

Mumbai, February 13, 2011

## **RCOM Media Statement**

### **Good Afternoon.**

This statement is being issued today, in the interests of over 11 million investors, 1,50,000 employees, and nearly 250 million customers of the Reliance ADA Group, including RCOM's 125 million customers, the 2<sup>nd</sup> largest telecom customer base in India, and the 5<sup>th</sup> largest in Asia. The purpose of this statement is to clarify issues arising from distorted and erroneous reporting on facts in a section of the media.

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**Reliance Telecom held only 9.9 per cent of the equity share capital of Swan Telecom, at the time of filing the relevant license application in March 2007.** This shareholding was **fully disclosed** at inception, and **this information has always been in the public domain.**

We have brought to the kind notice of the CAG, DoT and other authorities that, as per the provisions of the Companies Act, 1956, the preference share capital held by Reliance Telecom in Swan Telecom is not to be included for the purposes of determining shareholding levels. Our explanation is supported by eminent legal advise.

**Accordingly, Reliance Communications has not violated any of its license conditions at any stage, on account of cross-holdings of 10% or above in any another Licensee,** and is in full compliance with all applicable DoT guidelines, rules and regulations.

**Neither Reliance Telecom, nor RCOM, nor any Reliance ADA Group individual, company or affiliate held even a SINGLE share in Swan Telecom Ltd., at the time of grant of the 2G license to them in January 2008, or at any time thereafter.**

**Neither Reliance Telecom, nor RCOM, nor any Reliance ADA Group individual, company or affiliate has obtained any monetary gain or other benefit, directly or indirectly, from the grant of 2G license to Swan Telecom in January 2008.**

**Neither Reliance Telecom, nor RCOM, nor any Reliance ADA Group individual, company or affiliate is a beneficiary of, or has any connection with, any of the licenses issued, or spectrum granted, to old and new 2G operators in January 2008.**

**The grant of dual technology approval to RCOM, against its application that had been pending from February 2006 for more than 18 months, was on identical terms and payment of identical fees as for 3 other companies - Shri Ratan Tata group's Tata Teleservices, Himachal Futuristic Communications and Shyam Telecom (now known as Sistema) - and there is nothing special or untoward in the same.**

**The grant of dual technology approval to RCOM, Tata Teleservices and the 2 other companies was after due process of public consultation by TRAI, recommendations by TRAI to DoT, and acceptance of the same by DOT / Government of India.**

**The grant of dual technology approval to RCOM in October 2007 has been upheld by the Hon'ble Delhi High Court by a judgment in August 2008, and by the Telecom Tribunal, TDSAT, by an order in March 2009.**

The unfortunate and erroneous reporting on these matters, in relation to alleged "admissions / discrepancies, probing of links, funding" and other such sensationalist terminology, is unfair and mischievous, apart from being completely misplaced and unwarranted.

**Over the past several weeks, as part of its investigations pursuant to the Hon'ble Supreme Court's orders, the CBI is reportedly examining a large number of telecom companies and their officials, from across the entire telecom industry, in relation to various matters for the years 2001 to 2008.**

**Contrary to media positioning and reporting, the investigations by CBI and other authorities are by no means specific to RCOM executives, and instead, have already reportedly covered more than 50 people from across a large number of telecom operators.**

As part of this process, CBI is continuing its examination of certain employees of Reliance ADA Group, **as well as all other telecom operators**, who were handling these matters at the relevant time.

Mr. Hari Nair of our group was Company Secretary of Swan Telecom for a few months while Reliance Telecom held a 9.9 per cent equity stake in that Company, but that shareholding was sold, and he ceased to hold that post, well before a license was granted to Swan Telecom in January 2008.

As duty-bound in law and in good faith, **we are fully co-operating with the authorities in this regard, and will continue to extend all assistance as required to enable them to complete their investigations**, including attendance of concerned Directors and executives, and providing relevant information.

**It is unfortunate that a malicious campaign of disinformation**, falsehoods and calumny is being spread by **RCOM's telecom industry competitors and corporate rivals, to put up a smokescreen and cover their own unprecedented irregularities** over the past decade, and thereby protect their industry market shares built through **manipulation of the policy regime, and favoritism** in connivance with certain DoT officials of the relevant time.

**It is also shocking that certain individuals, who have recently come under intense scrutiny of multiple investigative agencies**, and are still being interrogated for serious violations of a multitude of laws, rules and regulations, appear to have learnt no lesson, and are **back to their old ways of attempting to subvert the fabric of governance and media**.

**The old 2G operators, by active and fraudulent misrepresentation and concealment of material facts from the government, have unscrupulously caused the National Exchequer staggering losses of over Rs. 1,00,000 crore, during the period 2001 to 2010.**

**The brazen hijacking of a critical national resource - spectrum in the most lucrative circles and most valuable capital efficient frequencies - by illegally cornering excess spectrum beyond 6.2 MHz in active connivance with certain DoT officials, has extensively been documented** and commented upon in successive reports, which form part of the ongoing investigations **by the CBI**, under the monitoring of the Hon'ble Supreme Court.

These reports include:

1. The CAG's report of 2010.
2. The Hon'ble Justice Shivraj Patil report of January 2011.
3. The TRAI reports of May 2010 and February 2011.
4. The Hon'ble Telecom Minister, Shri Kapil Sibal's recent public statements.

**The loss of revenue to the Government by the old 2G operators, on account of hijacking of excess spectrum alone, has been computed at figures of as high as a shocking over Rs. 55,000 crore.**

Several of these old 2G operators had also secured the prized and most valuable original 8 licenses for 2G in Mumbai, Delhi, Calcutta and Chennai in 1994-95, on a nominated basis **WITHOUT ANY AUCTION AND BY NEARLY ZERO PAYMENT OF LICENSE FEES.**

Less than **Rs. 200 crore for a Delhi and Mumbai license** for instance, **compared to the recent 3G auction of over Rs. 7,000 crore** for a license in these two cities.

Subsequently, these unscrupulous **old 2G metro operators, by fraudulent misrepresentation of facts, and in active connivance with certain DoT employees, deceived the Governments of that time, and obtained an extension and doubling of their license period from the stipulated 10 years to an unprecedented 20 years, WITH ZERO PAYMENT OF ADDITIONAL LICENSE FEES.**

These facts have been extensively documented in the **CAG's report of the year 2000.**

Based on this fraudulently obtained, unprecedented and unparalleled benefit in the history of the telecom sector globally, these **old 2G operators immediately sold stakes in their companies to foreigners, and encashed thousands of crores of rupees as illegal profits, in identical manner as has been adversely commented upon in the CAG's report of 2010, in relation to stake sales for 2G licenses issued in 2008.**

**In the interests of a level playing field, fairness, equity and transparency, RCOM looks forward to the completion of investigations by the CBI, covering all these aspects of the 2G telecom regime in India, to identify the real beneficiaries and promoters, who**

**by fraudulently misleading the Government and in connivance with certain DoT officials, have caused staggering losses to the Government and amassed personal fortunes running to over Rs. 1,00,000 crore, or tens of billions of dollars, over the past decade.**

RCOM and Reliance ADA Group reiterate their highest respect for, and confidence in, the entire judicial system, and once again express their firm commitment to maintain full co-operation with the CBI and/or other relevant authorities in the ongoing investigations, to protect and enhance value for their over 11 million investors, 1,50,000 employees and 250 million customers.

A copy of this statement will be put on our website, and will also be mailed to the media, shortly.

**Thank You.**

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### **About Reliance Communications**

Reliance Communications Limited founded by the late Shri Dhirubhai H Ambani (1932-2002) is the flagship company of the Reliance Anil Dhirubhai Ambani Group. The Reliance Anil Dhirubhai Ambani Group currently has a net worth in excess of Rs. 64,000 crore (US\$ 13.6 billion), cash flows of Rs. 13,000 crore (US\$ 2.8 billion), net profit of Rs. 8,400 crore (US\$ 1.8 billion).

Reliance Communications is India's foremost and truly integrated telecommunications service provider. The Company, with a customer base of over 128 million 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 2,100 Indian and multinational corporations, 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 277,000 kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.

### **For Further Information Please Contact:**

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