom Network Services Limited	Ireland	87.67%
44	Reliance FLAG Telecom Ireland Limited	Ireland	87.67%
45	FLAG Telecom Japan Limited	Japan	87.67%
46	FLAG Telecom Ireland Network Limited	Ireland	87.67%

Reliance Communications Limited

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
47	FLAG Telecom Network USA Limited	USA	87.67%
48	FLAG Telecom Espana Network SAU	Spain	87.67%
49	Reliance Vanco Group Ltd	United Kingdom	87.67%
50	Euronet Spain SA	Spain	87.67%
51	Net Direct SA (Proprietary) Ltd. (Under liquidation)	South Africa	87.67%
52	Vanco (Shanghai) Co Ltd.	China	87.67%
53	Vanco (Asia Pacific) Pte. Ltd.	Singapore	87.67%
54	Vanco Australasia Pty. Ltd.	Australia	87.67%
55	Vanco EpE	Greece	87.67%
56	Vanco Sp Zoo	Poland	87.67%
57	Vanco Euronet Sro (Under liquidation)	Czech Republic	87.67%
58	Vanco Gmbh	Germany	87.67%
59	Vanco Japan KK	Japan	87.67%
60	Vanco Net Direct Limited (Struck off w.e.f. 08.04.2011)	Ireland	87.67%
61	Vanco NV	Belgium	87.67%
62	Vanco SAS	France	87.67%
63	Vanco South America Ltda	Brazil	87.67%
64	Vanco Srl	Italy	87.67%
65	Vanco Sweden AB	Sweden	87.67%
66	Vanco Switzerland AG	Switzerland	87.67%
67	Vanco Deutschland GmbH	Germany	87.67%
68	Vanco BV	The Netherlands	87.67%
69	Vanco Benelux BV	The Netherlands	87.67%
70	Vanco UK Ltd	United Kingdom	87.67%
71	Vanco International Limited	United Kingdom	87.67%
72	Vanco Row Limited	United Kingdom	87.67%
73	Vanco Global Limited	United Kingdom	87.67%
74	WANcom Gmbh	Switzerland	87.67%
75	VNO Direct Limited	United Kingdom	87.67%
76	Vanco US LLC	USA	87.67%
77	Vanco Solutions Inc	USA	87.67%
78	Reliance WiMAX World BVI	British Virgin Islands	69.23%
79	Reliance WiMAX World BV	The Netherlands	69.23%
80	Reliance WiMAX World Limited	United Kingdom	69.23%
81	Reliance WiMAX World LLC	USA	69.23%
82	Reliance WiMAX Congo Brazzaville BV	The Netherlands	35.31%
83	Interconnect Brazzaville SA	Republic of Congo	35.31%
84	Reliance WiMAX Guinea BV	The Netherlands	41.54%
85	Acess Guinea SARL	Guinea	41.54%
86	Reliance WiMAX Sierra Leone BV	The Netherlands	51.92%
87	Equatorial Communications Limited	Sierra Leone	51.92%
88	Reliance WiMAX Cameroon BV	The Netherlands	35.31%
89	Equatorial Communications SARL	Cameroon	35.31%
90	Reliance WiMax D.R.C. BV	The Netherlands	69.23%
91	Reliance WiMax Gambia BV	The Netherlands	69.23%
92	Reliance WiMax Mauritius BV	The Netherlands	69.23%
93	Reliance WiMax Mozambique BV	The Netherlands	69.23%
94	Reliance WiMax Niger BV	The Netherlands	69.23%
95	Reliance WiMax Zambia BV	The Netherlands	69.23%
96	Access Bissau LDA	Guinea Bissau	41.54%

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

- b) The Company also consolidates the following companies as it exercises control over ownership and/ or composition of Board of Directors.

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership interest
1	Seoul Telenet Inc.	Korea	42.96%
2	FLAG Holdings (Taiwan) Limited	Taiwan	43.84%
3	Reliance Telecom Infrastructure (Cyprus) Holdings Limited	Cyprus	0.00%
4	Lagerwood Investments Limited	Cyprus	0.00%

- (c) The associate companies considered in the Consolidated Financial Statements are :

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership interest
1	Warf Telecom International Private Limited	Maldives	20.00%
2	Mumbai Metro Transport Private Limited	India	26.00%

- (d) The following subsidiary companies/associates acquired during the year also form part of Consolidated Financial Statements.

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership interest
1	Reliance Mobile Commerce Limited (w.e.f. December 6, 2010)	India	100.00%
2	Reliance Communications Maharashtra Private Limited (w.e.f. January 31, 2011)	India	100.00%

- (e) The following joint venture company also forms part of Consolidated Financial Statements.

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership interest
1	Alcatel Lucent Managed Solutions India Private Limited	India	33.00%

- (f) The following subsidiary companies/ companies controlled/ associates/ companies consolidated ceased to remain subsidiaries/ controlled/ consolidated during the year.

Sr. No.	Name of the Company
1	Matrix Innovations Limited, a subsidiary of Reliance Communications Infrastructure Limited (RCIL) has been merged into RCIL. The Scheme is effective from May 25, 2011, whereas Appointed Date of the Scheme is April 1, 2010.
2	Reliance Global IDC Limited, a subsidiary of Reliance Infratel Limited (RITL) has been merged into RITL. The Scheme is effective from May 25, 2011, whereas Appointed Date of the Scheme is January 1, 2011.
3	Global Innovative Solutions Private Limited, a subsidiary of the Company has been merged into the Company. The Scheme is effective from May 25, 2011, whereas Appointed Date of the Scheme is April 1, 2010.
4	Reliance Communications Maharashtra Private Limited, a subsidiary of Reliance Telecom Limited (RTL) has been merged into RTL. The Scheme is effective from May 25, 2011, whereas Appointed Date of the Scheme is April 1, 2010.
5	RCOM Malaysia SDN. BHD., Malaysia has ceased to be subsidiary w.e.f. March 29, 2011.
6	FLAG Telecom Taiwan Services Limited, Taiwan is liquidated w.e.f. October 18, 2010.
7	FLAG Telecom Belgium Network SA, Belgium has ceased to be subsidiary w.e.f. March 29, 2011.
8	FLAG Access India Private Limited, India is struck off w.e.f. March 23, 2011.
9	FLAGWEB Limited, Bermuda has ceased to be subsidiary w.e.f. March 25, 2011.
10	FLAG Pacific Limited, Bermuda has ceased to be subsidiary w.e.f. March 25, 2011.
11	Yipes Systems Inc., USA has ceased to be subsidiary w.e.f. March 25, 2011.
12	Vanco ApS has ceased to be subsidiary w.e.f. March 29, 2011.
13	Vanco Net Direct Limited, UK has ceased to be subsidiary w.e.f. March 29, 2011.
14	Vanco Hong Kong Solutions Limited, Hong Kong has ceased to be subsidiary w.e.f. March 29, 2011.
15	FLAG Telecom Servizi Italia SpA, Italy has been merged into Vanco Srl, Italy w.e.f. January 21, 2011.
16	Macronet Private Limited has ceased to be an associate w.e.f. April 1, 2010.
17	Macronet Mercantile Private Limited has ceased to be an associate w.e.f. April 1, 2010.

3 Foreign Currency Convertible Bonds (FCCBs)

- (i) The Company issued FCCBs in two tranches; 5,00,000 FCCBs for 5 Year, 4.65%, USD 500 million issued on May 9, 2006 and 10,000 FCCBs for 5 Year, 4.95%, USD 1,000 million issued on February 28, 2007. Pursuant to the exercise of an option by the FCCB Holders and in accordance with the terms and conditions thereof, the Company, during an earlier year, allotted 1,87,44,801 fully paid Equity Shares of ₹ 5 each at a pre determined premium of ₹ 475.68 per share against 2,03,051 FCCBs and 6,67,090 fully paid Equity Shares of ₹ 5 each at a pre determined premium of ₹ 656.23 per share against 100 FCCBs respectively.

Reliance Communications Limited

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

- (ii) During the earlier years, the Company bought back and cancelled 647 nos. of 5 Year, 4.95%, FCCBs of the face value of USD 1,00,000 each, as per approval of the Reserve Bank of India, at a discount to the face value.
Out of total FCCBs issued, 2,96,949 (Previous year 2,96,949) FCCBs and 9,253 (Previous year 9,253) FCCBs from respective tranches were outstanding as on March 31, 2011.
- (iii) Subsequent to the date of balance sheet, i.e. March 31, 2011, in accordance with the terms of issue of 5,00,000 FCCBs for 5 years, 4.65%, USD 500 million issued on May 9, 2006, the Company has redeemed all outstanding FCCBs by making payment on due date i.e. May 9, 2011. As a result, the Company is not required to allot 2,74,13,085 equity shares of ₹ 5 each arising out of conversion of said FCCBs.
- (iv) In the event, if the outstanding FCCBs are fully converted into Equity Shares, the Equity Share Capital of the Company would increase by approximately 6.17 crore (Previous year 8.91 crore) Equity Shares of ₹ 5 each.
- (v) In case of the above mentioned FCCBs, on and at anytime after February 28, 2010, on and prior to the maturity date, the Company may, subject to certain terms and conditions as per the offering memorandum, redeem the FCCBs in whole and not in part at their Early Redemption amount, provided that no such redemption may be made unless the aggregate value (as defined in the terms and conditions) on each trading day during the period of not less than 30 consecutive trading days, ending not earlier than 14 days prior to the date upon which notice of such redemption is given, was at least 130 percent of the Early Redemption amount.
- (vi) FCCBs amount includes ₹ 1,245.87 crore (Previous year ₹ 942.32 crore), being the premium on redemption of FCCBs computed on pro rata basis for the period up to March 31, 2011.

4 Foreign Exchange

During the year ended March 31, 2011, foreign exchange loss of ₹ 58.29 crore (Previous year ₹ Nil) arising out of marking related Derivative Contracts to market has been charged in the Profit and Loss Accounts, in compliance with the announcement dated March 29, 2008 by the Institute of Chartered Accountants of India (the ICAI) regarding Accounting for Derivatives.

5 Schemes of Amalgamation and Arrangement of earlier years

The Company, during the past years, undertook various Schemes including restructuring of ownership structure of telecom business so as to align the interest of the shareholders. Accordingly, pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved by Hon'ble High Courts of respective judicature, the Company, during the respective years, recorded all necessary accounting effects, along with requisite disclosure in the notes to the accounts, in accordance with the provisions of the said Schemes. The cumulative effects of the Schemes in case of Equity Share Capital of the Company have been disclosed below the respective Schedule to the Accounts. Reserves, pursuant to the said Schemes, include:

- (i) ₹ 8,882.63 crore being Securities Premium Account, which was part of the Securities Premium of erstwhile Reliance Infocomm Limited (RIC), the transferor company.
- (ii) ₹ 12,344.80 crore, being part of General Reserve, on fair valuation of assets and liabilities of the Company in accordance with the Scheme of Amalgamation, amalgamating Reliance Gateway Net Limited (RGNL) into the Company.
- (iii) Additional depreciation arising on fair value of the assets has been adjusted from General Reserve and from Provision for Business Restructuring.
- (iv) As prescribed under the relevant Scheme, RITL has, during the year, based on a legal opinion, considered the General Reserve arising pursuant to the said Scheme, to be a free reserve and available for any purpose and consequently, withdrawn ₹ 159.41 crore (Previous year ₹ Nil) in respect of bad debts and fuel expenses of ₹ 77.35 crore (Previous year ₹ 86.52 crore) from General Reserve and credited to Profit and Loss Account. Provision for obsolescence loss on capital goods ₹ Nil (Previous year ₹ 104.18 crore) has been withdrawn from General Reserve.
- (v) ₹ 1,287.10 crore, being the balance was transferred to Reserve for Business Restructuring in accordance with the Scheme of Arrangement for demerger of passive infrastructure assets to RITL.
- (vi) Additional depreciation of subsidiaries consequent upon revaluation of assets carried out has been adjusted to General Reserve.
- (vii) Pursuant to the said Scheme of Amalgamation (Refer Note 5(ii) above), on account of the fair valuation during the year ended on March 29, 2009, additions/ adjustments to the fixed assets included increase in Freehold Land by ₹ 225.46 crore, Buildings by ₹ 129.85 crore and Telecom Licenses by ₹ 14,145.49 crore.
- (viii) Pursuant to the demerger, the Company computed goodwill of ₹ 2,658.75 crore arising on consolidation using the step up method based on date of original investment by Reliance Industries Limited (RIL) prior to demerger instead of considering the date of demerger as the date of investment in absence of specific guidance in Accounting Standard (AS) 21 "Consolidated Financial Statements" in a demerged scenario.

6 Schemes of Amalgamation and Arrangement

- a. Pursuant to the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay vide Order dated May 6, 2011 and filed with the Registrar of Companies (RoC) on May 25, 2011, Matrix Innovations Limited (MIL), a Wholly Owned Subsidiary of Reliance Communications Infrastructure Limited (RCIL), engaged in allied telecommunication activities, has been amalgamated into RCIL with effect from the Appointed Date being April 1, 2010.

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

As per the said Scheme;

- (i) All the assets and liabilities as appearing in the books of MIL as on the Appointed Date have been recorded in the books of RCIL at their respective book values and inter company balances have been cancelled.
- (ii) Excess of liabilities over assets of ₹ 70.58 crore, after making the adjustments, in accordance with the Scheme, for cancellation of investments of ₹ 0.05 crore, has been transferred to to General Reserve of RCIL.
Had the Scheme not prescribed this treatment, ₹ 70.63 crore would have been debited to Goodwill as required by the Purchase Method prescribed by Accounting Standard (AS) 14 on "Accounting for Amalgamation".
- (iii) ₹ 6.61 crore comprising of goodwill on consolidation has also been debited to General Reserve.

- b. Pursuant to the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay vide Order dated April 29, 2011 and filed with the Registrar of Companies (RoC) on May 25, 2011, Global Innovative Solutions Private Limited ("GISPL"), a Wholly Owned Subsidiary of the company, engaged in allied telecommunication activities, has been amalgamated into the Company with effect from the Appointed Date being April 1, 2010.

As per the said Scheme;

- (i) All the assets and liabilities as appearing in the books of GISPL as on the Appointed Date have been recorded in the books of the Company at their respective book values and intercompany balances have been cancelled.
- (ii) Excess of assets over liabilities of ₹ 1.002 crore has been credited to General Reserve of the Company.
- (iii) Investment of ₹ 1.00 crore by the Company in the Equity Shares of GISPL has been written off to Profit and Loss Account and adjusted by withdrawing an equivalent amount from General Reserve.
Had the Scheme not prescribed this treatment, ₹ 0.002 crore would have been credited to Capital Reserve as required by the Purchase Method prescribed by Accounting Standard (AS) 14 on "Accounting for Amalgamation".
- (iv) As a part of the restructuring, an amount recoverable of ₹ 950.00 crore written off by RCIL during the previous year, upon amalgamation of MIL, a Wholly Owned Subsidiary into RCIL, is charged off, as permitted under the Scheme, to General Reserve.

- c. Pursuant to the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay vide Order dated May 6, 2011 and filed with the Registrar of Companies (RoC) on May 25, 2011 Reliance Global IDC Limited (RGIDCL), a Wholly Owned Subsidiary of Reliance Infratel Limited (RITL), engaged in allied telecommunication activities, has been amalgamated into RITL with effect from the Appointed Date as January 1, 2011.

As per the said Scheme;

- (i) All the assets and liabilities as appearing in the books of RGIDCL as on the Appointed Date have been recorded in the books of RITL at their respective book values and inter company balances have been cancelled.
- (ii) Excess of assets over liabilities of ₹ 1,000.03 crore has been transferred to General Reserve of RITL.
- (iii) Investment of ₹ 1,000.05 crore by RITL into Equity Shares of RGIDCL has been charged off and adjusted by withdrawing an equivalent amount from General Reserve.
Had the Scheme not prescribed this treatment, ₹ 0.02 crore would have been debited to Goodwill as required by the Purchase Method prescribed by Accounting Standard (AS) 14 on "Accounting for Amalgamation".
- (iv) Prepaid expenses of ₹ 890.98 crore have been adjusted against balance available in Securities Premium Account by RITL. In terms of the Scheme read with Sections 78 and 100 to 103 of the Companies Act, 1956, this amount is adjusted against General Reserve.

- d. Pursuant to the Scheme of Amalgamation (the Scheme) under Sections 391 to 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay vide Order dated May 6, 2011 and filed with the Registrar of Companies (RoC) on May 25, 2011, Reliance Communications Maharashtra Private Limited (RCMPL), a Wholly Owned Subsidiary of Reliance Telecom Limited (RTL), engaged in allied telecommunication activities, has been amalgamated into RTL with effect from the Appointed Date being April 1, 2010.

As per the said Scheme;

- (i) All the assets and liabilities as appearing in the books of RCMPL as on the Appointed Date have been recorded in the books of RTL at their respective book values and inter company balances have been cancelled.
- (ii) Excess of liabilities over assets of ₹ 0.01 crore, after making the adjustments, in accordance with the Scheme, for cancellation of investments of ₹ 0.01 crore, has been charged to Profit and Loss Account of RTL.

7 (a) Accounting for Indefeasible Rights of Use

During the year, the Company reassessed its policy for accounting of income from exclusive and indefeasible right of use (IRU) granted for network capacity to the customers to be recognised upfront as licencing income on the basis of activation of circuits instead of on straight line basis over an assured period of IRU contract as this would better reflect the associated benefit patterns derived by the Company. This view has been taken considering the fact that the Company collects the entire amount upfront and does not have any further obligations under the exclusive IRU arrangements and amounts are non refundable in nature. The Company continues to be responsible for the operation and maintenance of the network assets over which the services are delivered and this cost is separately recovered as a fixed percentage of the contract value. Consequent to the above, applying principles of matching cost, the Company charges additional depreciation on corresponding fixed assets in current year as IRU services are delivered by the network assets of the Company.

Reliance Communications Limited

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

Accordingly, during the year, and based on experts' opinions, income from exclusive IRUs is recognised as license income. As a result, revenue and amortisation for the year are higher by ₹ 2,545.00 crore and ₹ 2,564.00 crore and Profit after Tax is lower by ₹ 47.04 crore.

(b) Depreciation on Electronic Equipments

During the previous year, the Company had carried out technical/ technology assessment to determine the useful life of some of its telecommunications equipments. The useful life of such telecommunications equipments had been re-assessed and ascertained as 18 years, impacting the provision of depreciation of these assets for the year ended on March 31, 2010. As a result, depreciation charge was lower and profits for previous year was higher by ₹ 953.22 crore. The accounting treatment so determined has been fully in accordance with the applicable provisions of the Companies Act, 1956.

8 Project Development Expenditure

Details of Project Development Expenditure (Included under Capital Work-in-Progress) :

	For the year ended March 31, 2011		(₹ in crore) For the year ended March 31, 2010	
Opening Balance		177.61		771.16
Add:				
Expenditure incurred during the year	324.71		631.19	
Interest on Term Loans	355.09	679.80	-	631.19
		857.41		1,402.35
Less:				
Capitalised during the year	253.31		1,224.24	
Sale of scrap	4.50	257.81	0.50	1,224.74
Closing Balance		599.60		177.61

9 Provisions

- (i) Provisions include, provision for disputed claims for verification of customers ₹ 9.04 crore (Previous year ₹ 9.04 crore) and others of ₹ 1,398.75 crore (Previous year ₹ 1,650.88 crore) net of payment of ₹ 150.00 crore to Department of Telecommunications (DoT) in relation to the matter pertaining to Home Country Direct (HCD) Calls, provision for Commission to Non Executive Directors of ₹ Nil (Previous year ₹ 0.60 crore) and provisions for Asset Retirement Obligation (ARO) made by the Company's subsidiary in respect of undersea cables and equipments of ₹ 243.74 crore (Previous year ₹ 246.72 crore).
- (ii) During the year, an amount of ₹ Nil (Previous year ₹ 140.00 crore) relating to Roll out obligations and ₹ 102.13 crore (Previous year ₹ 50.52 crore) relating to disputed liabilities have been reversed and provided ₹ Nil (Previous year ₹ 5.64 crore) towards disputed interconnect usage charges. Further, the Company paid ₹ 0.60 crore (Previous year ₹ 0.60 crore) towards commission to Non Executive Directors for the financial year 2009-10.
- (iii) Also refer Note 3(vi) above.
The aforesaid provisions shall be utilised on settlement of the claims, if any, thereagainst.

10 Contingent Liabilities and Capital Commitment (as represented by the Management)

	As at March 31, 2011		(₹ in crore) As at March 31, 2010	
(i) Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for		1,420.32		2,352.41
(ii) Disputed Liabilities not provided for				
- Sales Tax and VAT		130.55		250.11
- Custom, Excise and Service Tax		12.45		15.71
- Entry Tax and Octroi		43.44		13.79
- Income Tax		-		0.93
- Other Litigations		128.00		30.57
- Interest on ADC on FWP/T		160.40		-
(iii) Claims against the Company not acknowledged as debts		86.53		0.23
(iv) Guarantees given including on behalf of other companies for business purpose		422.83		461.99
(v) Bonds executed in favour of Government Authorities		57.17		57.17
(vi) Pending clearance of an application by concerned authorities for end use of ECB taken by one of the subsidiaries, fees payable, if any shall be accounted when crystallised.				
(vii) As part of ongoing investigations in relation to the entire telecom sector in India, certain preliminary charges were filed in April, 2011 in a Court by an investigative agency (CBI), against Reliance Telecom Limited, a subsidiary of the Company, and three of the executives of the Group under Indian Penal Code (IPC). The CBI media release itself clarifies that these are preliminary charges based on its own investigations, and the persons named are presumed to be innocent, till their alleged guilt is established after a fair trial. As legally advised, the persons so named deny all charges, and will defend themselves in the appropriate legal proceedings. These preliminary charges have no impact on the financial statements, business, operations, and/ or licenses of Reliance Telecom Limited and of the Company and, even more so, are not connected in any manner to any other listed group companies.				

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

11 Deferred Tax Assets and Liabilities

The Company and its certain subsidiaries being in the business of Telecommunication Services, Broadband Network and Internet Services, are eligible for deduction under Section 80IA (Tax Holiday) of the Income tax Act, 1961. Since the Deferred Tax Liability in respect of timing difference is expected to reverse during Tax Holiday Period, the same is not recognised in books of accounts as at March 31, 2011 as per the Accounting Standard ("AS") 22 of "Accounting for Taxes on Income" as referred to in Accounting Standard Rules.

The Deferred Tax Liabilities relating to other subsidiaries of the Company comprise of the following.

		(₹ in crore)	
		As at March 31, 2011	As at March 31, 2010
(i)	Deferred Tax Liabilities		
	Lease Rent Equalisation	1,046.68	687.28
	Unrealised Forex Gain	-	134.00
	Related to timing difference on depreciation on fixed assets	-	9.03
	Related to timing difference on revenue recognition	-	24.07
		1,046.68	854.38
(ii)	Deferred Tax Assets		
	Related to carried forward loss	317.15	378.08
	Disallowances, if any, under the Income Tax Act, 1961	4.89	0.58
	Related to timing difference on depreciation on fixed assets	357.83	350.03
	Lease Rent Equalisation	-	26.64
		679.87	755.33
	Net Deferred Tax Liabilities	366.81	99.05

12 Leases

(a) Finance Lease; as a lessee

- (i) The details of gross investments and minimum lease rentals outstanding as at March 31, 2011 in respect of fixed assets acquired on or after April 1, 2001.

(₹ in crore)						
Due	Gross Investment		Unearned Finance Income		Present Value of Minimum Lease Payments	
	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010	As at March 31, 2011	As at March 31, 2010
Within one year	0.09	0.17	0.01	0.02	0.08	0.15
Later than one year and not later than five years	0.05	0.14	-	0.01	0.05	0.13
Later than five years	-	-	-	-	-	-
Total	0.14	0.31	0.01	0.03	0.13	0.28

- (ii) General description of the significant leasing arrangements is as mentioned below.

- (a) The lease agreement is valid for a fixed non cancellable period from the date of commencement of lease rentals.
- (b) Upon termination of the lease agreement, the Company shall return the assets to the lessor.
- (c) In the event, the claim of lessor for depreciation is disallowed partly or fully in their tax assessment, the lease rentals will increase to the extent of depreciation disallowed to the lessor.

(b) Operating Lease

		(₹ in crore)	
		As at March 31, 2011	As at March 31, 2010
Estimated future minimum payments under non cancellable operating leases.			
(i)	Not later than one year	0.95	347.61
(ii)	Later than one year and not later than five years	1.00	2 039.89
(iii)	Later than five years	165.66	2 122.19

Reliance Infratel Limited (RITL), a subsidiary of Reliance Communications Infrastructure Limited (RCIL) a wholly owned subsidiary of the Company has entered in to lease agreements with the owners of land and property, on which the telecommunication towers are installed. These lease agreements are for period ranging from 10 to 15 years and grant RITL the right to use the leased premises for the purpose of carrying the business. During the year, RITL reassessed the policy for accounting of lease rent in view of significant change in relation to provision of lock in period. These lease agreements are cancellable and without any lock in period. RITL has ability to secure renewal thereof on commercially reasonable terms, either in case of cancellation of lease and / or at the expiry of the current lease period. Accordingly, RITL has during the

Reliance Communications Limited

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

year, accounted for rent in terms of the lease agreements and has reversed the rent equilisation of ₹ 73.87 crore provided for the period upto March 31, 2010. As a result, profit after tax at the end of the year is higher by the said amount.

13 Particulars of Derivative Instruments

Particulars of Derivative Instruments acquired for hedging	For the year ended March 31, 2011			For year ended March 31, 2010		
	No. of Instruments	Value		No. of Instruments	Value	
		(US \$ crore)	(₹ in crore)		(US \$ crore)	(₹ in crore)
Principal Only Swap	2	3.50	156.08	12	22.42	1,011.81
Interest Rate Swaps FC	19	63.80	2,845.16	42	92.40	4,170.94
Interest Rate Swaps INR	27	20.74	925.00	27	19.38	875.00
Options FC	7	34.36	1,532.20	13	50.92	2,298.34
Options INR	-	-	-	1	2.00	90.28

No derivative instruments are for speculation purpose.

In respect of Foreign Currency Swap and Interest Rate Swap transactions, which are linked with LIBOR rates and exchange rate during the binding period of contract, the gains/ losses, if any, are recognised on the settlement day or the reporting day, whichever is earlier, at the rate prevailing on respective day.

Foreign Currency exposures that are not hedged by derivative instruments or otherwise are US \$ 615.04 crore (Previous year US \$ 429.07 crore), equivalent to ₹ 27,427.53 crore (Previous year ₹ 19,471.10 crore), Euro 0.06 crore (Previous year Euro 0.01 crore), equivalent to ₹ 3.66 crore (Previous year ₹ 0.04 crore)

The unamortised premium of Buyers' Line of Credit to be recognised is ₹ 0.64 crore (Previous year ₹ 3.63 crore) for one or more subsequent accounting periods.

14 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to MSME. On the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small Enterprises.

	(₹ in crore)	
	As at March 31, 2011	As at March 31, 2010
(a) Principal amount due to any supplier as at the year end	167.48	155.19
(b) Interest due on the principal amount unpaid at the year end to any supplier	24.82	2.43
(c) Amount of Interest paid by the Company in terms of Section 16 of the MSMED, alongwith the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
(d) Payment made to the enterprises beyond appointed date under Section 16 of MSMED	66.66	93.19
(e) Amount of Interest due and payable for the period of delay in making payment, which has been paid but beyond the appointed day during the year but without adding the interest specified under MSMED	1.75	8.34
(f) Amount of interest accrued and remaining unpaid at the end of each accounting year	26.57	10.77
(g) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED	16.46	0.74

15 Earnings per Share (EPS)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Basic and Diluted EPS before Exceptional Items		
(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating EPS)	1,333.55	4 692.47
(b) Weighted average number of Equity Shares (used as denominator for calculating Basic EPS)	2,064,026,881	2,064,026,881
(c) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	1,333.55	4 692.47
(d) Weighted average number of Equity Shares (used as denominator for calculating Diluted EPS)	2,153,165,814	2,153,165,814
(e) Basic Earnings per Share of ₹ 5 each (₹)	6.46	22.73
(f) Diluted Earnings per Share of ₹ 5 each (₹)	6.19	21.79

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

Basic and Diluted EPS after Exceptional Items

(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating EPS)	1,345.65	4,655.00
(b) Weighted average number of Equity Shares (used as denominator for calculating Basic EPS)	2,064,026,881	2,064,026,881
(c) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	1,345.65	4 655.00
(d) Weighted average number of Equity Shares (used as denominator for calculating Diluted EPS)	2,153,165,814	2,153,165,814
(e) Basic Earnings per Share of ₹ 5 each (₹)	6.52	22.55
(f) Diluted Earnings per Share of ₹ 5 each (₹)	6.25	21.62

16 Exceptional Items

Exceptional Items consist of write back of charges of ₹ 6.73 crore (previous yers ₹ 6.65 crore) of Options, which lapsed under ESOS Plan 2008, Stamp Duty of ₹ Nil (previous year ₹ 25.00 crore) paid by the Company on conveyancing of the assets pursuant to the Schemes approved by the Hon'ble High Court and Employee Restructuring Cost reversal of ₹ 5.37 crore (Previous year provision of ₹ 18.97 crore) by Reliance Vanco Group Limited.

17 General Reserve

The Company has, from the year ended on March 31, 2008 onwards, combined the balances of General Reserve I, II and III and disclosed as General Reserve in Consolidated Accounts. General Reserve I and II were arising pursuant to the Schemes of demerger of 'Telecommunication Undertaking' of RIL into the Company and the Scheme of Amalgamation and Arrangement of Group Companies respectively in earlier years. General Reserve III includes the reserve arising pursuant to the Schemes of Amalgamation with RGNL.

The Company, during the year, transferred ₹ 216.19 crore pursuant to Section 205A (3) of the Companies Act, 1956 and the Companies (Declaration of Dividend out of Reseves) Rules, 1975 and proposed dividend out of the accumulated profits of the previous years.

Adjustment of ₹ 35.91 crore after Profit After Tax (PAT) in profit and loss accounts represents accounting effect arising upon audit of its certain subsidiaries Reliance Communications Singapore Pte. Limited and Gateway Net Trading Pte. Limited for the year ended as at March 31, 2009.

18 Debenture Redemption Reserve

In view of the loss during the year, the Company has not created Debenture Redemption Reserve (DRR) by ₹ 74.96 crore in terms of Section 117 C of the Companies Act 1956. The Company shall create such reserve out of profits, if any, in future years.

19 Related Parties

As per the Accounting Standard (AS) 18 of "Related Party Disclosures" as referred to in Accounting Standard Rules, the disclosure of transactions with the related parties as defined therein are given below.

A List of related party

Name of the Related Party	Relationship
(i) Reliance Innoventures Private Limited	Holding Company
(ii) Reliance Capital Limited	Fellow subsidiary
(iii) Reliance General Insurance Company Limited	Fellow subsidiary
(iv) Shri Anil D. Ambani	Person having control during the year
(v) Shri Hasit Shukla	Key Managerial Personnel

B Transactions during the year with related parties

(Figures in bracket represent Previous year)

	Fellow Subsidiaries	Others	(₹ in crore) Total
1 Reliance Capital Limited			
(i) Advances			
Balance as on April 1, 2010	-	-	-
Add: Advances made during the year	0.29	-	0.29
Less: Repayment during the year	-	-	-
Balance as on March 31, 2011	0.29	-	0.29
	-	-	-

Reliance Communications Limited

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

	Fellow Subsidiaries	Others	(₹ in crore) Total
(ii) Sundry Debtors	1.96 (1.94)	-	1.96 (1.94)
(iii) Sundry Creditors	-	-	-
(iv) Income	(2.63)	-	(2.63)
Service Income	0.04 (0.15)	-	0.04 (0.15)
Other Income	-	-	-
(v) Rent, Rates and Taxes	(0.54)	-	(0.54)
	(2.63)	-	(2.63)
2 Reliance General Insurance Company Limited			
(i) Advances			
Balance as on April 1, 2010	0.63	-	0.63
Add: Advances made during the year	(37.26) 3.20	-	(37.26) 3.20
Less: Repayment during the year	-	-	-
Balance as on March 31, 2011	2.76 (36.63) 1.07 (0.63)	-	2.76 (36.63) 1.07 (0.63)
(ii) Sundry Debtors	1.90	-	1.90
(iii) General and Administration Expenses	(1.90)	-	(1.90)
	-	-	-
	(23.09)	-	(23.09)
3 Person having control during the year			
Shri Anil D. Ambani – Sitting fees	-	0.02 (0.02)	0.02 (0.02)
4 Key Managerial Personnel			
Shri Hasit Shukla – Managerial Remuneration	-	0.24 (0.74)	0.24 (0.74)

20 Employee Stock Option Scheme

The Company operates two Employee Stock Option Plans; ESOS Plan 2008 and ESOS Plan 2009, which cover eligible employees of the Company, the Holding Company and its Subsidiaries. ESOS Plans are administered through an ESOS Trust. The Vesting of the options is on the expiry of one year from the date of Grant as per Plan under the respective ESOS(s). In respect of Options granted, the accounting value of Options (based on market price of the share on the date of the grant of the option) is accounted as deferred employee compensation, which is amortised on a straight line basis over the Vesting Period. Each Option entitles the holder thereof to apply for and be allotted/ transferred one Equity Share of the Company of ₹ 5 each upon payment of the Exercise Price during the Exercise Period. The maximum Exercise Period is 10 years from the date of Grant of Options.

The Company has established a Trust for the implementation and management of ESOS for the benefit of its present and future employees. Advance of ₹ 388.77 crore (Previous year ₹ 331.16 crore) has been granted to the Trust and ₹ 390.95 crore (Previous year ₹ 331.00 crore) has been utilised by the Trust for purchasing 2.13 crore (Previous year 1.67 crore) Equity Shares during the period upto March 31, 2011.

Amounts earlier charged in respect of surrendered Options under ESOS Plan 2008 amounting to ₹ 6.73 crore (previous year ₹ 6.65 crore) was reversed and reflected as Exceptional Item in Profit and Loss Account. No amount is chargeable in respect of Options granted under ESOS Plan 2009.

Particulars

	Employees Stock Option Plans			
	ESOS Plan 2008		ESOS Plan 2009	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
Number of Options Outstanding at the beginning of the year	11,22,211	389.70	93,23,215	206.00
Number of Options granted	-	-	-	-
Number of Options vested during the year	11,22,211	389.70	93,23,215	206.00
Total number of Options exercised	-	-	-	-
Total number of Options forfeited/ lapsed	2,46,958	368.65	29,88,962	206.00
Number of Options outstanding at the end of the year	8,75,253	395.64	63,34,253	206.00

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

If the entity would have estimated fair value computed on the basis of Black-Scholes pricing model, the compensation cost for the year ended March 31, 2009 for ESOS Plan 2008 and ESOS Plan 2009 would have been ₹ 5.86 crore and ₹ 15.91 crore respectively. The key assumptions used to estimate the fair value of options are given below.

Particulars	ESOS Plan 2008	ESOS Plan 2009
Risk-free interest rate	8.01%	8.01%
Expected life	7 years	8 years
Expected volatility	45.60%	45.60%
Expected dividend yield	0.09%	0.29%
Price of the underlying share in market at the time of option grant	₹ 541.15	₹ 174.00

21 License Fees

The Company accounts for its liabilities in respect of Licence Fees payable for its Telecom as well as Direct To Home (DTH) businesses by way of Revenue Share to be computed on the Gross Revenue of the Company after taking into account the decision of Telecom Disputes Settlement And Appellate Tribunal (TDSAT) dated August 30, 2007 specifying that revenues not related to Unified Access Services (UAS) and Other Licences under which the Company operates are not to be included in the computation of Revenue Share. The TDSAT has, by its decision dated March 26, 2009 and May 7, 2010 applied the said decision dated August 30, 2007 to the Company. The decision of the TDSAT is the subject matter of Appeal pending before the Supreme Court. No provision is considered necessary in this regard.

22 Special Audit

Pursuant to the Telecom License Agreement, the Department of Telecommunications (DoT) directed audit of various Telecom companies including of the Company. The Special Auditors appointed by DoT were required to verify records of the Company and some of its subsidiaries for the years ended March 31, 2007 and March 31, 2008 relating to license fees and revenue share. The report of the Special Auditor's alleging a shortfall of license fee and revenue share of ₹ 336.00 crore is mala fide and is in the Company's opinion biased and full of errors and inaccuracies. Criminal complaints filed by the Company against the wrongful leaking of the Report are being investigated by the Police. The ICAI is investigating the professional and other misconduct of the Special Auditors. The Company has also made presentations and representations to DoT on the observations of the Special Auditor. The Company is advised that based, inter alia, on current understanding of the regulation by the industry and judicial pronouncements directly applicable to the issues raised in the special audit report, all of which have neither been properly considered nor appreciated in the Report, no provision is required in the accounts of the Company.

23 Export Commitments

The Company and its subsidiaries have obtained licenses/ authorisations under the Export Promotion Capital Goods (EPCG) Scheme for importing capital goods at a concessional rate of customs duty against submission of bonds. Under the terms of the respective licenses/ authorisations, the Company and its subsidiaries are required to export goods of FOB value equivalent to or more than, eight times the amount of duty saved in respect of such licenses/ authorisations, where export obligation has been refixed by the order of Director General Foreign Trade, Ministry of Commerce and Industry, Government of India, as applicable. Balance export obligations outstanding as on March 31, 2011 in case of the Company and its subsidiaries namely: RCIL and RITL under the aforesaid licenses/ authorisations is ₹ 334.00 crore, ₹ 632.00 crore and ₹ 7,126.00 crore respectively (Previous year ended March 31, 2010, ₹ 494.40 crore, ₹ 971.00 crore and ₹ 7,253.00 crore respectively).

24 Joint Venture

Reliance Communications Infrastructure Limited (RCIL), a Subsidiary of the Company has entered into a joint venture (JV) with 33% interest. The detail of the said JV are as under.

Name of the Joint Venture	:	Alcatel-Lucent Managed Solutions India Private Limited	
Name of the Other Venturer	:	Alcatel- Lucent India Limited	
Percentage of Interest of RCIL	:	33%	
Percentage of Interest of other venturers	:	67%	
Aggregate amount related to interest in JV	:		(₹ in crore)
		As at	As at
		March 31, 2011	March 31, 2010
- Assets	:	206.95	130.35
- Liabilities	:	128.07	108.38
- Income	:	269.85	191.15
- Expenses	:	215.45	161.95

Reliance Communications Limited

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

25 Performance Ratios

	For the year ended March 31, 2011	For the year ended March 31, 2010
(i) Total Income/ Total Assets	0.24	0.24
(ii) Net Profit Before Interest and Tax/ Capital Employed (%)	3.19	5.52
(iii) Return on Networth (%)	3.32	10.74
(iv) Profit After Tax/ Income (%)	6.52	21.59

26 Employee Benefits

Gratuity: In accordance with the applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) for all its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on respective employees last drawn salary and for the years of employment with the Company.

The following table set out the status of the Gratuity Plan as required under Accounting Standard ("AS") 15 (Revised) "Employee Benefits".

Particulars	(₹. in crore)			
	Gratuity		Leave Encashment	
	As at March 31, 2011	March 31, 2010	As at March 31, 2011	March 31, 2010
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
Obligation at year beginning	35.07	35.79	94.80	112.90
Service cost	8.20	9.11	2.91	3.26
Interest cost	2.64	2.50	6.43	6.92
Actuarial (gain)/ loss	(0.11)	(7.27)	18.47	14.46
Benefits paid	(7.61)	(5.06)	(35.16)	(42.77)
Obligation at year end	38.19	35.07	87.45	94.80
Defined benefit obligation liability is wholly funded by the Company				
(ii) Change in plan assets				
Plan assets at year beginning, at fair value	36.29	25.54	-	-
Expected return on plan assets	2.72	1.79	-	-
Actuarial (gain)/ loss	(0.68)	2.98	-	-
Contributions	1.49	11.03	35.16	42.77
Benefits	(7.61)	(5.06)	(35.16)	(42.77)
Plan assets at year end, at fair value	32.21	36.29	-	-
(iii) Reconciliation of present value of the obligation and the fair value of the plan assets				
Fair value of plan assets at the end of the year	32.21	36.29	-	-
Present value of the defined benefit obligations at the end of the year	38.19	35.07	87.45	94.78
Liability recognised in the Balance Sheet	5.98	(1.22)	87.45	94.78
(iv) Cost for the year				
Service Cost	8.20	9.11	2.91	3.26
Interest Cost	2.64	2.50	6.43	6.92
Expected return on plan assets	(2.72)	(1.79)	-	-
Actuarial (gain)/ loss	0.57	(10.26)	18.47	14.46
Net Gratuity Cost	8.69	(0.44)	27.81	24.64
(v) Experience adjustment				
On Plan Liabilities (Gain)/Loss	2.87	(5.01)	N.A	N.A
On Plan Assets Gain / (Loss)	(0.58)	2.98	N.A	N.A
(vi) Investment details of plan assets				
100% of the plan assets are invested in Balanced Fund Instruments				
(vii) Actual return on plan assets	1.85	4.77	-	-
(viii) Assumptions				
Interest rate	8.20%	7.50%	8.20%	7.50%
Estimated return on plan assets	8.20%	7.50%	8.20%	7.50%
Salary Growth rate	6.50%	6.00%	6.50%	6.00%

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

(ix) Particulars of the amounts for the year and previous years

	2011	Gratuity for the year ended March, 31			
		2010	2009	2008	2007
Present Value of benefit obligation	38.19	35.07	35.79	27.12	16.22
Fair value of plan assets	32.21	36.29	25.54	25.51	12.78
Excess of obligation over plan assets (plan assets over obligation)	5.99	(1.22)	10.25	1.61	3.44

The expected contribution is based on the same assumptions used to measure the company's gratuity obligations as of March 31, 2011.

Provident Fund : The guidance on Implementing ("AS") 15 "Employee Benefits" (revised 2005) issued by the ICAI states that the benefits involving employer established Provident Fund, which require interest shortfalls to be recompensed are to be considered defined benefit plans. The actuary of the Company has expressed his inability to reliably measure provident fund liabilities as the guidance note from the Actuarial Society of India is yet to be issued. Accordingly, the Company is unable to provide the related information.

The Employee Benefits as disclosed above pertain to the Company and its significant subsidiaries like Reliance Communications Infrastructure Limited, Reliance Telecom Limited, Reliance Webstore Limited, Reliance Tech Services Limited, Reliance Infrastructure and Investment Private Limited and Reliance Wimax Limited.

27 Consolidated Segment Information

The Company has identified five reportable segments viz. Wireless, Broadband, Global, Investment and Others. The segments have been identified and reported taking into account the nature of services provided, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the Company with following additional policies for segment reporting.

- (a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable".
- (b) Segment assets and liabilities represent the assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

(i) Primary Segment Information

Particulars	Wireless	Broadband	Global	Investment	Others	Unallocable	Eliminations	Total
(₹ in crore)								
Segment Revenue								
External Revenue	13,776.13	2,104.76	6,344.72	57.40	824.62	-	-	23,107.63
	14,312.11	2,347.64	4,789.73	209.49	473.31	-	-	22,132.28
Inter Segment Revenue	2,800.07	542.18	3,707.19	-	525.98	-	(7,575.42)	-
	2,327.50	490.91	3,528.95	-	494.50	-	(6,841.86)	-
Net Revenue	16,576.20	2,646.94	10,051.91	57.40	1,350.60	-	(7,575.42)	23,107.63
	16,639.61	2,838.55	8,318.68	209.49	967.81	-	(6,841.86)	22,132.28
Segment Result before Exceptional and non recurring items, interest & taxes	2,700.47	470.65	475.76	57.40	(1,126.54)	-	-	2,577.74
	3,754.96	681.39	554.04*	209.49	(1,125.91)	-	-	4,073.97
Less: Finance Expense						1,132.74		1,132.74
						1,551.85		1,551.85
Add : Finance Income / Income from Investments						60.52		60.52
						2,738.18		2,738.18
Segment Result before exceptional and non recurring items, taxes	2,700.47	470.65	475.76	57.40	(1,126.54)	(1,072.23)	-	1,505.51
	3,754.96	681.39	554.04	209.49	(1,125.91)	1186.33	-	5,260.30
Less/(Add):Provisions, Exceptional and Non Recurring items						(12.10)		(12.10)
						37.47		37.47
Less: Provision for Taxation						11.79		11.79
						445.39		445.39
Segment Result after Tax	2,700.47	470.65	475.76	57.40	(1,126.54)	(1,071.92)	-	1,505.82
	3,754.96	681.39	554.04	209.49	(1,125.91)	703.47	-	4,777.44

Reliance Communications Limited

Notes on Accounts to Abridged Consolidated Balance Sheet and Abridged Consolidated Profit and Loss Account

Particulars								(₹ in crore)
	Wireless	Broadband	Global	Investment	Others	Unallocable	Eliminations	Total
Other Information								
Segment Assets	65,314.88	5,083.59	12,223.52	1,287.91	3,284.78	31,742.42	(25,335.93)	93,601.17
	59,099.33	5,825.61	16,072.85	4,717.08	3,448.34	27,942.51	(25,527.28)	91,578.44
Segment Liabilities	11,648.96	1,336.07	5,334.50	-	594.57	4,474.35	(9,427.61)	13,960.84
	11,008.95	1,298.89	8,578.87	-	615.88	4,387.74	(7,627.75)	18,262.58
Other Corporate Assets						1,121.51		1,121.51
						990.19		990.19
Other Corporate Liabilities						39,438.19		39,438.19
						30,287.02		30,287.02
Capital Expenditure	9,190.09	145.00	329.88	-	295.46	-	-	9,960.43
	3,595.06	119.83	1,045.97	-	71.12	-	-	4,831.98
Depreciation	2,036.67	477.93	3,504.09	-	485.14	-	-	6,503.83
	1,828.17	466.04	1,108.04	-	344.26	-	-	3,746.51

(c) The reportable Segments are further described below:

- The Wireless segment includes wireless operations of the Company, Reliance Communications Infrastructure Limited, Reliance Telecom Limited, Reliance Infratel Limited, Alcatel Lucent Managed Solutions India Private Limited and the retail operations of Reliance Communications UK Limited, Reliance Communications International Inc., Reliance Communications Canada Inc., Reliance Communications (Australia) Pty. Limited, Reliance Communications (New Zealand) Pte. Limited.
- The Broadband segment includes broadband operations of the Company, Reliance Communications Infrastructure Limited and Reliance Wimax Limited.
- The Global segment include National Long Distance and International Long Distance operations of the Company and the wholesale operations of its subsidiaries viz. Reliance Globalcom BV and its subsidiaries.
- The Investment segment includes investment activities of the Group companies, Reliance Telecom Limited, Reliance Infratel Limited, Reliance Webstore Limited, Reliance Globalcom BV, Gateway Net Trading Pte. Limited, Reliance Infocomm Infrastructure Private Limited and Reliance Wimax Limited.
- The businesses, which were not reportable segments during the year, have been grouped under the "Others" segment. This mainly comprises of the customer care activities of Reliance Webstore Limited, Facility Usage activities of Reliance Infocomm Infrastructure Private Limited, Reliance Tech Services Private Limited and DTH activities of Reliance Communications Infrastructure Limited and Reliance Big TV Limited.

(ii) Secondary Segment Information

The secondary segment relates to geographical segments viz. Operations within India and outside India.

	Within India	Outside India	Total
1. Segment Revenue - External Turnover	15,250.05	7,857.58	23,107.63
	17,359.04	4,773.24	22,132.28
2. Segment Assets	80,365.90	13,235.27	93,601.17
	72,808.89	18,769.55	91,578.44
3. Segment Liability	10,743.23	3,217.61	13,960.84
	10,371.24	7,891.34	18,262.58
4. Segment - Capital expenditure	9,488.24	472.19	9,960.43
	3,833.18	998.80	4,831.98

The reportable secondary segments are further described below.

- The "Within India" segment includes the operations of the Company and its subsidiaries in India.
- The "Outside India" segment includes the operations of the Company's subsidiaries viz. Reliance Globalcom BV and its subsidiaries and Gateway Net Trading Pte. Limited.

* net of ₹ 200 crore impaired on obsolescence.

As per our Report of even date

For Chaturvedi & Shah
Chartered Accountants
Firm Reg. No. 101720W

C. D. Lala
Partner
Membership No. 35671
Mumbai
30th May, 2011

For B S R & Co.
Chartered Accountants
Firm Reg. No. 101248W

Bhavesh Dhupelia
Partner
Membership No. 042070

For and on behalf of the Board
Chairman

Directors

President, Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Hasit Shukla

Financial information of Subsidiary Companies

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
1	Reliance Communication Infrastructure Limited	India	20,102.00	282,943.34	990,238.03	990,238.03	501.00	433,905.27	71,292.7	(12,808.00)	19,337.27	-
2	Reliance Infratel Limited	India	283,314.19	441,301.48	2,051,700.17	2,051,700.17	-	665,842.15	111,983.99	29,361.66	82,622.33	-
3	Reliance Wimax Limited	India	168.71	10,502.32	10,925.99	10,925.99	-	3.79	(158.46)	0.30	(158.76)	-
4	Netizen Rajasthan Limited	India	185.00	179,134.31	180,047.20	180,047.20	-	9.00	(57.03)	-	(57.03)	-
5	Reliance Communications Investment and Leasing Limited	India	210.00	57.40	1,816.80	1,816.80	-	-	6.17	1.90	4.27	-
6	Reliance Digital Home Services Limited	India	5.00	(1.83)	5.23	5.23	-	-	(1.02)	-	(1.02)	-
7	Gateway Net Trading Pte. Limited	Singapore	490.55	(3,818.94)	8,485.86	8,485.86	187.68	1.76	2,698.08	(10.27)	2,708.35	-
8	Unit of Currency - USD		1,100,000.00	(8,563,605.00)	19,028,735.00	19,028,735.00	420,849.00	3,956.00	6,050,181.00	(23,039.00)	6,073,220.00	-
9	Campion Properties Limited	India	356.36	(2,808.49)	12,339.64	12,339.64	-	46,999.45	(262.30)	(141.99)	(262.30)	-
10	Reliance Website Limited	India	5.00	244.00	49,876.20	49,876.20	519.11	19.91	161.90	12.00	161.90	-
11	Reliance Infocomm Infrastructure Private Limited	India	500.00	(1,707.8)	104,575.11	104,575.11	0.51	19,574.03	65.18	12.00	53.18	-
12	Reliance Telecom Limited	India	8,000.00	(12,516.99)	689,898.00	689,898.00	-	238,394.00	(28,996.00)	(7,105.00)	(21,791.00)	-
13	Reliance Big TV Limited	India	1,000.00	(33,463.82)	33,641.87	33,641.87	0.34	32,916.23	(14,466.13)	-	(14,466.13)	-
14	Reliance Tech Services Private Limited	India	1.82	(76.59)	11,351.63	11,351.63	0.23	15,329.99	27.59	5.82	21.77	-
15	Reliance Mobile Commerce Limited	India	200.00	0.51	204.78	204.78	-	-	-	-	-	-
16	Reliance Globalcom BV	The Netherlands	1,044.61	210,083.14	437,550.31	437,550.31	52,892.74	-	(15,167.33)	-	(15,167.33)	-
17	Unit of Currency - USD		2,342,443.00	471,091,246.00	981,164,508.00	981,164,508.00	118,606,891.00	-	(34,011,272.00)	-	(34,011,272.00)	-
18	Reliance Infocom Inc.	USA	401.36	(648.71)	2,751.70	2,751.70	-	1.57	(3.57)	0.04	(3.61)	-
19	Reliance Communications Canada Inc.	USA	900,000.00	(1,454,675.78)	6,170,420.00	6,170,420.00	-	3,510.00	(7,998.00)	100.00	(8,098.00)	-
20	Reliance Communications Inc.	USA	2,229.75	(1,647.52)	42,077.51	42,077.51	-	137,163.78	(10,940.98)	(74.55)	(10,866.44)	-
21	Unit of Currency - USD		5,000,000.00	(3,694,414.00)	94,354,770.00	94,354,770.00	-	307,576,594.00	(24,534,103.00)	(167,163.00)	(24,366,940.00)	-
22	Reliance Communications International Inc.	USA	4.46	3,723.22	8,691.66	8,691.66	-	14,562.70	317.31	22.21	295.10	-
23	Unit of Currency - USD		10,000.00	8,348,972.04	19,490,222.00	19,490,222.00	-	32,655,446.00	711,542.00	49,808.00	661,734.00	-
24	Reliance Communications Canada Inc.	USA	4.46	(81.66)	468.70	468.70	-	761.74	10.18	-	10.18	-
25	Unit of Currency - USD		10,000.00	(183,119.08)	1,051,019.00	1,051,019.00	-	1,708,122.00	22,817.00	-	22,817.00	-
26	Bonn Investment Inc.	USA	4.46	(423.66)	3,171.63	3,171.63	-	-	(108.50)	6.00	(114.51)	-
27	Unit of Currency - USD		10,000.00	(950,024.50)	7,112,071.50	7,112,071.50	-	57,846.73	(243,306.00)	13,464.00	(256,770.00)	-
28	Reliance Communications (U.K.) Limited	United Kingdom	9.81	12,925.10	15,896.20	15,896.20	-	80,574,871.49	1,704,237.11	-	1,704,237.11	-
29	Unit of Currency - GBP		13,665.16	18,002,790.01	22,141,097.93	22,141,097.93	-	29,307.91	52.78	-	52.78	-
30	Reliance Communications (Hong Kong) Limited	Hong Kong	0.00	(452.55)	2,501.32	2,501.32	-	65,720,169.70	118,356.97	-	118,356.97	-
31	Unit of Currency - USD		0.13	(1,014,800.31)	5,608,976.20	5,608,976.20	-	105.84	77.18	19.26	57.92	-
32	Reliance Communications (Australia) Pty. Limited	Australia	0.00	114.40	371.05	371.05	-	226,703.42	165,323.54	41,259.38	124,064.15	-
33	Unit of Currency - AUD		1.00	245,041.05	794,781.31	794,781.31	-	2.80	0.12	-	0.12	-
34	Reliance Communications (New Zealand) Pte. Limited	New Zealand	0.00	(45.14)	7.77	7.77	-	-	-	-	-	-
35	Unit of Currency - NZD		1.00	(131,239.92)	22,596.74	22,596.74	-	8,149.77	349.08	-	349.08	-
36	Reliance Communications (Singapore) Pte. Limited	Singapore	32.31	111,815.18	111,994.38	111,994.38	-	18.49	(21.09)	-	(21.09)	-
37	Unit of Currency - USD		72,450.00	250,734,801.10	251,136,639.00	251,136,639.00	-	41,452.00	(47,292.00)	-	(47,292.00)	-
38	Anupam Globalsoft (U) Limited	Uganda	564.04	(351.24)	1,738.05	1,738.05	-	-	0.91	-	0.91	-
39	Unit of Currency - U-shs		3,000,000,000.00	(1,889,382,549.75)	9,349,372,636.52	9,349,372,636.52	-	330,946.45	4,879,612.00	-	4,879,612.00	-
40	Reliance Globalcom Limited, Bermuda	Bermuda	143,444.19	31,928.15	746,093.16	746,093.16	-	29,327.12	(353.16)	(791,917.30)	29,680.28	-
41	Unit of Currency - USD		321,659,797.00	71,595,814.62	1,673,042,184.54	1,673,042,184.54	-	742,115,587.51	65,763,255.03	(791,917.30)	66,555,172.33	-
42	Unit of Currency - USD		4.49	(549.10)	4,403.90	4,403.90	-	12,004.78	2,687.40	47.07	2,640.33	-
43	FLAG Telecom Asia Limited	Hong Kong	10,063.87	(1,231,305.48)	9,875,329.67	9,875,329.67	-	26,919,556.35	6,026,232.99	105,555.72	5,920,677.27	-
44	Unit of Currency - USD		40.76	(32,402.11)	3,865.89	3,865.89	-	3,135.87	(6,107.73)	0.76	(6,108.49)	-
45	FLAG Telecom Japan Limited	Japan	91,405.17	(72,658,609.20)	8,668,883.64	8,668,883.64	-	7,031,880.20	(13,696,004.92)	1,696.65	(13,697,701.57)	-
46	Unit of Currency - USD		28,504.68	(10,680,151.87)	898,388.34	898,388.34	-	1,100,126.46	(2,838,908.74)	-	(2,838,908.74)	-
47	FLAG Telecom Singapore Pte. Limited	Singapore	12.71	(4,762.81)	400.64	400.64	-	490.60	(1,266.01)	-	(1,266.01)	-
48	Unit of Currency - USD		1,010.31	(6,587.43)	1,913.66	1,913.66	-	3,343.91	59.85	-	59.85	-
49	Seoul Teletel. Inc.	Korea	2,265,518.80	(14,771,676.46)	4,291,187.70	4,291,187.70	-	7,498,390.88	134,199.74	-	134,199.74	-
50	Unit of Currency - USD		2,400.10	(1,887.78)	4,488.01	4,488.01	-	0.03	(9.93)	-	(9.93)	-
51	FLAG Holdings (Taiwan) Limited	Taiwan	5,381,987.56	(423,312.06)	10,063,930.48	10,063,930.48	-	65.00	(22,260.08)	-	(22,260.08)	-

Reliance Communications Limited

Financial information of Subsidiary Companies

(₹ in lakh unless otherwise stated)

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
33	FLAG Telecom (Taiwan) Limited Unit of Currency - USD	Taiwan	5,588.98	1,304.53	14,293.38	14,293.38	-	5,879.08	673.91	(38.67)	712.58	-
34	Reliance Globalcom (UK) Limited Unit of Currency - USD	United Kingdom	12,532,745.19	2,925,289.62	32,051,526.20	32,051,526.20	-	13,183,277.30	1,511,173.99	(86,708.75)	1,597,882.74	-
35	FLAG Telecom Deutschland GmbH Unit of Currency - USD	Germany	0.00	2,317.85	5,654.57	5,654.57	-	4,845.42	197.80	-	197.80	-
36	FLAG Telecom Network Services Limited Unit of Currency - USD	Ireland	3.00	5,197,561.29	12,679,825.11	12,679,825.11	-	10,865,379.68	443,541.46	(2.65)	443,541.46	-
37	Reliance FLAG Telecom Ireland Limited Unit of Currency - USD	Ireland	22,835.00	(157,005.85)	11,251.80	11,251.80	-	43,884.20	(52,737.54)	(5,933.56)	(46,803.98)	-
38	FLAG Telecom Ireland Network Limited Unit of Currency - USD	Ireland	0.01	(402.89)	533.78	533.78	-	-	(385.35)	-	(385.35)	-
39	FLAG Atlantic UK Limited Unit of Currency - USD	United Kingdom	18.00	28,410.61	55,962.69	55,962.69	-	75,839.55	27,800.98	2,675.70	25,125.28	-
40	Reliance FLAG Atlantic France SAS Unit of Currency - USD	France	18.00	63,708,061.58	125,490,943.83	125,490,943.83	-	170,062,898.25	62,341,032.52	6,000,000.00	56,341,032.52	-
41	FLAG Telecom Nederland BV Unit of Currency - USD	The Netherlands	0.01	(31,917.94)	1,335.46	1,335.46	-	12,213.53	859.58	-	859.58	-
42	FLAG Telecom Hellas AE Unit of Currency - USD	Greece	18.00	(71,572,909.23)	2,994,642.71	2,994,642.71	-	27,387,666.97	1,927,526.77	-	1,927,526.77	-
43	FLAG Telecom Espana Network SAU Unit of Currency - USD	Spain	18.00	(119,601,049.55)	7,239,337.08	7,239,337.08	-	11,290,602.44	(5,517,820.48)	-	(5,517,820.48)	-
44	FLAG Telecom Development Services Company LLC Unit of Currency - USD	Egypt	2.00	(62,157.35)	33,930.70	33,930.70	-	51,839.28	3,126.39	-	3,126.39	-
45	Reliance FLAG Pacific Holdings Limited Unit of Currency - USD	Bermuda	37,080.00	(139,381,887.91)	76,086,323.59	76,086,323.59	-	116,244,601.55	7,010,637.64	24.23	7,010,637.64	-
46	FLAG Telecom Network USA Limited Unit of Currency - USD	USA	6.82	(11,777)	28.21	28.21	-	128.92	(33.96)	54,327.02	(130,482.67)	-
47	FLAG Telecom Group Services Limited Unit of Currency - USD	Bermuda	15,282.00	(264,077.52)	63,254.41	63,254.41	-	289,095.69	(76,155.65)	-	(76,155.65)	-
48	Reliance FLAG Pacific Holdings Limited Unit of Currency - USD	Bermuda	22.74	(12,922)	37.11	37.11	-	107.30	(12.82)	-	(12.82)	-
49	Yipes Holdings Inc. Unit of Currency - USD	USA	50,996.00	(275,642.93)	83,217.99	83,217.99	-	107.30	(28,753.71)	-	(28,753.71)	-
50	Reliance Globalcom Services Inc. Unit of Currency - USD	USA	23.81	(4,404.11)	185.88	185.88	-	412.78	(387.24)	3.33	(390.57)	-
51	YTV Inc. Unit of Currency - USD	USA	53,389.00	(9,875,787.51)	416,817.14	416,817.14	-	925,610.43	(868,349.47)	7,456.75	(875,806.22)	-
52	Reliance Vancor Group Limited Unit of Currency - GBP	United Kingdom	13,201.00	(178,851.21)	27,037.65	27,037.65	-	128.92	10.99	3.28	7.71	-
53	Vanco UK Limited Unit of Currency - GBP	United Kingdom	108.03	84,202.59	126,687.90	126,687.90	-	289,095.69	24,638.99	7,355.00	17,283.99	-
54	Vanco (Asia Pacific) Pte. Limited Unit of Currency - GBP	Singapore	242,250.00	188,816,220.05	284,085,433.85	284,085,433.85	-	240,620.93	83,876.40	-	83,876.40	-
55	Vanco Sweden AB Unit of Currency - GBP	Sweden	0.00	(27,486.57)	3,958.61	3,958.61	-	12,584.61	(2,127.61)	4.18	(2,131.79)	-
56	Vanco Deutschland GmbH Unit of Currency - GBP	Germany	1.00	(61,635,990.99)	8,876,800.99	8,876,800.99	-	28,219,768.38	(4,770,971.38)	9,368.96	(4,780,340.34)	-
57	Vanco SRP (Italy) Unit of Currency - GBP	Italy	5.35	651.30	257,343.32	257,343.32	-	311.86	47.40	-	47.40	-
58	Vanco SRP (Italy) Unit of Currency - GBP	Italy	12,000.00	1,460,485.67	577,067,664.52	577,067,664.52	-	699,324.00	106,292.49	-	106,292.49	-
59	Vanco SRP (Italy) Unit of Currency - GBP	Italy	5.35	269,210.98	319,426.44	319,426.44	-	5,653.42	2,238.80	-	2,238.80	-
60	Vanco SRP (Italy) Unit of Currency - GBP	Italy	12,000.00	603,679,734.43	716,283,074.20	716,283,074.20	-	12,677,241.83	5,020,284.12	-	5,020,284.12	-
61	Vanco SRP (Italy) Unit of Currency - GBP	Italy	140,877.49	(8.03)	140,877.49	140,877.49	-	-	(8.03)	-	(8.03)	-
62	Vanco SRP (Italy) Unit of Currency - GBP	Italy	315,904,232.00	(18,000.00)	315,904,232.00	315,904,232.00	-	-	(18,000.00)	-	(18,000.00)	-
63	Vanco SRP (Italy) Unit of Currency - GBP	Italy	293,904,232.00	(44,685,913.81)	315,637,365.00	315,637,365.00	-	36,764.09	(4,830.57)	107.41	(4,937.97)	-
64	Vanco SRP (Italy) Unit of Currency - GBP	Italy	0.00	-	0.00	0.00	-	82,439,927.00	(10,832,080.04)	240,846.00	(11,072,926.04)	-
65	Vanco SRP (Italy) Unit of Currency - GBP	Italy	1.00	-	1.00	1.00	-	-	-	-	-	-
66	Vanco SRP (Italy) Unit of Currency - GBP	Italy	222.62	48,433.85	89,293.41	89,293.41	-	-	3,864.31	-	3,864.31	-
67	Vanco SRP (Italy) Unit of Currency - GBP	Italy	310,072.00	67,461,314.00	124,372,747.00	124,372,747.00	-	-	5,382,417.00	-	5,382,417.00	-
68	Vanco SRP (Italy) Unit of Currency - GBP	Italy	26.34	(29,864.22)	8,788.36	8,788.36	-	39,145.76	(3,108.66)	-	(3,108.66)	-
69	Vanco SRP (Italy) Unit of Currency - GBP	Italy	36,690.00	(41,596,523.00)	12,240,915.00	12,240,915.00	-	54,524,359.00	(4,329,907.00)	-	(4,329,907.00)	-
70	Vanco SRP (Italy) Unit of Currency - GBP	Italy	711.09	(229.40)	2,132.30	2,132.30	-	6,284.86	951.41	53.43	897.99	-
71	Vanco SRP (Italy) Unit of Currency - GBP	Italy	990,442.23	(319,516.41)	2,969,982.90	2,969,982.90	-	875,892.68	1,325,178.13	74,414.93	1,250,763.20	-
72	Vanco SRP (Italy) Unit of Currency - GBP	Italy	35.25	408.04	914.17	914.17	-	2,444.66	629.85	52.55	577.30	-
73	Vanco SRP (Italy) Unit of Currency - GBP	Italy	49,101.44	568,344.20	1,273,306.41	1,273,306.41	-	3,405,051.31	877,290.33	73,197.18	804,093.15	-
74	Vanco SRP (Italy) Unit of Currency - GBP	Italy	566.04	(12,294.61)	2,669.25	2,669.25	-	19,359.59	(1,349.81)	(809.98)	(539.83)	-
75	Vanco SRP (Italy) Unit of Currency - GBP	Italy	788,414.10	(17,124,606.06)	3,717,879.00	3,717,879.00	-	26,965,101.80	(1,880,095.77)	(1,128,186.19)	(751,909.56)	-
76	Vanco SRP (Italy) Unit of Currency - GBP	Italy	15.81	(4,651.23)	1,027.55	1,027.55	-	5,075.52	252.21	1.20	251.01	-
77	Vanco SRP (Italy) Unit of Currency - GBP	Italy	22,026.43	(6,478,482.49)	1,431,225.99	1,431,225.99	-	7,069,465.58	351,293.01	1,677.96	349,615.05	-
78	Vanco SRP (Italy) Unit of Currency - GBP	Italy	62.62	(2,981.39)	4,438.18	4,438.18	-	6,692.67	(605.43)	8.00	(613.43)	-
79	Vanco SRP (Italy) Unit of Currency - GBP	Italy	87,224.67	(4,152,648.45)	6,181,742.00	6,181,742.00	-	9,321,915.80	(843,278.61)	11,143.23	(854,421.85)	-

Financial information of Subsidiary Companies

(₹ in lakh unless otherwise stated)

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
59	Vanco BV (Holland) Unit of Currency - GBP	The Netherlands	12.65	(3,509.29)	2,378.96	2,378.96	-	9,595.76	(372.15)	(266.11)	(106.04)	-
60	EuroNet Spain SA Unit of Currency - GBP	Spain	17,621.15	(4,887,928.74)	3,313,551.79	3,313,551.79	-	13,365,497.13	(518,347.09)	(370,652.76)	(147,694.33)	-
61	Vanco SAS (France) Unit of Currency - GBP	France	79.07	(1,751.20)	434.54	434.54	-	2,698.77	405.61	0.33	405.28	-
62	Vanco EuroNet So Unit of Currency - GBP	Czech Republic	110,132.16	(2,439,169.75)	605,258.00	605,258.00	-	3,759,000.68	564,960.15	464.43	564,495.72	-
63	Vanco Sp Zoo Unit of Currency - GBP	Poland	189.77	(25,399.97)	4,113.77	4,113.77	-	15,978.44	(3,679.45)	81.91	(3,761.35)	-
64	Vanco EPE Unit of Currency - GBP	Greece	264,317.18	(35,378,462.26)	5,729,886.60	5,729,886.60	-	22,255,643.29	(5,124,934.26)	114,082.44	(5,239,016.70)	-
65	Vanco Australasia Pty Limited Unit of Currency - GBP	Australia	77.28	(852,712.56)	4.58	4.58	-	-	(7.94)	51.49	(59.43)	-
66	Vanco NV Unit of Currency - GBP	Belgium	107,638.38	(8,527,044.46)	6,380.54	6,380.54	-	-	(11,057.71)	71,721.31	(82,779.02)	-
67	Vanco Japan KK Unit of Currency - GBP	Japan	22,057.04	(4,303,266.46)	2,674.7	2,674.7	-	-	(425,683.63)	(9,614.43)	(416,069.20)	-
68	Vanco South America Ltda Unit of Currency - GBP	Brazil	31,718.06	(4,791,266)	99,253.66	99,253.66	-	14.92	(7.51)	(7.51)	(7.51)	-
69	Vanco Net Direct Limited Unit of Currency - GBP	Ireland	1,988,964.46	(6,155,774.20)	2,359,977.64	2,359,977.64	-	20,781.18	(10,459.77)	-	(10,459.77)	-
70	Vanco Net Direct SA (Proprietary) Limited Unit of Currency - GBP	South Africa	494,713.66	(6,935,554.84)	315,280.93	315,280.93	-	7,496.30	(481.43)	-	(481.43)	-
71	Vanco (Shanghai) Co. Ltd. Unit of Currency - GBP	China	68,793.72	(28,799.83)	136,835.48	136,835.48	-	10,441,252.62	(670,560.00)	-	(670,560.00)	-
72	Vanco Solutions Inc. Unit of Currency - GBP	USA	215.55	2.68	553.35	553.35	-	3,342,059.37	326.05	-	326.05	-
73	Vanco US LLC Unit of Currency - GBP	USA	300,232.68	(3,726.37)	770,736.17	770,736.17	-	3,342,059.37	454,138.57	-	454,138.57	-
74	Vanco International Limited Unit of Currency - GBP	United Kingdom	0.06	(33.87)	98.24	98.24	-	355.97	122.73	(141.71)	(141.71)	-
75	Vanco Switzerland A.G. Unit of Currency - GBP	Switzerland	88.11	(47,178.93)	149.40	149.40	-	355.97	122.73	(141.71)	(141.71)	-
76	Vanco Benelux BV Unit of Currency - GBP	The Netherlands	0.01	(377.70)	149.40	149.40	-	495,817.35	170,938.78	(197,379.55)	368,318.33	-
77	Vanco Global Limited Unit of Currency - GBP	United Kingdom	9.09	(526,079.92)	208,094.73	208,094.73	-	391.05	136.95	41.48	95.46	-
78	Vanco ROW Limited Unit of Currency - GBP	United Kingdom	76.75	(60,316.84)	53,928.35	53,928.35	-	544,670.56	190,747.16	57,780.38	132,966.78	-
79	VANO Direct Limited Unit of Currency - GBP	United Kingdom	106,900.46	(3,529,550.00)	2,301.95	2,301.95	-	-	(3.06)	-	(3.06)	-
80	WANcom GmbH Unit of Currency - USD	Switzerland	31,228.53	(49,105.53)	330,973.99	330,973.99	-	-	(4,264.97)	-	(4,264.97)	-
81	Reliance Wimax World B.V. Unit of Currency - USD	British Virgin Island	941.66	(12,121.93)	3,835.66	3,835.66	-	-	(6.25)	-	(6.25)	-
82	Reliance Wimax World B.V. Unit of Currency - EUR	The Netherlands	1,311,598.28	(16,884,093.16)	5,342,519.87	5,342,519.87	-	119.70	(87,000.57)	-	(87,000.57)	-
83	Reliance Wimax World Limited Unit of Currency - GBP	United Kingdom	72.75	(608.29)	2,301.95	2,301.95	-	166,718.58	59,830.77	22.41	20.55	-
84	Reliance Wimax World LLC Unit of Currency - USD	USA	101,325.00	(8,472,655.00)	3,206,284.00	3,206,284.00	-	2,392.23	40.98	31,209.22	28,621.55	-

Financial information of Subsidiary Companies

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before Taxation	Provision for Taxation	Profit / (Loss) after Taxation	Proposed Dividend
85	Reliance WIMAX Congo-Brazzaville BV Unit of Currency - EUR	The Netherlands	118.04	(19.22)	125.44	125.44	-	-	(8.13)	-	(8.13)	-
86	Reliance WIMAX Guinea BV Unit of Currency - EUR	The Netherlands	186,242.00	(30,318.09)	197,907.00	197,907.00	-	-	(12,820.76)	-	(12,820.76)	-
87	Access Guinea SARL Unit of Currency - GNF	Guinea	424.16	(19.58)	676.80	676.80	-	-	(7.42)	-	(7.42)	-
88	Interconnect Brazzaville S.A. Unit of Currency - CFA	Republic of Congo	669,204.00	(30,884.00)	1,067,799.00	1,067,799.00	-	-	(11,701.00)	-	(11,701.00)	-
89	Reliance WIMAX Sierra Leone B.V. Unit of Currency - EUR	The Netherlands	0.33	(442.39)	129.88	129.88	-	-	(185.22)	-	(185.22)	-
90	Equatorial Communications Limited Unit of Currency - SLL	Sierra Leone	5,000,000.00	(6,672,549,767.00)	1,959,045,356.00	1,959,045,356.00	-	-	(2,793,716,486.00)	-	(2,793,716,486.00)	-
91	Reliance WIMAX Cameroon B.V. Unit of Currency - EUR	The Netherlands	20.98	(123.87)	11.69	11.69	-	-	(43.43)	-	(43.43)	-
92	Equatorial Communications SARL Unit of Currency - CFA	Cameroon	198.39	(22.06)	179.98	179.98	-	-	(9.14)	-	(9.14)	-
93	Lagenwood Investments Limited Unit of Currency - USD	Cyprus	313,002.00	(34,797.00)	283,955.00	283,955.00	-	-	(14,422.00)	-	(14,422.00)	-
94	Reliance Telecom Infrastructure (Cyprus) Holdings Limited Unit of Currency - USD	Cyprus	0.00	(14.94)	119.32	119.32	-	-	(14.94)	-	(14.94)	-
95	Reliance Wimax World DRC B.V. Unit of Currency - EUR	The Netherlands	1,000.00	(143,481,672.00)	1,146,215,080.00	1,146,215,080.00	-	-	(143,480,672.00)	-	(143,480,672.00)	-
96	Reliance Wimax Gambia B.V. Unit of Currency - EUR	The Netherlands	12.68	(20.33)	0.18	0.18	-	-	(10.80)	-	(10.80)	-
97	Reliance Wimax Mauritius B.V. Unit of Currency - EUR	The Netherlands	20,000.00	(32,075.00)	279.00	279.00	-	-	(17,037.00)	-	(17,037.00)	-
98	Reliance Wimax Mozambique B.V. Unit of Currency - EUR	The Netherlands	47.68	(167.43)	-	-	-	-	(25.96)	-	(25.96)	-
99	Reliance Wimax Niger B.V. Unit of Currency - EUR	The Netherlands	50,000,000.00	(175,596,484.00)	-	-	-	-	(27,227,884.00)	-	(27,227,884.00)	-
100	Reliance Wimax Zambia B.V. Unit of Currency - EUR	The Netherlands	1.05	(9.99)	94.31	94.31	-	-	(0.23)	-	(0.23)	-
101	Access Bissau LDA Unit of Currency - CFA	Guinea Bissau	2,350.00	(22,406.00)	211,472.00	211,472.00	-	-	(516.00)	0.05	(516.00)	-
			1.05	(1,142.27)	3,863.84	3,863.84	-	0.36	(0.08)	-	(0.14)	-
			2,350.00	(25,614,210.00)	8,664,293.00	8,664,293.00	-	808.00	(186.00)	121.00	(307.00)	-
			11.54	(15.32)	4.97	4.97	-	-	(7.47)	-	(7.47)	-
			18,200.00	(24,167.00)	7,838.00	7,838.00	-	-	(11,784.00)	-	(11,784.00)	-
			11.41	(15.77)	4.94	4.94	-	-	(7.82)	-	(7.82)	-
			18,000.00	(24,878.00)	7,797.00	7,797.00	-	-	(12,337.00)	-	(12,337.00)	-
			11.41	(17.79)	5.47	5.47	-	-	(5.79)	-	(5.79)	-
			18,000.00	(28,069.67)	8,630.33	8,630.33	-	-	(9,134.70)	-	(9,134.70)	-
			11.41	(14.12)	4.97	4.97	-	-	(7.39)	-	(7.39)	-
			13.31	(16.14)	0.00	0.00	-	-	(11,665.00)	-	(11,665.00)	-
			21,000.00	(25,468.12)	7.00	7.00	-	-	(15.99)	-	(15.99)	-
			11.41	(12.73)	0.07	0.07	-	-	(25,221.00)	-	(25,221.00)	-
			18,000.00	(20,083.88)	112.00	112.00	-	-	(6,619.00)	-	(6,619.00)	-
			0.95	(224.65)	0.76	0.76	-	-	(86.08)	-	(86.08)	-
			1,000,000.00	(235,603,791.00)	800,000.00	800,000.00	-	-	(90,277,732.00)	-	(90,277,732.00)	-

Notes

1 The Financial year of the Subsidiaries is for 12 months from April 1, 2010 to March 31, 2011

2 Exchange Rate as of March 31, 2011: 1 USD = Rs. 44.60 1 Euro = Rs. 63.38 1 GBP = Rs. 71.80 1 AUD = Rs. 46.69 1 NZD = Rs. 34.39 1 Ushs = Rs. 0.02 1 CFA = Rs. 0.10 1 GNF=Rs.0.01 1 SLL=Rs.0.01

Reliance Communications Limited

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

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.
Joint shareholders may obtain additional attendance slip at the venue.

DP. Id*	
----------------	--

Folio No.	
------------------	--

Client Id*	
-------------------	--

No. of Share(s) held	
-----------------------------	--

NAME AND ADDRESS OF THE SHAREHOLDER

I/We hereby record my/our presence at the **7TH ANNUAL GENERAL MEETING** of the Company held on Tuesday, September 27, 2011 at 12.00 noon or soon after conclusion of the annual general meeting of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

*Applicable for investors holding shares in electronic form.

Signature of the shareholder or proxy

.....TEAR HERE.....

PROXY FORM

Reliance Communications Limited

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

DP. Id*	
----------------	--

Folio No.	
------------------	--

Client Id*	
-------------------	--

No. of Share(s) held	
-----------------------------	--

I/We.....of
..... in the district of being a member/members
of Reliance Communications Limited hereby appoint of
..... in the district of
or failing him/her of.....
in the district of as my/our proxy to vote for me/us and on my/our behalf
at the **7TH ANNUAL GENERAL MEETING** of the Company to be held on Tuesday, September 27, 2011 at 12.00 noon or soon after conclusion of the annual general meeting of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020 or at any adjournment thereof.

Signed this..... day of 2011.

*** Applicable for investors holding shares in electronic form.**

Affix ₹ 1/- revenue stamp

- NOTES: 1. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
2. Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.



Book Post

To

If undelivered please return to :

Karvy Computershare Private Limited
(Unit: Reliance Communications Limited)

Madhura Estate, Municipal No. 1-9/13/C

Plot No. 13 & 13 C, Madhapur Village

Hyderabad 500 081

Tel. : + 91 40 4030 8000

Fax : + 91 40 2342 0859

Email : rcom@karvy.com