

RELIANCE COMMUNICATIONS LIMITED

(Incorporated in the Republic of India as a limited liability company under the Companies Act, 1956 under corporate identification number L45309MH2004PLC147531)

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Reliance Communications Limited (the "Company") is issuing up to 338,286,197 equity shares of face value of Rs. 5 each (the "Equity Shares") at a price of Rs. 142.14 per Equity Share, including a premium of Rs. 137.14 per Equity Share, aggregating to approximately Rs. 48,084 million (the "Issue").

ISSUE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AND CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009

THIS ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE IN RELIANCE UPON SECTION 42 OF THE COMPANIES ACT, 2013, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AND CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 (THE "SEBI REGULATIONS"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN QUALIFIED INSTITUTIONAL BUYERS ("QIB") AS DEFINED UNDER THE SEBI REGULATIONS. THIS PLACEMENT DOCUMENT WILL BE CIRCULATED ONLY TO SUCH QIBS WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO EQUITY SHARES.

Invitations, offers and sales of the Equity Shares shall only be made pursuant to this Placement Document, the Application Form and the Confirmation of Allocation Note. See "Issue Procedure". The distribution of this Placement Document or the disclosure of its contents to any person, other than QIBs and persons retained by QIBs to advise them with respect to their purchase of the Equity Shares, is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

Copies of the Preliminary Placement Document (which included disclosures prescribed under Form PAS-4 (as defined hereinafter)) have been delivered to the National Stock Exchange of India Limited (the "NSE"), the BSE Limited (the "BSE"), and together with the NSE, the "Stock Exchanges". This Placement Document has not been reviewed by the Securities and Exchange Board of India (the "SEBI"), the Reserve Bank of India (the "RBI"), the Stock Exchanges or any other regulatory or listing authority and is intended only for use by QIBs. Copies of this Placement Document (which includes disclosures prescribed under Form PAS-4) have also been filed with the Stock Exchanges in accordance with the SEBI Regulations. Our Company shall make the requisite filings with the Registrar of Companies (the "RoC") and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. This Placement Document has not been and will not be registered as a prospectus with the RoC, and will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. The Issue is meant only for QIBs by way of a private placement and is not an offer to the public or to any other class of investors.

INVESTMENTS IN THE EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL OR PART OF THEIR INVESTMENTS. PROSPECTIVE INVESTORS ARE ADVISED TO READ THE SECTION TITLED "RISK FACTORS" CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS ADVISORS ABOUT THE PARTICULAR CONSEQUENCES TO IT OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT.

The information on our Company's website or any website directly or indirectly linked to our Company's website does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

All of our Company's outstanding Equity Shares are listed on the Stock Exchanges. The closing price of the outstanding Equity Shares on the BSE and the NSE on June 27, 2014 was Rs. 145.50 and Rs. 145.55 per Equity Share, respectively. In-principle approvals under Clause 24(a) of the Listing Agreement for listing of the Equity Shares have been received from the Stock Exchanges on June 24, 2014. Applications to the Stock Exchanges will be made for obtaining final listing and trading approvals for the Equity Shares offered through this Placement Document. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of our business or the Equity Shares.

YOU MAY NOT BE AND ARE NOT AUTHORIZED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER; OR (3) RELEASE ANY PUBLIC ADVERTISEMENTS OR UTILISE ANY MEDIA, MARKETING OR DISTRIBUTION CHANNELS OR AGENTS TO INFORM THE PUBLIC AT LARGE ABOUT THE ISSUE. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS. THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY OUR COMPANY SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

The Equity Shares to be issued pursuant to this Issue have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act"), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) of the Securities Act and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. See "Distribution and Solicitation Restrictions" and "Transfer Restrictions".

This Placement Document is dated June 27, 2014.

GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS



A CITIC Securities Company
CLSA India Limited



J.P. Morgan India Private Limited

CO-BOOK RUNNING LEAD MANAGERS



Axis Capital Limited



Edelweiss Financial Services Limited



Macquarie Capital (India) Private Limited

TABLE OF CONTENTS

Contents	Page
NOTICE TO INVESTORS	1
REPRESENTATIONS BY INVESTORS	3
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	10
EXCHANGE RATES	12
INDUSTRY AND MARKET DATA	13
AVAILABLE INFORMATION	14
FORWARD LOOKING STATEMENTS	15
ENFORCEMENT OF CIVIL LIABILITIES	17
DEFINITIONS AND ABBREVIATIONS	19
SUMMARY OF THE ISSUE	29
DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013	31
SUMMARY OF BUSINESS	35
SUMMARY FINANCIAL INFORMATION	40
RISK FACTORS	45
MARKET PRICE INFORMATION	70
USE OF PROCEEDS	73
CAPITALIZATION AND INDEBTEDNESS	74
DIVIDEND POLICY	76
CAPITAL STRUCTURE	77
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION	79
INDUSTRY OVERVIEW	102
OVERVIEW OF THE TELECOM REGULATORY REGIME IN INDIA	115
BUSINESS	128
BOARD OF DIRECTORS AND SENIOR MANAGEMENT	147
PRINCIPAL SHAREHOLDERS AND OTHER INFORMATION	156

ISSUE PROCEDURE	160
ISSUE.....	172
DISTRIBUTION AND SOLICITATION RESTRICTIONS	173
TRANSFER RESTRICTIONS.....	178
THE SECURITIES MARKET OF INDIA	180
DESCRIPTION OF EQUITY SHARES	184
TAXATION	190
LEGAL PROCEEDINGS	213
INDEPENDENT AUDITORS.....	241
GENERAL INFORMATION	242
FINANCIAL STATEMENTS	243
DECLARATION.....	245

NOTICE TO INVESTORS

Our Company accepts full responsibility for all of the information contained in this Placement Document and to the best of its knowledge and belief, having made all reasonable enquiries, confirms that this Placement Document contains all information with respect to our Company and its Subsidiaries, joint ventures and associate companies (together, the “**Group**”), the Reliance Group (as defined below) and the Equity Shares which are material in the context of this Issue. The statements contained in this Placement Document relating to our Company, the Group, the Reliance Group and the Equity Shares are, in all material respects, true and accurate and not misleading; the opinions and intentions expressed in this Placement Document with regard to our Company, the Group, the Reliance Group and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company and are based on reasonable assumptions. There are no other facts in relation to our Company, the Group, the Reliance Group and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Lead Managers have not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the Lead Managers nor any of their respective members, employees, counsel, officers, directors, representatives, agents or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the Lead Managers or their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with our Company, the Group, the Reliance Group or the Equity Shares. Each person receiving this Placement Document acknowledges that such person has neither relied on the Lead Managers nor on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company, the Group, and the Reliance Group and the merits and risks involved in investing in the Equity Shares issued pursuant to the Issue. No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of our Company or the Lead Managers. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The distribution of this Placement Document or the disclosure of its contents without the prior consent of our Company to any person, other than QIBs whose names are recorded by our Company prior to the invitation to subscribe to this Issue (in consultation with the Lead Managers or their representatives) and those retained by QIBs to advise them with respect to their purchase of the Equity Shares is unauthorised and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Within the United States, this Placement Document is being provided only to persons who are “qualified institutional buyers” as defined in Rule 144A under the Securities Act. Distribution of this Placement Document, in whole or in part, to any person other than the offeree specified by the Lead Managers or its representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized and any disclosure of its contents, without the prior written consent of our Company, is prohibited. Any reproduction or distribution of this Placement Document in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and make no copies of this Placement Document or any documents referred to in this Placement Document.

The distribution of this Placement Document and the issue of the Equity Shares may be restricted by law in certain countries or jurisdictions. As such, this Placement Document does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company or the Lead Managers which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any other offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. For further information, see “Distribution and Solicitation Restrictions”.

In making an investment decision, investors must rely on their own examination of our Company, the Group, the Reliance Group and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, business, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the Lead Managers are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations. Each subscriber of the Equity Shares also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

Each subscriber of the Equity Shares in this Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations and that it is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities including the Equity Shares. The information on the website of our Company, www.rcom.co.in, or on any website directly or indirectly linked to our Company’s website or on the website of each of the Lead Managers, does not constitute nor form part of this Placement Document. Prospective investors should not rely on the information contained in, or available through such websites.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents. All references herein to “you” or “your” is to the prospective investors in the Issue.

REPRESENTATIONS BY INVESTORS

By subscribing to any Equity Shares under the Issue, you are deemed to have represented, warranted, acknowledged and agreed with our Company and the Lead Managers as follows:

1. You are a QIB as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations;
2. If you are not a resident of India, but are a QIB (other than a multilateral and bilateral development financial institution), you are an FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) or an Eligible FPI or an FVCI, and have a valid and existing registration with the SEBI under the applicable laws in India and you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (“**FEMA 20**”) and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by the SEBI or any other regulatory authority, from buying, selling or dealing in securities;
3. If you are Allotted any Equity Shares, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the Stock Exchanges (additional restrictions apply if you are within the United States, see “Distribution and Solicitation Restrictions” and “Transfer Restrictions”);
4. You have made, or been deemed to have made, as applicable, the representations and warranties as set forth in “Distribution and Solicitation Restrictions” and “Transfer Restrictions”;
5. You are aware that the Equity Shares have not been and will not be registered under the Companies Act, the SEBI Regulations or under any other law in force in India. This Placement Document has not been reviewed, verified or approved by the SEBI, the RBI, the RoC, the Stock Exchanges or any other regulatory or listing authority and is intended only for use by QIBs. This Placement Document has been filed with the Stock Exchanges for record purposes only and will be displayed on the websites of our Company and the Stock Exchanges. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014;
6. You have fully observed the laws of all relevant jurisdictions that apply to you and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities;
7. You are entitled to subscribe for and acquire the Equity Shares under the laws of all the relevant jurisdictions that apply to you and that you have necessary capacity, have obtained all necessary consents, governmental or otherwise, and authorities and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Placement Document), and will honor such obligations;

8. You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or its agents (“**Company Presentations**”) with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the Lead Managers may not have knowledge of the statements that our Company or its agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the Lead Managers have advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) you confirm that, to the best of your knowledge, you have not been provided any material information relating to our Company and the Issue that was not publicly available;
9. You understand that neither our Company nor the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and your participation in the Issue is on the basis that you are not, and will not, up to the Allotment, be a client of the Lead Managers. The Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates do not have duties or responsibilities to you for providing the protection afforded to their clients or customers or for providing advice in relation to the Issue and are not in any way acting in any fiduciary capacity;
10. You understand that all statements other than statements of historical fact included in this Placement Document, including those without limitation, regarding our Company’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our Company’s business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our Company’s present and future business strategies and environment in which our Company will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as on the date of this Placement Document. Our Company assumes no responsibility to update any forward-looking statements contained in this Placement Document;
11. You are aware of and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and the Allotment shall be on a discretionary basis;
12. You have been provided a serially numbered copy of this Placement Document, and you have read it in its entirety, including in particular, the section titled “Risk Factors”;
13. In making your investment decision, you have (i) relied on your own examination of the Group, the Equity Shares and the terms of the Issue, including the merits and risks involved, (ii) made your own assessment of the Group, the Equity Shares and the terms of the Issue based solely on the information contained in the Preliminary Placement Document and this Placement Document and no other disclosure or representation by our Company or any other party, (iii) consulted your own independent counsel and advisors (including tax advisors) or otherwise have satisfied yourself concerning the effects of local laws and taxation matters, (iv) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of the Group and the Equity Shares, and (v) you will continue to make your own assessment of the Group and the Equity Shares and the terms of the Issue based on such information as is publicly available;

14. You understand that neither our Company, the Lead Managers nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, have provided you with any tax advice or otherwise made any representations regarding the tax consequences of purchase, ownership and disposal of the Equity Shares (including the Issue and the use of proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on our Company, the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, when evaluating the tax consequences in relation to the Equity Shares (including, in relation to the Issue and the use of proceeds from the Equity Shares). You waive, and agree not to assert any claim against, any of our Company or the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;
15. You are a sophisticated investor and have such knowledge and experience in financial, business and investments as to be capable of evaluating the merits and risks of the investment in the Equity Shares. You are experienced in investing in private placement transactions of equity shares of companies in a similar stage of development and in similar jurisdictions. You and any accounts for which you are subscribing to the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares, (ii) will not look to the Group and / or any of the Lead Managers or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates for all or part of any such loss or losses that may be suffered including losses arising out of non-performance by our Company of any of its respective obligations or any breach of any representations and warranties by our Company, whether to you or otherwise, (iii) are able to sustain a complete loss on the investment in the Equity Shares, (iv) have no need for liquidity with respect to the investment in the Equity Shares, and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in this Issue for your own investment and not with a view to resale or distribution;
16. Where you are acquiring the Equity Shares pursuant to the Issue, for one or more managed accounts, you represent and warrant that you are authorized in writing, by each such managed account to acquire the Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “you” to include such accounts;
17. You are not a “promoter” of our Company or a member of its “promoter group” as defined in the SEBI Regulations and are not a person related to the Promoters, either directly or indirectly and have no rights under a shareholders’ agreement or voting agreement with the promoters or persons related to the promoters, no veto rights or right to appoint any nominee director on the Board of Directors of our Company (the “**Board**”), other than the rights, if any, acquired in the capacity of a lender not holding any Equity Shares which shall not be deemed to be a person related to the promoters;
18. You have no right to withdraw your application after the Bid/Issue Closing Date;
19. You are eligible, including without any limitation under applicable law, to apply for and hold the Equity Shares so Allotted together with any Equity Shares held by you prior to the Issue under applicable law. You confirm that your aggregate holding of the Equity Shares after the Allotment shall not exceed the level permissible as per any applicable regulation;

20. The Application Form submitted by you would not result, at any stage, in directly or indirectly triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (the “**Takeover Code**”);
21. Your aggregate holding, together with other QIBs in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment shall not exceed 50% of the Issue. For the purposes of this representation:
- The expression ‘belong to the same group’ shall derive meaning from the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and
 - “Control” shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code.
22. You shall not undertake any trade in the Equity Shares credited to your Depository Participant account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;
23. You are aware that (i) applications for in-principle approval, in terms of Clause 24(a) of the Listing Agreement, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, were made and approval has been received from each of the Stock Exchanges, and (ii) the application for the final listing and trading approvals will be made only after Allotment. There can be no assurance that such approvals for listing and trading of the Equity Shares will be obtained in time or at all. Our Company shall not be responsible for any delay or non-receipt of such approvals or any loss arising from such delay or non-receipt;
24. You are aware that if you are Allotted any Equity Shares, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI and you consent to such disclosures;
25. You are aware that if you are Allotted more than 5% of the Equity Shares in this Issue, our Company is required to disclose your name and the number of Equity Shares Allotted to the Stock Exchanges and the Stock Exchanges will make the same available on their website and you consent to such disclosures. Further, if you are one of the top ten Shareholders, our Company will be required to make a filing with the RoC within 15 days of the change as per Section 93 of the Companies Act, 2013.
26. You are aware and understand that the Lead Managers have entered into the Placement Agreement with our Company, whereby the Lead Managers have, subject to the satisfaction of certain conditions set out therein severally and not jointly, undertaken to use their reasonable efforts as placement agents of our Company to seek, to procure subscription for the Equity Shares;

27. You understand that the contents of this Placement Document are exclusively the responsibility of our Company and that neither the Lead Managers nor any person acting on their behalf has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in this Placement Document or otherwise. By participating in the Issue, you agree to the same and confirm that the only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares, is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares and you have neither received nor relied on any other information, representation, warranty or statement made by, or on behalf of, the Lead Managers or our Company or any of their respective affiliates or any other person and neither the Lead Managers nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;
28. You understand that the Lead Managers do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of its obligations or any breach of any representations and warranties by our Company, whether to you or otherwise;
29. You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act;
30. If you are within the United States, you are a “qualified institutional buyer” as defined in Rule 144A under the Securities Act, are acquiring the Equity Shares for your own account or for the account of an institutional investor who meets the requirement of a ‘qualified institutional buyer’ for investment purposes only and not with a view to or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or part;
31. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of the Republic of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document;
32. You agree to indemnify and hold our Company and the Lead Managers and their respective directors, officers, affiliates, associates and representatives, harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the foregoing representations, warranties, acknowledgements and undertakings made by you in this Placement Document. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by, or on behalf of, the managed accounts;
33. You understand that our Company, the Lead Managers, their respective affiliates, associates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are given to the Lead Managers on their own behalf and on behalf of our Company, and are irrevocable; and
34. Each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the Allotment, listing and trading of the Equity Shares.

OFFSHORE DERIVATIVE INSTRUMENTS (P-NOTES)

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the FPI Regulations, FPIs (other than Category III FPIs and those unregulated broad based funds which are classified as Category II FPIs (as defined in the FPI Regulations) by virtue of their investment manager being appropriately regulated unless such FPIs have entered into an offshore derivative instrument with an FII prior to January 7, 2014 or were registered as clients of an FII prior to January 7, 2014), including the affiliates of the Lead Managers, may issue, subscribe to or otherwise deal in, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities, listed or proposed to be listed on any stock exchange in India, such as the Equity Shares (all such offshore derivative instruments are referred to herein as “**P-Notes**”), for which they may receive compensation from the purchasers of such instruments. P-Notes may be issued only in favor of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation or establishment subject to compliance with ‘know your client’ requirements. An FPI shall also ensure that no further issue or transfer of any P-Notes is made to any person other than such entities which are regulated by an appropriate foreign regulatory authority. P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligation of, claims on or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to the P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Company. Our Company and the Lead Managers do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with the P-Notes. Any P-Notes that may be issued are not securities of the Lead Managers and do not constitute any obligations of or claims on the Lead Managers. Affiliates of the Lead Managers that are FPIs or FIIs may purchase, to the extent permissible under law, Equity Shares, and may issue P-Notes in respect thereof.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither the SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of this Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;
2. warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or
3. take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company,

and it should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Conventions

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to “us”, “we” or “our” are to Reliance Communications Limited, together with its Subsidiaries, on a consolidated basis. All references to “you” “your”, “offeree”, “subscriber”, “recipient”, “investors”, “prospective investors” and “potential investor” are to the prospective investors of Equity Shares in the Issue. References in this Placement Document to “India” are to the Republic of India and the “Government” are to the governments in India, Central or State, as applicable. All references herein to the “U.S.” or the “United States” are to the United States of America and its territories and possessions. References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. All references to “Rupees” or “Rs.” are to the lawful currency of India. All references to “U.S. dollars” and “US\$” are to the currency of the United States of America. All references to “Euro” or “€” are to the single currency of the participating member states introduced in the Third Stage of European Economic and Monetary Union of the Treaty establishing the European Community.

Financial and Other Information

This Placement Document includes our audited consolidated financial statements for the years ended March 31, 2014, March 31, 2013 and March 31, 2012 (together, the “**Financial Statements**”). The Financial Statements have been prepared in accordance with Indian GAAP. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Significant Factors Affecting Our Results of Operations and Financial Condition - Basis of Preparation of Financial Statements”.

Indian GAAP differs in certain significant respects from accounting principles generally accepted in other countries, including International Financial Reporting Standards (“**IFRS**”) and U.S. GAAP. We do not provide a reconciliation of our Financial Statements to IFRS or U.S. GAAP and other accounting principles with which investors may be more familiar. We have not attempted to quantify the impact of U.S. GAAP on the financial data included in this Placement Document, nor do we provide a reconciliation of our Financial Statements to those of U.S. GAAP. Accordingly, the degree to which the Financial Statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader’s level of familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. See “Risk Factors”.

We publish our Financial Statements in Rupees. The Financial Statements and the financial data relating to our Company, the Group and the Reliance Group herein are converted from crores or thousands, as the case may be, into billions and shown to the nearest billion of Rupees.

References to “lakhs” and “crores” in this Placement Document are to the following:

- one lakh represents 100,000 (one hundred thousand);
- ten lakhs represents 1,000,000 (one million);
- one crore represents 10,000,000 (ten million);
- ten crores represents 100,000,000 (one hundred million); and
- one hundred crores represents 1,000,000,000 (one thousand million or one billion).

In this Placement Document, certain monetary amounts have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of figures which precede them.

Unless stated otherwise, the financial data in this Placement Document is derived from the Financial Statements. Our financial year commences on April 1 of each year and ends on March 31 of the succeeding year, so all references to a particular financial year are to the twelve-month period ended on March 31 of that year, unless stated otherwise.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. dollars of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the RBI. No representation is made that the Rupee amounts actually represent such amounts in U.S. dollar or could have been or could be converted into U.S. dollars at the rates indicated, any other rates, or at all.

Financial Year	(Rupee per U.S. dollar 1.00)			
	Period End	Average	High	Low
2012	51.2	47.9	54.2	43.9
2013	54.4	54.5	57.2	50.6
2014	60.1	60.5	68.4	53.7

Month	(Rupee per U.S. dollar 1.00)			
	Period End	Average	High	Low
January 2014	62.5	62.1	63.0	61.4
February 2014	62.1	62.3	62.7	61.9
March 2014	60.1	61.0	61.9	60.1
April 2014	60.3	60.4	61.1	59.6
May 2014	59.0	59.3	60.2	58.4

Source: RBI

The Company has used exchange rates declared by Foreign Exchange Dealers Association of India (FEDAI) for conversion of U.S. dollars into Rupees in the financial statements at the year end. The exchange rates used at the end of the financial years 2012, 2013 and 2014 were Rs. 50.875, Rs. 54.285 and Rs. 59.915 respectively. Although our Company has converted selected Rupee amounts in this Placement Document into U.S. dollars for convenience, such conversions should not be considered as a representation that such U.S. dollar amounts have been, could have been or could be converted into Rupee amounts at any particular rate, the rate stated above or at all. There are certain restrictions on the conversion of Rupees into U.S. dollars.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to the businesses of our Company contained in this Placement Document consists of estimates based on data reports compiled by government bodies, data reports compiled by professional organisations and analysts, data from other external sources, and on our knowledge of the markets in which our Company competes. Unless stated otherwise, the statistical information included in this Placement Document relating to the industry in which we operate has been reproduced from various trade, industry and government publications and websites.

This information is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. We confirm that such information and data has been accurately reproduced, and that as far as we are aware and are able to ascertain from information published by third parties, no facts have been deliberately omitted that would render the reproduced information inaccurate or misleading. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. In some cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring our Company to rely on internally developed estimates. Similarly, internal estimates and surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither our Company nor the Lead Managers make any representation as to the accuracy and completeness of information based on trade, industry and government publications and websites, data reports compiled by government bodies, professional organisations and analysts, or from other external sources.

The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

AVAILABLE INFORMATION

For so long as any Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, and our Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, our Company will furnish to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act, subject to compliance with applicable provisions of Indian law.

FORWARD LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute “forward-looking statements.” Investors can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “can”, “could”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “should”, “will”, “would”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements. All statements regarding the Group or the Reliance Group’s expected financial condition and results of operations and business plans and prospects are forward-looking statements. These forward-looking statements include statements as to the Group and the Reliance Group’s business strategy, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Placement Document that are not historical facts.

These forward-looking statements and any other projections contained in this Placement Document (whether made by our Company or any third party) are predictions and involve known and unknown risks, uncertainties associated with the management’s expectations with respect to, but not limited to:

- (a) the actual growth in demand for our products and services and other products and services,
- (b) the management’s ability to successfully implement its strategy,
- (c) our growth and expansion,
- (d) the adequacy of our allowance for losses,
- (e) technological changes,
- (f) investment income,
- (g) our ability to market new products,
- (h) cash flow projections,
- (i) the outcome of any legal or regulatory proceedings we are or may become a party to,
- (j) the future impact of new accounting standards,
- (k) the management’s ability to implement its dividend policy,
- (l) the impact of Indian telecommunications regulations on our Company,
- (m) our ability to roll over its short-term funding sources and
- (n) our exposure to market risks.

By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income and net income could materially differ from those that have been estimated, expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by and information currently available to the management. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and our Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our Company's underlying assumptions prove to be incorrect, our Company's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a company incorporated with limited liability under the laws of India. Some of its Subsidiaries are also incorporated in India. A majority of our Company's Directors and executive officers are residents of India and a substantial portion of the assets of our Company and such persons are located in India. As a result, it may not be possible for investors outside India to effect service of process upon our Company or such persons in India, or to enforce against them judgments obtained in courts outside India.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Code of Civil Procedure, 1908 (the "**Civil Code**").

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except:

- (a) where it has not been pronounced by a court of competent jurisdiction;
- (b) where it has not been given on the merits of the case;
- (c) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable;
- (d) where the proceedings in which the judgment was obtained were opposed to natural justice;
- (e) where it has been obtained by fraud; or
- (f) where it sustains a claim founded on a breach of any law then in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (within the meaning of that section) in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. Under the Civil Code, a court in India will, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards.

Each of the United Kingdom, Singapore and Hong Kong has been declared by the Government to be a reciprocating territory for the purposes of section 44A of the Civil Code but the United States has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a new suit upon the judgement and not by proceedings in execution. Such a suit has to be filed in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Accordingly, a judgment of a court in the United States may be enforced only by a fresh suit upon the judgment and not by proceedings in execution.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with public policy, and is uncertain whether an Indian court would enforce foreign judgments that would contravene or violate Indian law. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to execution, and any such amount may be subject to tax in accordance with applicable laws. Any judgment for payment of amounts denominated in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment. Our

Company cannot predict whether a suit brought in an Indian court will be disposed off in a timely manner or be subject to considerable delays.

DEFINITIONS AND ABBREVIATIONS

Our Company has prepared this Placement Document using certain definitions and abbreviations which you should consider when reading the information contained herein.

The following list of certain capitalised terms used in this Placement Document is intended for the convenience of the reader/prospective investor only and is not exhaustive.

The terms defined in this Placement Document shall have the meaning set forth in this chapter, unless specified otherwise in the context thereof, and references to any statute or regulations or policies shall include amendments thereto, from time to time.

Term	Description
“Company” or “our Company”	Reliance Communications Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at H Block, 1 st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai 400 710, Maharashtra, on an unconsolidated basis. It is clarified that references to “us”, “we” or “our” are to our Company, together with its Subsidiaries, joint ventures and associate companies on a consolidated basis.
“U.S. dollar” or “US\$”	The legal currency of the United States.
“AGM”	Annual general meeting.
“AIF”	An alternative investment fund (as defined under the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012) registered with the SEBI under applicable laws in India.
“Articles”	The articles of association of our Company.
“AS”	Accounting standards issued by the Institute of Chartered Accountants of India.
“Auditors”	The statutory auditors of our Company being Chaturvedi & Shah, Chartered Accountants and BSR & Co. LLP, Chartered Accountants (which has been converted from BSR & Co. into BSR & Co. LLP (a limited liability partnership) with effect from October 14, 2013).
“Board of Directors” or “Board” or “Directors”	The board of directors of our Company, or a duly constituted committee thereof.
“BSE”	BSE Limited.
“Category III FPI”	An FPI not eligible for registration as Category I and II FPI (as defined under the FPI Regulations) such as endowments, charitable societies, charitable trusts, foundations, corporate bodies, trusts, individuals and family offices.
“CDSL”	Central Depository Services (India) Limited.
“Civil Code”	The Code of Civil Procedure, 1908 of India.
“Companies Act”	The Companies Act, 1956 and the Notified Provisions of the Companies Act, 2013 and the rules and regulations framed thereunder.
“Companies Act, 1956”	The Companies Act, 1956 (without reference to the provisions thereof that

Term	Description
	have ceased to have effect upon the notification of the Notified Provisions of the Companies Act, 2013 including as set out in the Ministry of Corporate Affairs' circular dated April 1, 2014) and the rules and regulations framed thereunder as are currently in force.
"Companies Act, 2013"	The Companies Act, 2013 to the extent in force pursuant to the notification of the Notified Provisions of the Companies Act, 2013 and the rules and regulations framed thereunder as are currently in force.
"CrPC"	The Code of Criminal Procedure, 1973.
"Depositories Act"	The Depositories Act, 1996.
"Depository"	A body corporate registered under Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.
"Depository Participant"	A depository participant as defined under the Depositories Act.
"Equity Shares"	Equity shares of our Company of face value of Rs. 5 each.
"FDI"	Foreign direct investment.
"FEMA"	The Foreign Exchange Management Act, 1999 and the rules, regulations, notifications and circulars issued thereunder.
"FEMA 20"	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000.
"FII"	A foreign institutional investor (as defined under FEMA 20) and registered with the SEBI under applicable laws in India.
"Financial Statements"	Our Company's audited consolidated financial statements for the years ended March 31, 2014, March 31, 2013 and March 31, 2012.
"financial year"	A period of twelve months ending 31 March of that particular year, unless otherwise stated.
"FPI"	A foreign portfolio investor as defined under the FPI Regulations and registered with the SEBI under applicable laws in India and includes an FII or a sub-account who holds a valid certificate of registration until the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 as well as a QFI till January 6, 2015 or till it obtains a certificate of registration as an FPI, whichever is earlier.
"FPI Regulations"	The Securities and Exchange Board of India (Foreign Portfolio Investor) Regulations, 2014.
"FVCI"	A foreign venture capital investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000) registered with the SEBI under applicable laws in India.
"GDP"	Gross domestic product.
"Global Operations"	One of our primary reporting segments. "See, "Management's Discussion

Term	Description
	and Analysis of Financial Condition and Results of Operations – Segment Information”.
“Government”	The Government of India.
“Group”	Our Company, its Subsidiaries, joint ventures and associate companies.
“ICAI”	The Institute of Chartered Accountants of India.
“IFRS”	International Financial Reporting Standards of the International Accounting Standards Board.
“Insider Trading Regulations”	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
“IT Act”	The Income Tax Act, 1961.
“India”	The Republic of India.
“Indian GAAP”	Generally accepted accounting principles followed in India.
“IPC”	The Indian Penal Code, 1860.
“Memorandum”	The memorandum of association of our Company.
“Mutual Fund”	A mutual fund registered with the SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996.
“Notified Provisions of the Companies Act, 2013”	The notified provisions of the Companies Act, 2013 published in the Gazette of India on September 12, 2013, February 27, 2014 and March 26, 2014 including as set out in the Ministry of Corporate Affairs’ circular dated April 1, 2014.
“NRI”	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000.
“NSDL”	The National Securities Depository Limited.
“NSE”	The National Stock Exchange of India Limited.
“OCB”	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs, directly or indirectly, as defined under the Foreign Exchange Management (Deposit) Regulations, 2000.
“Form PAS-4”	The Form PAS-4 prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014.
“PAT”	Profit after tax.
“Promoters”	The promoters of our Company, being Mr. Anil D. Ambani, Reliance Innoventures Private Limited, AAA Communications Private Limited, AAA Industries Private Limited, ADA Enterprises and Ventures Private Limited, Reliance Capital Limited, Shreeji Comtrade LLP, Shrikrishna Tradecom

Term	Description
	LLP, Mrs. Kokila D. Ambani, Mrs. Tina A. Ambani, Mr. Jai Anmol A. Ambani, Mr. Jai Anshul A. Ambani and Reliance ADA Group Trustees Private Limited.
“QFI”	A qualified foreign investor as defined under the FPI Regulations.
“QIB”	A qualified institutional buyer as defined under Regulation 2(1)(zd) of the SEBI Regulations.
“QIP”	A qualified institutions placement under Chapter VIII of the SEBI Regulations.
“RBI”	The Reserve Bank of India.
“Registered Office”	The registered office of our Company being H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai 400 710, Maharashtra.
“RoC”	The Registrar of Companies.
“Regulation S”	Regulation S under the Securities Act.
“Reliance Group”	The companies, joint ventures, associate companies and affiliates (taken as a whole), controlled by Mr. Anil D. Ambani, together with persons acting in concert with him.
“Rs.” or “Rupees”	The legal currency of India.
“Rule 144A”	Rule 144A under the Securities Act.
“SEBI”	The Securities and Exchange Board of India constituted under the SEBI Act.
“SEBI Act”	The Securities and Exchange Board of India Act, 1992.
“SEBI Regulations”	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, including instructions and clarifications issued by the SEBI from time to time.
“Securities Act”	United States Securities Act of 1933.
“Shareholders”	The registered holders of Equity Shares.
“State Governments”	State Governments of India.
“Stock Exchanges”	The BSE and the NSE.
“STT”	Securities transaction tax.
“Subsidiaries”	<p>The subsidiaries of our Company as listed below:</p> <ol style="list-style-type: none"> 1. Anupam Global Soft (U) Limited 2. Bonn Investment Inc. 3. Campion Properties Limited 4. Euronet Spain SA 5. FLAG Atlantic UK Limited 6. FLAG Holdings (Taiwan) Limited 7. FLAG Telecom Asia Limited 8. FLAG Telecom Deutschland GmbH 9. FLAG Telecom Development Limited 10. FLAG Telecom Development Services Company LLC

Term	Description
	11. FLAG Telecom Espana Network SAU 12. FLAG Telecom Group Services Limited 13. FLAG Telecom Hellas AE 14. FLAG Telecom Ireland Network Limited 15. FLAG Telecom Japan Limited 16. FLAG Telecom Nederland B.V. 17. FLAG Telecom Network Services Limited 18. FLAG Telecom Network USA Limited 19. FLAG Telecom Singapore Pte. Limited 20. FLAG Telecom Taiwan Limited 21. Gateway Net Trading Pte Limited 22. GCX Limited 23. Global Cloud Xchange Limited 24. Lagerwood Investments Limited 25. Net Direct SA (Proprietary) Limited. (Under liquidation) 26. Reliance Big TV Limited 27. Reliance BPO Private Limited 28. Reliance Communications (Australia) Pty Limited 29. Reliance Communications (Hong Kong) Limited 30. Reliance Communications (New Zealand) Pte Limited 31. Reliance Communications (Singapore) Pte. Limited 32. Reliance Communications (UK) Limited 33. Reliance Communications Canada Inc. 34. Reliance Communications Inc. 35. Reliance Communications Infrastructure Limited 36. Reliance Communications International Inc. 37. Reliance Communications Tamil Nadu Private Limited. 38. Reliance Digital Home Services Limited 39. Reliance FLAG Atlantic France SAS 40. Reliance FLAG Pacific Holdings Limited 41. Reliance FLAG Telecom Ireland Limited 42. Reliance Globalcom (UK) Limited 43. Reliance Globalcom B.V. 44. Reliance Globalcom Limited, Bermuda 45. Reliance Globalcom Limited, India 46. Reliance Globalcom Services Inc. 47. Reliance IDC Limited 48. Reliance Infocom Inc. 49. Reliance Infocomm Infrastructure Private Limited 50. Reliance Infratel Limited 51. Reliance Mobile Commerce Limited 52. Reliance Tech Services Private Limited 53. Reliance Telecom Infrastructure (Cyprus) Holdings Limited 54. Reliance Telecom Limited 55. Reliance Vanco Group Limited 56. Reliance Webstore Limited 57. Reliance WiMax Limited 58. Seoul Telenet Inc. 59. Vanco (Asia Pacific) Pte. Limited 60. Vanco (Shanghai) Co Limited 61. Vanco Australasia Pty. Limited 62. Vanco Benelux BV 63. Vanco BV 64. Vanco Deutschland GmbH 65. Vanco Global Limited 66. Vanco GmbH 67. Vanco International Limited 68. Vanco Japan KK

Term	Description
	69. Vanco NV 70. Vanco Row Limited 71. Vanco SAS 72. Vanco Solutions Inc 73. Vanco South America Ltda 74. Vanco Sp Zoo 75. Vanco Srl 76. Vanco Sweden AB 77. Vanco Switzerland AG 78. Vanco UK Limited 79. Vanco US LLC 80. VNO Direct Limited 81. Yipes Holdings Inc. 82. YTV Inc.
“Takeover Code”	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
“United Kingdom”	The United Kingdom of Great Britain and Northern Ireland.
“United States”, “U.S.” or “USA”	The United States of America, its territories and its possessions and the District of Columbia.
“U.S. GAAP”	Generally accepted accounting principles followed in the United States.
“VCF”	A venture capital fund (as defined under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996) registered with the SEBI under applicable laws in India.

ISSUE RELATED TERMS

Term	Description
“Allocated” or “Allocation”	The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of the Application Form submitted by them, by our Company in consultation with the Lead Managers and in compliance with Chapter VIII of the SEBI Regulations.
“Allot” or “Allotment”	Unless the context otherwise requires, the allotment of Equity Shares to successful QIBs pursuant to this Issue.
“Allottees”	Persons to whom Equity Shares are issued and Allotted pursuant to the Issue.
“Application Form”	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid.
“Bidder”	Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form.
“Bid(s)”	Indication of interest of a Bidder, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for the Equity Shares pursuant to this Issue.
“Bid/Issue Closing Date”	June 27, 2014, which is the last date up to which Application Forms will be accepted.

Term	Description
“Bid/Issue Opening Date”	June 24, 2014, i.e. the date on which our Company (or the Lead Managers on behalf of our Company) shall commence the acceptance of duly completed Application Forms for the Issue.
“Bidding/Issue Period”	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, and during which prospective Bidders can submit their Bids, including any revisions thereof.
“CAN” or “Confirmation of Allocation Note”	Note or advice or intimation sent only to Bidders confirming Allocation to such Bidders after discovery of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such Bidders.
“Closing Date”	The date on which Allotment shall be made, i.e. on or about July 2, 2014.
“Co-Book Running Lead Managers”	Axis Capital Limited, Edelweiss Financial Services Limited and Macquarie Capital (India) Private Limited.
“Cut-off Price”	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by our Company in consultation with the Lead Managers.
“CSR”	Corporate social responsibility.
“Eligible FPIs”	FPIs that are eligible to participate in this Issue and does not include Category III FPIs who are not allowed to participate in the Issue.
“Escrow Account”	The account titled “Reliance Communications Limited – QIP Escrow Account” with regard to any money received towards the subscription of the Equity Shares, opened with the Escrow Agent, subject to the terms of the escrow agreement dated June 26, 2014 amongst our Company, the Lead Managers and the Escrow Agent.
“Escrow Agent”	HDFC Bank Limited.
“Floor Price”	The floor price of Rs. 149.61 for the Allotment, which has been calculated in accordance with Chapter VIII of the SEBI Regulations.
“Global Co-ordinators and Book Running Lead Managers”	CLSA India Limited and J.P. Morgan India Private Limited.
“Issue”	The offer, issue and Allotment of 338,286,197 Equity Shares to QIBs, pursuant Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations.
“Issue Price”	Rs. 142.14 per Equity Share.
“Issue Size”	The Issue of 338,286,197 Equity Shares aggregating to approximately Rs. 48,084 million.
“Jones Day”	Jones Day, international legal counsel to the Lead Managers.
“Listing Agreement”	The equity listing agreement entered into by our Company with each of the

Term	Description
	Stock Exchanges.
“Lead Managers”	The Global Co-ordinators and Book Running Lead Managers and the Co-Book Running Lead Managers.
“Pay-in Date”	The last date specified in the CAN sent to the QIBs for payment of application money by the successful Bidders.
“Placement Agreement”	The placement agreement dated June 26, 2014 entered into between the Lead Managers and our Company.
“Placement Document”	The placement document dated June 27, 2014 issued by our Company in accordance with the provisions of Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations.
“Preliminary Placement Document”	The preliminary placement document dated June 24, 2014 issued by our Company in accordance with Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations.
“Relevant Date”	June 24, 2014 (i.e., the date of the meeting in which the Board decided to open the Issue).
“S&R”	S&R Associates, Indian legal counsel to the Lead Managers.
“TT&A”	Talwar Thakore and Associates, Indian legal counsel to our Company.

GLOSSARY OF TECHNICAL TERMS

Term	Description
“3G”	Third generation mobile telecommunication.
“4G”	Fourth generation mobile telecommunication.
“ADC”	Access deficit charge.
“ARPU”	Average revenue per unit.
“AUSPI”	The Association of Unified Service Providers.
“BPO”	Business process outsourcing.
“BSNL”	Bharat Sanchar Nigam Limited.
“BTS”	Base transceiver stations.
“CAGR”	Compounded annual growth rate.
“CAS”	Conditional access system.
“CDMA”	Code division multiple access.
“CIOU”	Customer integrated operations unit.
“Circle(s)”	The 22 service areas that the Indian telecommunications market has been

Term	Description
	segregated into.
“CLI”	Calling line identification.
“CMTS”	Cellular mobile telephone services.
“COAI”	The Cellular Operators Association of India.
“CPP”	Calling party pays.
“DG”	Diesel generator.
“DoT”	The Department of Telecommunications, Ministry of Communications and Information Technology, Government of India.
“DTH”	Direct to home.
“GSM”	Global system for mobile communication.
“ICR”	Intra-Circle roaming.
“IDC”	Internet data centre.
“IFRS”	International Financial Reporting Standards.
“ILD”	International long distance.
“IP”	Internet protocol.
“IP-I Provider” / “IP-II Provider”	Infrastructure provider category - I/ infrastructure provider category - II.
“IPLC”	International private leased circuit.
“IRU”	Indefeasible right of use.
“ISO”	International Standard Organization.
“ISP”	Internet service provider.
“IUC”	Interconnect usage charge.
“MHz”	Mega Hertz.
“MoU”	Memorandum of understanding.
“MPLS-VPN”	Multi protocol label switching virtual private network.
“MTNL”	Mahanagar Telephone Nigam Limited.
“NLD”	National long distance.
“NNOC”	Our Company’s National Network Operating Centre.
“NTP”	National Telecom Policy.
“OFC”	Optic fiber cable.
“OSS”	Operation support system.
“PC”	Personal computer.

Term	Description
“PCO”	Public call office.
“PIN”	Personal identification number.
“PoP”	Point of presence.
“RKm”	Route kilometre.
“RPM”	Revenue per minute
“SACFA”	Standing Advisory Committee on Radio Frequency Allocations.
“SCN”	Show cause notice.
“SIM”	Subscriber identity module.
“SMS”	Short messaging service.
“STD”	Subscriber trunk dialling.
“TDSAT”	Telecom Disputes Settlement Appellate Tribunal.
“TRAI”	The Telecom Regulatory Authority of India, constituted under the Telecom Regulatory Authority of India Act, 1997.
“UASL”	Unified access services license.
“UL Guidelines”	The Guidelines for Grant of Unified License dated August 19, 2013 issued by the DoT.
“WLL”	Wireless local loop.
“WPC”	Wireless Planning and Coordination Wing, Department of Telecommunications, Ministry of Communications and Information Technology, Government of India.

CERTAIN SUBSIDIARIES OF OUR COMPANY

Term	Description
“RCIL”	Reliance Communications Infrastructure Limited.
“Reliance Big TV”	Reliance Big TV Limited.
“Reliance Globalcom”	Reliance Globalcom Limited, Bermuda.
“RIIPL”	Reliance Infocomm Infrastructure Private Limited.
“Reliance Infratel”	Reliance Infratel Limited.
“Reliance Telecom”	Reliance Telecom Limited.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed terms appearing elsewhere in this Placement Document, including under “Risk Factors”, “Issue”, “Issue Procedure”, “Use of Proceeds” and “Description of Equity Shares”. The information contained in “Description of Equity Shares” shall prevail in the event of any inconsistency with the terms set out in this section.

Issuer	Reliance Communications Limited.
Issue Size	Issue of 338,286,197 Equity Shares, aggregating Rs. 48,084 million.
Floor Price	Rs. 149.61 per Equity Share.
Issue Price	Rs. 142.14 per Equity Share.
Minimum Offer Size	The minimum value of offer or invitation to subscribe to each QIB is Rs. 20,000 of the face value of the Equity Shares.
Eligible Investors	QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations and not excluded pursuant to Regulation 86 of the SEBI Regulations. See “Issue Procedure – Qualified Institutional Buyers”.
Equity Shares outstanding immediately prior to the Issue	2,064,026,881 Equity Shares.
Equity Shares issued and outstanding immediately after the Issue	2,402,313,078 Equity Shares.
Dividend	See “Description of Equity Shares”, “Dividend Policy” and “Taxation”.
Indian Taxation	See “Taxation”.
Issue Procedure	The Issue is being made only to QIBs in reliance on Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations. See “Issue Procedure”.
Listing	Our Company has obtained in-principle approvals from each of the Stock Exchanges for listing of the Equity Shares issued pursuant to the Issue under Clause 24(a) of the Listing Agreement on June 24, 2014. Our Company will make applications to each of the Stock Exchanges after Allotment to obtain final listing and trading approval for the Equity Shares after the Allotment.
Transferability Restrictions	The Equity Shares being Allotted shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. See “Transfer Restrictions” for other transfer restrictions relating to offers and sales of the Equity Shares.
Pay-In Date	The last date specified in the CAN sent to the QIBs for payment of application money for the Equity Shares pursuant to this Issue.

Closing	The Allotment is expected to be made on or about July 2, 2014 (the “ Closing Date ”).	
Ranking	The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles and shall rank <i>pari passu</i> in all respects with the existing Equity Shares including rights in respect of dividends. The Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Company after the Closing Date, in compliance with the Companies Act and other applicable laws and regulations. The Shareholders may attend and vote in Shareholders’ meetings on the basis of one vote for every Equity Share held. See “Description of Equity Shares”.	
Use of Proceeds	The net proceeds of the Issue (after deduction of fees, commissions and expenses) are expected to be approximately Rs. 47,604 million. Subject to compliance with applicable laws and regulations, our Company intends to use the net proceeds of the Issue for strengthening its financial position and networth including for capital expenditure, working capital, repayment of debt and general corporate purposes, including but not restricted to strategic initiatives, partnerships, joint ventures, investments, acquisitions and meeting exigencies and other general corporate purposes, which our Company in the ordinary course of business may face, or any other purposes as approved by the Board. See “Use of Proceeds”.	
Risk Factors	Prior to making an investment decision, prospective investors should carefully consider the matters discussed under “Risk Factors”.	
Security Codes:	ISIN	INE330H01018
	BSE Code	532712
	NSE Code	RCOM

**DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE
COMPANIES ACT, 2013**

The table below sets out the disclosure requirements as provided in PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Particulars	Page No.
1.	GENERAL INFORMATION	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office;	246
b.	Date of incorporation of the company;	156
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any;	128-146
d.	Brief particulars of the management of the company;	147-155
e.	Names, addresses, DIN and occupations of the directors;	147-155
f.	Management's perception of risk factors;	45-69
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of –	
	(i) statutory dues;	Not Applicable
	(ii) debentures and interest thereon;	Not Applicable
	(iii) deposits and interest thereon;	Not Applicable
	(iv) loan from any bank or financial institution and interest thereon.	Not Applicable
h.	Names, designation, address and phone number, email ID of the nodal/compliance officer of the company, if any, for the private placement offer process;	246
2.	PARTICULARS OF THE OFFER	
a.	Date of passing of board resolution;	242
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities;	242
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security;	29-30
d.	Price at which the security is being offered including the premium, if any, alongwith justification of the price;	29-30
e.	Name and address of the valuer who performed valuation of the security offered;	Not Applicable

Sr. No.	Particulars	Page No.
f.	Amount which the company intends to raise by way of securities;	29-30
g.	Terms of raising of securities:	
	(a) duration;	Not Applicable
	(b) rate of dividend;	76
	(c) rate of interest;	Not Applicable
	(d) mode of payment;	Not Applicable
	(e) repayment;	Not Applicable
h.	Proposed time schedule for which the offer letter is valid;	29-30
i.	Purposes and objects of the offer;	73
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects;	Not Applicable
k.	Principle terms of assets charged as security, if applicable;	Not Applicable
3.	DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.	
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons;	154
b.	details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed;	238-239
c.	Remuneration of directors (during the current year and last three financial years);	149-150
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided;	F-29, F-30, F-66, F-67, F-101, F-102
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark;	Emphasis of Matters included by the Auditors in their audit report is set out at pages 41-44. These do not constitute reservations, qualifications or adverse remarks.

Sr. No.	Particulars	Page No.
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries;	Not Applicable
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company;	Not Applicable
4.	FINANCIAL POSITION OF THE COMPANY	
a.	The capital structure of the company in the following manner in a tabular form-	
(i)(a)	the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	77
(b)	size of the present offer;	77
(c)	paid up capital	77
	(A) after the offer;	77
	(B) after conversion of convertible instruments (if applicable);	77
(d)	share premium account (before and after the offer);	77
(ii)	the details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration;	77-78
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case;	Not Applicable
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter;	A-1-A-3
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid);	76, 98-99
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter;	A-1-A-3
e.	Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter;	A-1-A-3
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company;	95-96

Sr. No.	Particulars	Page No.
5.	<p>A DECLARATION BY THE DIRECTORS THAT-</p> <p>a. the company has complied with the provisions of the Companies Act and the rules made thereunder;</p> <p>b. the compliance with the Companies Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;</p> <p>c. the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;</p>	245

SUMMARY OF BUSINESS

Overview

We are a fully integrated and converged telecommunications service provider operating across the full spectrum of wireless, wireline, voice, data, video, internet and IT infrastructure services in India. We believe we are the only telecommunications service provider offering CDMA and GSM mobile services in all 22 Circles in India. We also have a substantial international presence through the provision of long distance voice, data and internet network and services using our widespread submarine cable infrastructure and owned and leased metropolitan city networks.

As of March 31, 2014, we have a customer base of 119.4 million customers, including 110.9 million wireless customers, 1.2 million wireline customers, over 2.6 million overseas retail customers and 4.8 million direct-to-home (“**DTH**”) customers. Our enterprise clientele includes approximately 39,000 Indian and multinational corporations including small and medium enterprises and over 290 global, regional and domestic carriers. Our enterprise customers include 880 prominent enterprises in India.

In India, we provide mobile and fixed wireless voice, data, video and internet services to retail customers. We also provide long distance business services to enterprise customers including wholesale voice, bandwidth and infrastructure services, national and international private leased circuits, broadband internet access, audio and video conferencing, MPLS-VPN, remote access VPN, Centrex, toll-free services, voice services for offices, voice VPN for enterprises and managed internet data centre (“**IDC**”) services. We offer value-added products and services to large, medium and small enterprises for their communications, networking, and IT infrastructure needs across India.

We have established a pan-India, integrated (wireless and wireline) and convergent (voice, data and video) digital network capable of supporting services spanning the entire telecommunications value chain, and covering over 21,000 cities and towns and over 400,000 villages. We provide 3G services across 13 Circles covering 334 cities including the metropolitan Circles of Mumbai, Delhi and Kolkata. Recently, we launched 3G services in five additional Circles, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Uttar Pradesh (East), through intra-Circle roaming (“**ICR**”) arrangements, thus increasing our 3G coverage to 18 Circles. We provide wireless broadband services on our own network in 1,624 cities and towns and offer internet connectivity in over 19,000 towns across India. Our 43,379 telecommunication towers are used for both CDMA and GSM mobile networks and service multiple mobile service providers, including us and are located in all 22 Circles in India and are supported by over 190,000 route kilometre (“**RKm**”) optical fibre cable (“**OFC**”) network. We hold UASL and 3G spectrum licenses as well as licenses for the provision of national long distance (“**NLD**”) and international long distance (“**ILD**”) services.

In India, we also offer nationwide DTH services through our wholly owned subsidiary, Reliance Big TV Limited (“**Reliance Big TV**”), in 8,350 cities and towns. Using the MPEG 4 technology, we offer 250 channels in HD like quality. We also offer Standard Definition, High Definition and High Definition-DVR set top boxes.

Our Global Operations comprises the provision of voice, data and internet network and services and the lease of submarine cable infrastructure and metropolitan city networks. We have 650 enterprise customers spread over developed markets such as the United States, the United Kingdom, the Netherlands and Singapore. We own and operate a widespread submarine fibre optic cable network spanning 68,400 RKm and connecting North America, Europe, Middle-East and Asia through landing points in 27 countries. The total installed capacity of our five subsea cable systems is over 21 Tbps. We also own and lease data and internet networks in 57 cities across 21 countries. We are one of the leading managed Ethernet service providers in the United States and have an established position in the global enterprise data market.

We are a part of the Reliance Group, one of India’s largest business groups by market capitalisation (Rs.

662.70 billion as of March 31, 2014) with business interests in, among others, telecommunications, power, infrastructure, financial services and entertainment industries. The Reliance Group had over 75,000 employees and its four listed companies in India had over eight million shareholders as of March 31, 2014. The Reliance Group is headed by Mr. Anil D. Ambani, one of India's prominent business leaders.

From an operational perspective, our business is organised into two strategic segments: the India operations and the Global Operations. We conduct a substantial portion of our business through our Subsidiaries, particularly, Reliance Globalcom Limited, Bermuda ("**Reliance Globalcom**"), Reliance Telecom Limited ("**Reliance Telecom**"), Reliance Communications Infrastructure Limited ("**RCIL**"), Reliance Infratel Limited ("**Reliance Infratel**") and Reliance Big TV.

For the financial years 2014 and 2013, our total revenue was Rs. 223.21 billion and Rs. 217.78 billion, respectively while profit after tax was Rs. 10.47 billion and Rs. 6.72 billion, respectively.

For the financial years 2014 and 2013, our India operations and Global Operations generated total revenues of Rs. 185.69 billion and Rs. 177.84 billion and Rs. 46.21 billion and Rs. 49.28 billion, respectively.

Our Competitive Strengths

Integrated and Converged Telecommunication Service Provider

We are a fully integrated and converged telecommunications service provider operating across the full spectrum of wireless, wireline, voice, data, video, internet and IT infrastructure services in India. We are currently the only company that provides both CDMA and GSM based mobile services pan-India. While our network covers over 21,000 cities and towns and over 400,000 villages in India, we provide 2G services (both CDMA and GSM based) in all 22 Circles. We provide 3G services in 13 Circles covering 334 cities. Recently, we launched 3G services in five additional Circles through ICR arrangements, thus increasing our 3G coverage to 18 Circles. We hold UASL in all 22 Circles, including NLD and ILD licenses. Our earliest licenses due for renewal in the financial year 2016 relate to the Category 'C' Circles of Assam, Bihar, Himachal Pradesh, North East, Odisha and Category 'B' Circles of Madhya Pradesh and West Bengal. Providing each of CDMA, GSM and 3G based services enables us to maintain subscribers across a diverse range of usage requirements in both voice and data while leveraging our existing infrastructure and service platform. We provide nationwide wireless broadband on our own network in 1,624 cities and towns and offer internet connectivity in over 19,000 towns across India. In addition to the 800 MHz and 900 MHz bands, we also hold spectrum in the 1800 MHz and 2100 MHz bands, which gives us the ability to provide LTE services.

Our Global Operations comprises the provision of voice, data and internet network and services and the lease of submarine cable infrastructure and metropolitan city networks. We offer a variety of voice, data, video, internet and IT infrastructure services to 650 enterprise customers and a web-based international calling card service to over 2.6 million retail customers and over 550 enterprise customers.

Leading Presence in the Wireless Voice, Data and Internet businesses in India

Based on TRAI data, we are among the five largest wireless operators in India and had a 12.3% market share of the wireless services industry based on total number of subscribers as of March 31, 2014. As of the same date, we had a customer base of 119.4 million customers, including 110.9 million wireless customers. For the quarter ended March 31, 2014, we had wireless ARPU of Rs. 128, 102.3 billion total minutes of use and average realized revenue per minute of 43 paise. Based on TRAI data, as of March 31, 2014, we were ranked among the top three wireless operators in India in eight Circles, including metropolitan circles of Mumbai, Delhi and Kolkata based on total number of subscribers. Data services is one of our key focus areas and as of March 31, 2014, we had 37.4 million data customers, including 12.9 million 3G customers. For the quarter ended March 31, 2014, our total data traffic and data traffic per user was 50,251 million MB and 455 MB, respectively.

Extensive Distribution and Service Network in India

We maintain an extensive distribution and service network covering all Circles in India. The key elements of our distribution network are our exclusive Reliance World and Reliance Mobile stores, which are complemented by a widespread third party retailer presence. While both Reliance World and Reliance Mobile stores offer customer activation and after sales service, Reliance World stores also operate as broadband experience centres offering video conferencing. We have over 750 Reliance World and Reliance Mobile stores spread across 180 cities and towns in India, and work with over 680,000 retail outlets. Our stores and retail outlets are spread across all 22 Circles. As a result of our extensive distribution network, we are able to grow our product offerings, target most cities and towns in India and strengthen relationships with our subscribers. We believe that our widespread and well staffed service network enhances the overall subscriber experience.

Recognised and Trusted Telecommunication Brand

We are a part of the Reliance Group, one of India's leading business houses. We believe the Reliance Group has a strong and recognized brand in India which enables us to enjoy its brand recall among consumers in India. We believe our own brands are also recognized as the leading national brands for telecommunication services. Our brands include Reliance Mobile for the mobile portfolio of services, Reliance Hello for the fixed wireless portfolio of services, Reliance Pro and Reliance Pro3 for CDMA wireless data services and Reliance 3G for 3G Services, and assist in promoting us as an integrated telecommunications service provider country-wide. Our recognized and stable brand assists us in attracting subscribers, particularly in an industry affected by exits and consolidation.

Extensive Telecommunication Infrastructure in India and Overseas

We have established a pan-India integrated and convergent digital network capable of supporting services spanning the entire telecommunications value chain, covering over 21,000 cities and towns and over 400,000 villages. In addition, our OFC network is one of the largest networks in India. We provide wireless broadband on our own network in 1,624 cities and towns. Our 43,379 telecommunication towers are used for providing both CDMA and GSM based mobile services. Our towers portfolio is spread across all Circles and includes towers with more than four tenants. Our towers are supported by over 190,000 Rkm wide fibre optic cable network. Outside of India, we own and operate a widespread submarine fibre optic cable networks by length in the world, spanning 68,400 Rkm and connecting North America, Europe, the Middle-East and Asia through landing points in 27 countries. The total installed capacity of our five subsea cable systems is over 21 Tbps. We also own and lease data and internet networks in 57 cities across 21 countries.

The spread and strength of our network enables us to increase our product offerings and subscriber base without significant infrastructure investment or limitations. It also enables us to increase our revenues by leasing our network to other telecommunication services providers, both in India and overseas.

Reliance Parentage and Professional and Experienced Management Team

We are promoted by Mr. Anil D. Ambani, one of India's leading entrepreneurs. The Reliance Group is one of India's largest business houses by market capitalisation (Rs. 662.70 billion as of March 31, 2014) with business interests in, among others, telecommunications, power, infrastructure, financial services and entertainment industries. We believe being part of one of India's largest business groups, enhances our credibility and growth prospects.

Our management team, including Mr. Vinod Sawhny, President and Chief Executive Officer, Mr. Gurdeep Singh, President and Chief Executive Officer (Consumer Business), Mr. Punit Garg, President and Chief Executive Officer (NLD, ILD and Global Voice Business), Mr. William Barney, Chief Executive Officer (Global Cloud Xchange) and Mr. Deepak Khanna, Joint President and Chief Executive Officer (India Enterprise) have in-depth industry knowledge and extensive managerial experience in the

telecommunications, DTH and related businesses. We believe our management team is well equipped to respond to and leverage the advancements and other changes in the telecommunications industry in general and to execute our strategy.

Our Strategy

Spectrum based “Go To Market” strategy

We intend to continue to focus on offering 2G services in all 22 Circles covered by our network, and 3G services in the 13 Circles in which we have been allocated 3G spectrum and the five Circles, where we recently launched 3G services through ICR arrangements. We believe our integrated business model brings about significant group synergies and economies of scale of operations, advantages that we will continue to utilize. We have adopted a “Circle as a Country” growth strategy, whereby we intend to customize our expansion strategies according to peculiar characteristics of each Circle and various micro-markets and subscriber class within each Circle. For example, we have adopted specific strategies for the metropolitan Circles of Delhi, Mumbai and Kolkata, our other 3G and non-3G Circles to gain market share through focused handheld devices, dongle, voice and data offerings.

We also intend to selectively leverage existing infrastructure and our internal resources, to increase our market share in an effective manner in each category of Circle. We have specialised marketing teams for our GSM and CDMA based services, which we believe, will allow us to offer customers more specialized and customized service and leverage revenues from each technology platform’s offerings effectively. We will continue to seek partnerships with leading telecommunications handset manufacturers, to bundle our offerings with handsets to attract new subscribers in the micro markets we focus on.

Focus on Data-based Services

We aim to continue to increase our data subscriber base, including mobile and broadband subscribers, and revenues by focusing on improving our data service offerings such as introducing more affordable price plans that provide customers 3G data access speeds at 2G rates. In particular, we believe that the CDMA technology is well-suited for data-based services. We intend to focus on increasing our market-share in the large screen (computers) connectivity market through our CDMA offerings and the small screen device market through 3G services in the 18 Circles where we provide such services. We also intend to continue to partner with leading smart phone brands and enter into device collaborations such as our “Zero Plan”, which combines the offering of a handset with voice and data service plans. This, we believe, will increase data usage by our existing customers and attract data customers. With respect to our Global enterprise data business, we intend to focus on increasing our market share in the finance, legal and healthcare sectors in the United States and also grow our revenues from our existing multinational customers. We have rebranded Reliance Globalcom as Global Cloud Xchange (GCX) with the objective of focusing on development of network infrastructure, data center and managed services space and deliver an integrated cloud ecosystem. We intend to integrate our key international assets with a focus on internet protocol and cloud services.

Continue to Focus on Offering New Products and Services

We aim to expand our revenue streams through the expansion of our portfolio of service offerings and launching specific sales and marketing initiatives aimed at increasing our customer base. Such efforts include (i) offering a wider range of wireless and wireline services such as video on demand, online gaming and video chat and conferencing; (ii) further expanding our distribution network of retail stores and developing them into one-stop shops for retail customers; and (iii) providing wireless broadband data services through both our CDMA and 3G mobile networks. In addition, we intend to focus on cross-selling and bundling of products and services through our various partnerships with device manufacturers and application developers. This enables us to introduce more attractive categories of tariffs and product combinations that can cater to different markets, demographics and customer needs, and in turn, benefit our

customers from the greater value presented by our product offerings. Recently, we launched 'One India, One Rate Plan', a free national roaming plan for our post-paid and pre-paid GSM subscribers. Under this offer, the local, STD and roaming charges are the same and we charge our customers their home plan tariffs, while roaming anywhere in India.

Focus on Reduction of Operating Costs

In line with our growth, we will also focus on cost management and margin expansion through various measures to reduce our operating costs and achieve cost optimization. We have entered into long term agreements with end-to-end network managed service providers aimed at reducing our own capital costs, benefitting from economies of scale and delivering superior customer experience. We believe that our agreements with such service providers will enable us to improve network performance and increase customer satisfaction. Our other cost reduction measures include cutting down on consumable costs, outsourcing call centre operations to third party business process outsourcing companies for optimal efficiency and focusing on decreasing the channel commission for distribution of our prepaid subscription packs. In addition, we have entered into ICR arrangements with other telecommunications operators to share telecommunications infrastructure in select areas, which offer our existing customers wider coverage and facilitates the expansion of our network with minimum capital investments. We believe such arrangements will allow us to lower our capital expenditures and operational costs as we are not required to invest in establishing and maintaining network infrastructure, which would typically be required as part of geographic expansion efforts.

Manage our Assets Effectively

We aim to achieve better and more profitable management of our portfolio of assets, including the passive infrastructure that we build and use and also make available on a shared basis to other wireless and communications service providers. In this regard, we have entered into various long-term agreements for sharing of telecommunication towers, inter-city and intra-city OFC network which also give us the right to use such infrastructure developed by our counter-party. We intend to explore further opportunities for such infrastructure sharing arrangements and grow the revenue stream from this business segment. We recently completed the construction of a new data centre in Navi Mumbai and intend to use it to expand our IDC customer-base. We are also exploring divestment of our non-core assets to reduce our debt levels and increase profitability, thereby achieving greater returns and value for our shareholders.

SUMMARY FINANCIAL INFORMATION

The summary Income Statement and Balance Sheet information and statement of cash flows for the years ended March 31, 2014, 2013 and 2012 set forth below have been derived from our Financial Statements as of and for the years ended March 31, 2014, 2013 and 2012, which have been prepared in accordance with Indian GAAP as applicable at the time of their initial preparation and included elsewhere in this Placement Document.

Consolidated Balance Sheet as at March 31, 2014

(₹ in Million)

	As at March 31,		
	2012	2013	2014
EQUITY AND LIABILITIES			
Shareholders Funds			
Share Capital	10,320	10,320	10,214
Reserves and Surplus	352,636	328,178	313,879
	362,956	338,498	324,093
Minority Interest	8,602	7,253	7,432
Non Current Liabilities			
(a) Long Term Borrowings	296,460	286,783	279,129
(b) Deferred Tax Liabilities (Net)	10,180	13,719	18,029
(c) Other Long Term Liabilities	12,168	12,332	9,148
(d) Long Term Provisions	8,240	8,848	10,313
	327,048	321,682	316,619
Current Liabilities			
(a) Short Term Borrowings	55,392	87,998	89,092
(b) Trade Payables	23,180	23,637	35,164
(c) Other Current Liabilities	118,809	104,012	118,555
(d) Short Term Provisions	26,659	18,738	12,567
	224,040	234,385	255,378
TOTAL	922,646	901,818	903,522
ASSETS			
Non Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	435,512	443,388	439,344
(ii) Intangible Assets	229,007	210,487	193,186
(iii) Capital Work in Progress	50,261	38,643	31,899
	714,780	692,518	664,429
(b) Goodwill	50,088	51,247	53,004
(c) Non Current Investments	1,331	1,110	1,184
(d) Deferred Tax Assets (Net)	-	-	14,880
(e) Long Term Loans and Advances	24,819	32,104	35,415
(f) Other Non Current Assets	6,177	2,230	840
	797,195	779,209	769,752
Current Assets			
(a) Current Investment	5,187	5,508	6,046
(b) Inventories	5,663	4,967	4,152
(c) Trade Receivables	35,841	39,111	39,190
(d) Cash and Bank Balance	5,502	7,314	5,035
(e) Short Term Loans and Advances	49,879	45,806	58,283
(f) Other Current Assets	23,379	19,903	21,064
	125,451	122,609	133,770
TOTAL	922,646	901,818	903,522

Reliance Communications Limited

Consolidated Statement of Profit and Loss for the year ended March 31, 2014

(₹ in Million)

	For the year ended March 31,		
	2012	2013	2014
INCOME			
Revenue from Operations	196,771	205,607	212,379
Other Income	7,050	12,174	10,834
Total Income	<u>203,821</u>	<u>217,781</u>	<u>223,213</u>
EXPENDITURE			
Access Charges, License Fees and Network Expenses	96,522	103,676	105,498
Employee Benefit Expenses	12,834	11,894	10,251
Finance Cost	16,296	24,989	30,190
Depreciation, Impairment and Amortisation	54,504	53,314	59,386
Depreciation and Amortisation adjusted by/transfer from :			
Provision for Business Restructuring	(1,024)	(992)	(470)
General Reserve	(1,134)	(1,233)	(1,316)
General Reserve	<u>(12,569)</u>	<u>(12,637)</u>	<u>(12,246)</u>
	39,777	38,452	45,354
Sales and General Administration Expenses	<u>29,572</u>	<u>30,623</u>	<u>30,201</u>
Total Expenses	<u>195,001</u>	<u>209,634</u>	<u>221,494</u>
Profit before Exceptional Items, Tax and Adjustment	8,820	8,147	1,719
Exceptional Items			
Bad Debts and Subsidy written off	11,073	-	-
Equivalent amount withdrawn from General Reserve	(11,073)	-	-
Capital Work in Progress written off	-	3,250	-
Equivalent amount withdrawn from General Reserve	-	(3,250)	-
Depreciation on account of Change in exchange rate	-	2,747	3,852
Equivalent amount withdrawn from General Reserve	-	(2,747)	(3,852)
Foreign currency Exchange Fluctuation (Gain) / Loss (net)	15,730	8,412	5,946
Equivalent amount withdrawn from General Reserve	(15,730)	(8,412)	(5,946)
Fuel Expenses	704	620	-
Equivalent amount withdrawn from General Reserve	(704)	(620)	-
Prior Period Adjustments	-	-	560
Profit Before Tax	8,820	8,147	1,159
Provision for:			
- Current Tax	(1,062)	710	460
Less: MAT Credit Entitlement	-	-	(100)
- Deferred Tax	6,512	3,540	(10,570)
- Equivalent amount withdrawn from General Reserve	<u>(6,512)</u>	<u>(3,540)</u>	-
	(1,062)	710	(10,210)
Profit After Tax (before adjustment of Minority Interest/ Associates)	9,882	7,437	11,369
Less: Share of Profit transferred to Minority	612	730	918
Less: Share of Loss/ (Profit) of Associates	<u>(14)</u>	<u>(10)</u>	<u>(18)</u>
Profit After Tax (after adjustment of Minority Interest/ Associates)	<u>9,284</u>	<u>6,717</u>	<u>10,469</u>

Consolidated Cash Flow Statement for the year ended March 31, 2014

		(₹ in Million)		
		For the year ended March 31,		
		2012	2013	2014
A	CASH FLOW FROM OPERATING ACTIVITIES			
	Net Profit before tax as per Statement of Profit and Loss	8,820	8,147	1,159
	Adjusted for:			
	Provision for Doubtful Debts, Loans & Advances	604	1,083	2,894
	Depreciation/ Impairment and Amortisation	39,777	38,452	45,354
	Prior Period Adjustment	-	-	560
	Effect of Foreign Exchange Rate Changes (net)	(1,359)	(120)	(384)
	(Profit) /Loss on Sale of Assets and Capital Work in Progress (net)	(67)	277	203
	Profit on Sale of Investments	(233)	(350)	(90)
	Financial Cost	16,301	24,989	30,185
	Writeback of Provision towards Business Restructuring	-	(5,500)	(4,410)
	Writeback of Provision towards Liabilities no longer required	-	(1,920)	(4,497)
	Interest Income	(404)	(108)	(472)
		<u>54,619</u>	<u>56,803</u>	<u>69,343</u>
		<u>63,439</u>	<u>64,950</u>	<u>70,502</u>
	Operating Profit before Working Capital Changes			
	Adjusted for:			
	Receivables and other Advances	(24,226)	(5,534)	(5,816)
	Inventories	(492)	702	828
	Trade Payables and Other Liabilities	17,983	(23,910)	5,588
		<u>(6,735)</u>	<u>(28,742)</u>	<u>600</u>
	Cash Generated from Operations	<u>56,704</u>	<u>36,208</u>	<u>71,102</u>
	Income Tax Refund	4,698	4,770	2,496
	Income Tax Paid	(3,890)	(2,730)	(5,210)
	Net Cash from Operating Activities	<u>57,512</u>	<u>38,248</u>	<u>68,388</u>
B	CASH FLOW FROM INVESTING ACTIVITIES			
	Additions of Fixed Assets and Capital Work in Progress (including realised variation capitalised)	(48,497)	(21,141)	(21,650)
	Sale of Fixed Assets and Capital Work in Progress	2,159	-	-
	Purchase of Investments	(269,411)	(128,760)	(115,882)
	Sale of Investments	269,636	129,111	116,040
	Interest Income	404	96	490
	Net Cash Used in Investing Activities	<u>(45,709)</u>	<u>(20,694)</u>	<u>(21,002)</u>
C	CASH FLOW FROM FINANCING ACTIVITIES			
	Net Proceeds/ (Repayment) from Short term Borrowings	(52,113)	32,683	1,324
	Expenses on FCCB (Withholding Tax)	(1,767)	-	-
	Realised Foreign Exchange Loss	(1,674)	(12,662)	(5,240)
	Proceeds from Long Term Borrowings	107,562	14,759	24,994
	Repayment of Long Term Borrowings	(88,611)	(25,285)	(39,953)
	Dividends Paid (Including tax on dividend)	(1,191)	(596)	(611)
	Finance Cost	(17,180)	(24,654)	(30,184)
	Net Cash from / (used in) Financing Activities	<u>(54,974)</u>	<u>(15,755)</u>	<u>(49,670)</u>
	Net Increase/ (Decrease) in Cash and Cash Equivalents	<u>(43,171)</u>	<u>1,799</u>	<u>(2,284)</u>
	Opening Balance of Cash and Cash Equivalents	<u>48,663</u>	<u>5,502</u>	<u>7,314</u>
	Effect of Exchange Gain/ (Loss) on Cash and Cash Equivalents	10	13	5
	Closing Balance of Cash and Cash Equivalents	<u>5,502</u>	<u>7,314</u>	<u>5,035</u>

Note: Cash and Cash Equivalent includes cash on hand, cheques on hand, remittances-in-transit and bank balance including Fixed Deposits with Banks.

Our Auditors have included following Emphasis of Matter and observations in their Audit reports in the last five financial years without qualifying their opinion

2014

1. We draw your attention to Note 2.38 of the consolidated financial statements regarding the Schemes of Arrangement ('the Schemes') sanctioned by the Hon'ble High Court of Judicature at Mumbai, permit the Company and three of its subsidiaries, namely, Reliance Communication Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited to adjust expenses and/or losses identified by the respective Board of the Company and its three subsidiaries, which are required to be debited/credited to the Statement of profit and loss by a corresponding withdrawal or credit from/ to General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company and its three subsidiaries have identified exchange variations incurred during the year of Rs. 155 crore (previous year Rs. 203 crore), fuel cost of Rs. Nil (previous year Rs. 62 crore), depreciation on exchange losses capitalised of Rs. 385 crore (previous year Rs. 275 crore), capital work in progress written off of Rs. Nil (previous year Rs. 325 crore), amortization of Foreign Currency Monetary Items Translation Difference Account (FCMITDA) of Rs. 440 crore (previous year Rs. 638 crore), as in the opinion of the respective Boards, such exchange loss, provisions and costs are considered to be of an exceptional nature and accordingly, these expenses and deferred tax charge of Rs. Nil (previous year Rs. 354 crore) of one of its subsidiaries have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses, losses and deferred tax charge not been met from General Reserve, the consolidated financial statements would have reflected a profit after tax of Rs. 67 crore (previous year loss Rs. 1,185 crore) and the consequential effect of this on the consolidated profit after tax would have been of Rs. 980 crore (previous year Rs. 1,857 crore). We have not qualified our opinion on this matter.
2. We draw your attention to Note 2.34 (v) of the consolidated financial statements regarding investigations by an investigating agency (CBI) and framing of certain preliminary charges by a Trial Court in October, 2011 against a director of a subsidiary Company and the subsidiary Company, against which the subsidiary Company has filed a writ petition in October, 2013 in Hon'ble Supreme Court of India, which is pending for hearing as set out in the aforesaid note.

2013

1. We draw your attention to Note 2.39 of the consolidated financial statements regarding the Schemes of Arrangement ('the Schemes') sanctioned by the Hon'ble High Court of Judicature at Mumbai, permit the Company and three of its subsidiaries, namely, Reliance Communications Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited to adjust expenses and/or losses identified by the respective Board of the Company and its three subsidiaries, which are required to be debited/credited to the Statement of profit and loss by a corresponding withdrawal or credit from/ to General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company and its three subsidiaries have identified exchange variations incurred during the year of Rs. 203 crore (previous year Rs. 1,528 crore), fuel cost of Rs. 62 crore (previous year Rs. 70 crore), provision for doubtful debts and subsidy receivable of Rs. Nil (previous year Rs. 1,107 crore), depreciation on exchange losses capitalised of Rs. 275 crore (previous year Rs. Nil), capital work in progress written off of Rs. 325 crore (previous year Rs. Nil), amortization of Foreign Currency Monetary Items Translation Difference Account (FCMITDA) of Rs. 638 crore (previous year Rs. 45 crore), as in the opinion of the respective Boards, such exchange loss, provisions and costs are considered to be of an exceptional nature and accordingly, these expenses and deferred tax liability of

Rs. 354 crore (previous year Rs. 651 crore) of one of its subsidiary have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses, losses and deferred taxes not been met from General Reserve, the consolidated financial statements would have reflected a loss after tax of Rs. 1,185 crore (previous year Rs. 2,473 crore) and the consequential effect of this on the consolidated profit after tax would have been of Rs. 1,857 crore (previous year Rs. 3,401 crore). Our opinion is not qualified in respect of this matter.

2. We draw your attention to Note 2.35 of the consolidated financial statements regarding investigations by an investigating agency (CBI) and framing of certain preliminary charges by a Trial Court in October, 2011 against a director of Company's subsidiary and the subsidiary company, against which the subsidiary company has filed a writ petition in October, 2011 in Hon'ble High Court of Delhi, which is pending for hearing as set out in the aforesaid note. Our opinion is not qualified in respect of this matter.

2012

Without qualifying our report, we draw your attention to:

- a) Note 2.31(x) of 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
- b) Note 2.36 of the consolidated financial statements regarding certain preliminary charges framed by a Trial Court in October, 2011 against one of the Director of the Company's subsidiary and the subsidiary through its Director for alleged charges under Indian Penal Code (IPC) in relation to the breach of rules of Regulatory Authorities for the application of License made by a Private Limited Company pursuant to Unified Access Service License ('UASL') guidelines referred to in the aforesaid note. In the opinion of the management, the charges so framed are preliminary in nature based on investigations only, and pending the hearing of a writ petition for quashing the said charges in October, 2011 before the Hon'ble Delhi High Court, there is no impact based on the legal advice received by the Company, on these financial statements at this stage.
- c) Note 2.40 of the consolidated financial statements regarding the Schemes of Arrangement ('the Schemes') sanctioned by the Hon'ble High Court of Judicature at Mumbai, permit the Company and three of its subsidiaries, namely, Reliance Communication Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited to adjust expenses and/or losses identified by the respective Board of the Company and its three subsidiaries, which are required to be debited/ credited to the Statement of profit and loss by a corresponding withdrawal or credit from/ to General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company and its three subsidiaries have identified exchange variations incurred during the year of Rs. 1,573 crore (including Rs. 951 crore in the nature of borrowing costs), fuel cost of Rs. 70 crore (Previous year Rs. 77 crore), provision for doubtful debts and subsidy receivable of Rs. 1,107 crore (Previous year Rs. 159 crore), as in the opinion of the respective Boards, such exchange loss and provisions are considered to be of an exceptional nature and accordingly, these expenses and deferred tax liability of Rs. 651 crore of one of its subsidiary have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses and losses not been met from General Reserve, the consolidated financial statements would have reflected a loss after tax of Rs. 2,472 crore and the consequential effect of this on the consolidated profit after tax would have been of Rs. 3,401 crore.

Annual Report 2011

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 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 Rs. 2,545 crores, Depreciation and Amortisation is higher by Rs. 2,564 crores, Profit after Tax is lower by Rs. 47.04 crores, Deferred Revenue balance is lower by Rs. 2,545 crores and Net Block of Fixed Assets is lower by Rs. 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.
- d) 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 Rs. 159.41 crores in respect of bad debts and Rs. 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 Rs. 236.76 crores.

Annual Report 2010

Without qualifying our report, we state:

- a) As more fully explained in the note 5 (v) of Schedule Q, to the consolidated financial statements regarding the Scheme for the transfer of passive infrastructure by the Company to Reliance Infratel Limited (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 and available for any purpose and consequently, has withdrawn and credited to the Profit and Loss Account, an amount of Rs. 104.18 crores in respect of provision for obsolescence loss on capital goods and Rs. 86.52 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 profit before taxes for the year would have been lower by Rs. 190.70 crores;
- b) As more fully explained in Note 5(ix) 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.

RISK FACTORS

Prospective investors should carefully consider the risk factors relating to our business and our industry described below together with all other information contained in this Placement Document before making any investment decision relating to the Equity Shares. These risks and uncertainties are not the only issues that we face; additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have an adverse effect on our business, results of operations, financial condition or prospects and cause the trading price of the Equity Shares to fall significantly and you to lose all or part of your investment. Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and that our Company is subject to a legal and regulatory environment which may differ in certain respects from other countries. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other risks mentioned herein.

Risk Factors Relating to Our Business

We have incurred substantial indebtedness, which affects our ability to operate our business.

As of March 31, 2014, our total outstanding indebtedness was Rs. 419.78 billion. Our interest coverage ratio for the financial year 2014 was 2.88. Our level of indebtedness exposes us to several risks, such as:

- cash flow from our operations may be insufficient to meet our payment obligations of principal and interest;
- payment of principal and interest in respect of our foreign currency loans may be adversely affected by a depreciation in the value of the Rupee;
- payment of interest in respect of any floating rate indebtedness may be affected by fluctuations in interest rates; and
- increased vulnerability to general adverse economic, industry and competitive conditions, which could make it more difficult or expensive for us to obtain funding in the future.

Further, we have a number of working capital financings and other short-term debt facilities, which have been extended to us on a yearly basis. While in the past we have been successful in negotiating with banks to roll-over or refinance our borrowings, including our short-term debt instruments and obtain sufficient credit, we cannot assure you that we will be able to do so in the future. This may result in liquidity problems and we may be required to find alternate sources of funding, which may not be available on terms acceptable to us or at all.

If any of these risks were to materialise, our business, results of operations and financial condition may be adversely affected.

Our business is capital-intensive and may require additional debt or equity financing. We cannot assure you that we will be able to raise such financing on acceptable terms, or at all.

Our business is capital intensive, as a substantial amount of capital is required to build, maintain and operate our telecommunication, enterprise and DTH networks. We also require a significant amount of capital to develop, market and distribute our services and products, to develop and implement new technologies, to acquire and invest in new businesses or license areas and to acquire spectrum rights. We estimate that our capital expenditure requirement for the financial year 2015 will be up to Rs. 20 billion. We intend to incur this expenditure for network expansion, including the expansion of our GSM, CDMA, 3G and high-speed data networks, expansion of our enterprise business including development of new IDCs, expansion of our global operations and upgrading our information technology systems.

The actual amount and timing of our future capital requirements may also differ from estimates because of

reasons such as unforeseen delays or cost overruns in establishing, expanding or upgrading our networks, unanticipated expenses and responding to regulatory changes and engineering, design and technological changes, among other things. To the extent that our capital requirements exceed available resources, we will be required to seek additional debt or equity financing. Additional debt financing could increase our interest expense and may require us to comply with additional restrictive covenants under our financing agreements. Additional equity financing could dilute our Company's earnings per share and investor's interest in our Company and could adversely affect the trading price of the Equity Shares.

As of March 31, 2014, our net debt to equity (which includes reserves and surplus as reduced by goodwill) ratio was 1.5:1. After giving effect to the use of proceeds for the Issue (on the basis of the assumptions described in the "As Adjusted" column in the table shown under "Capitalisation"), our adjusted net debt to equity ratio would have been 1.3 as of March 31, 2014. Our ability to obtain additional financing on acceptable terms, or at all, will depend on a number of factors, including our future financial condition, results of operations and cash flows, general market conditions for telecommunications companies and economic, political and other conditions in the markets where we operate. Any inability to obtain sufficient financing could result in the delay or abandonment of our development and expansion plans or an inability to provide appropriate levels of service in all or a portion of our markets. As a result, if adequate capital is not available, there may be an adverse effect on our business, results of operations and financial condition.

We are in breach of certain covenants in our financing documents, which may have an adverse effect on our business, results of operations and financial condition.

We are required to maintain certain financial ratios under our financing agreements such as asset cover ratio, net debt to EBITDA ratio, EBITDA to interest expenses ratio, minimum net worth and debt service cover. These financial ratios and the restrictive provisions could limit our flexibility to engage in certain business transactions or activities. We were not in compliance with some of these financial ratios under one or more of our financing agreements, including in particular the EBITDA to interest expenses ratio and net debt to EBITDA ratio. Currently, we are not in compliance with one of the financial ratios under one or more of our financing agreements, the EBITDA to interest expenses ratio. We sought and received waivers and amendments of such requirements in the past, but we cannot assure you that such waivers or amendments would be forthcoming in the future.

In addition, under some of our financing agreements, we are required to obtain consents from the relevant lenders to issue further equity capital, including for undertaking the Issue. We have not received consents from one of the relevant lenders as of the date of this Placement Document, therefore we are not in compliance with the terms of such financing agreements.

Further, under certain of our interim financing arrangements, we were and are required to:

- implement a stake sale or equity infusion in the financial years, 2014 and 2015; in particular, under an arrangement with the syndicated term loans with our domestic lenders, we were required to make an equity infusion of Rs. 50 billion by March 31, 2014;
- raise certain minimum amounts of cash from the transfer or disposal of assets, or such similar transactions, as part of cash accumulation for the periods ending December 30, 2013, March 31, 2014 and March 31, 2015; and
- ensure that the proceeds from the infusion of equity or a stake sale are used for debt reduction and that our Company's gross debt (on a consolidated basis) does not exceed certain thresholds as on March 31, 2014 and March 31, 2015,

as conditions precedent to the conversion of such interim financing arrangements to long-term financing arrangements. We have not yet complied with the requirements detailed above.

Almost all our financing agreements contain cross default or cross acceleration provisions, with or without thresholds in case of non-compliance by us with the provisions of other financing agreements. As a result, any default under a financing agreement may cause the acceleration of repayment of not only such debt but also other debt, or result in a default under our other financing agreements. Furthermore, under our financing agreements, the lenders have certain remedies including cancelling any outstanding commitments, accelerating the repayment, exercising cross default or cross acceleration provisions and enforcing their security interests on the occurrence of events of default such as a payment default, breach of financial covenants, failure to obtain the proper consents, failure to perfect security as specified and such other breaches of covenants that are either not cured or are not curable.

It is possible that we would not have sufficient funds upon an acceleration of our financial obligations to pay the principal amount and interest in full. Under certain financing arrangements, the lenders have the right to convert at their option the whole or part of the defaulted amount of the loan into fully paid-up Equity Shares in case of a default of payment of interest or principal repayment resulting in an event of default. If we are forced to issue equity to the lenders, or issue additional equity as part of any financing agreement, your ownership interest in our Company will be diluted. Further, certain capacity purchase agreements of our Subsidiaries can be terminated if our Company undergoes an event of financial uncertainty including failure to pay material debts.

If any of these events were to occur, our business, results of operations and financial condition is likely to be adversely affected.

Additionally, the financing agreements in respect of our indebtedness contain certain restrictive covenants. We have also granted security over some of our assets and provided corporate guarantees to certain of our lenders. See “Management’s Discussion and Analysis of the Financial Condition and Results of Operation – Indebtedness”. It is also possible that future financing agreements may contain similar restrictive covenants.

If we do not continue to provide services that are technologically up to date, we may not remain competitive and our business, results of operations and prospects may be adversely affected.

The telecommunications industry is characterised by technological changes, including an increasing pace of change in existing mobile systems, industry standards and ongoing improvements in the capacity and quality of technology. As new technologies develop, our equipment may need to be replaced or upgraded, or our networks may need to be rebuilt in whole or in part in order to sustain our competitive position. As a result, we may require substantial capital expenditure and access to related technologies in order to integrate new technologies with our existing technology and phase out outdated and unprofitable technologies. If we are unable to modify our networks, such as by offering LTE based services, and equipment on a timely and cost effective basis, we may lose customers. Moreover, for our Global operations, we have significant operations in the emerging markets where the regulations may not be in line with the latest developments in technology and the market demand for new technologies as well as the technology we use and as a result, we may be required to change the manner in which we offer our products and services.

Many of the services we offer are technology-intensive and the deployment or acceptance of new technologies, such as 4G, may render such services non-competitive or obsolete and we may need to reduce the prices we charge for such services. In addition we face the risk of unforeseen complications in the deployment of new services and technologies, and we cannot assure you that these new technologies can be successfully deployed or will be commercially successful. Our results of operations would also suffer if our new services and products are not well-received by our customers, are not appropriately timed with market opportunities or are not effectively brought to market. Further, certain VAS agreements entitle the service provider to terminate such agreements without cause upon notice.

It is also possible that the development of technologies, products and services may intensify competition due to the entrance of new competitors, the expansion of services offered by existing competitors or new

internet-based services, which allow users to make calls, send SMSs and offer other advanced features such as the ability to route calls to multiple handsets and offer alternate modes of connectivity. We cannot predict which of many possible future technologies, products, or services will be important to maintain our competitive position. To the extent we do not keep pace with technological advances or fail to respond in a timely manner to changes in the competitive environment affecting our industry or if our VAS agreements are terminated, we could lose market share or experience an adverse effect on our business, results of operations and prospects.

Our Company may, as part of its efforts to raise funds, sell interests in one or more of its businesses or Subsidiaries.

As part of its effort to raise funds, our Company may sell all or part of its interests in one or more of its businesses or Subsidiaries through a listing of the shares of such Subsidiaries or the sale to third parties of all or a portion of its shares in such Subsidiaries. We are evaluating the option of selling stake in our Global operations and our non-core assets, including our DTH business and demerging our real estate property into a separate subsidiary followed by a listing of such company. Following any such sale of all or part of its interest in such existing and future Subsidiaries, our Company's equity interest in the assets held by such Subsidiaries would be reduced by a corresponding amount. Although our Company would receive the proceeds of any sale of shares in such Subsidiaries, under certain financing arrangements we are required to apply all proceeds arising from disposal of our shareholding in Reliance Globalcom towards repayment of financial indebtedness of our Company. Further, we cannot assure you that such proceeds will accurately reflect the value of such Subsidiaries to our Company's business or that the trading price of the Equity Shares will not decline as a result of such sale of shares. In addition, we may also be required to obtain consents under certain of our agreements for sale of such assets, which may not be received in a timely manner, or at all.

We are subject to extensive regulation, which may adversely affect our ability to do business.

The Government along with TRAI regulates many aspects of the telecommunications industry in India. The extensive regulatory structure under which we operate constrains our flexibility to respond to market conditions, technological developments, competition or changes in our cost structure. In addition, we are required to obtain a wide variety of approvals from various regulatory bodies. We cannot assure you that these approvals will be forthcoming on a timely basis, or at all, which could have an adverse effect on our business and results of operations.

The Government may replace or amend laws, regulations or policies, including guidelines for licensing, spectrum allocation and pricing rules. We also may incur additional expenditure to comply with changes in regulation. For example, on December 28, 2012 and March 15, 2013, the DoT issued orders levying one-time charge for excess GSM and CDMA spectrums, respectively. We have filed appeals against these orders in the Calcutta High Court and the court has stayed the implementation of these orders. Additionally, the DoT announced guidelines for the verification of subscribers effective November 2012, making wide ranging changes in subscriber activation processes, disconnection and other related matters. In August 2013, the DoT announced the grant of Unified License which may adversely affect our existing licenses, including the extension thereof. Also, see "Overview of the Telecom Regulatory Regime in India". The earliest that certain of our telecommunications licenses are due for renewal is in the financial year 2016. On expiry of licenses, operators are required to opt for Unified Licenses, which will have a validity of 20 years. In addition, allocation of spectrum has been separated from the grant of licenses and is required to be acquired separately through the auction process. The renewal of our licenses are also subject to specified terms and conditions and we could be charged a substantial entry fee and increased license fees, which could have an adverse effect on our business and results of operations. We may also incur capital expenditure to comply with and benefit from anticipated changes in regulation which may be delayed, not implemented or not implemented on terms favourable to us. In addition, the grant of approval for dual technology services has

also been challenged before the Supreme Court of India by the COAI. These proceedings have been adjourned.

The DoT has issued the directions on implementation of green technologies in telecommunications sector in 2012 pursuant to which service providers are required to ensure that by 2015 and thereafter, by 2020 specified percentages of all towers are powered by hybrid power. See “Overview of the Telecom Regulatory Regime in India”. Further, the Supreme Court of India, on April 17, 2014, ruled that the Comptroller and Auditor General of India had the authority to examine the accounts of private telecommunication companies such as ours.

Our telecommunication and DTH licenses reserve broad discretion to the Government to influence the conduct of our businesses by giving the Government the right to modify, at any time, the terms and conditions of our licenses, take-over our networks and to terminate or suspend our licenses in the interests of national security or in the event of a national emergency, war or similar situations. Under our licenses, the Government may also impose certain penalties including suspension, revocation or termination of a license in the event of a default by us in complying with the terms and conditions of the license.

Further, with respect to our Global operations, the regulatory environment varies substantially from country to country and restricts our ability to compete in some markets. For example, in jurisdictions where we desire to extend our network or offer new services, we may be required to obtain landing licenses, operator licenses and other permits. We cannot provide any assurance that we will be able to obtain the authorisations that we need to implement our business plan and provide new services or that these authorisations, if obtained, will not be later revoked. We may also be prohibited from entering certain countries or from providing all of our services in one or more countries. If we fail to comply with any of the regulatory requirements applicable to us, or to obtain and maintain the necessary licenses and permits, we may not be able to conduct our business, which may have an adverse effect on our business and results of operations.

We rely on sophisticated billing and credit control systems any failure of which may lead to a loss of revenue and customers.

We are dependent on several sophisticated processes, IT systems and software packages for services usage, billing and credit control. We also have outsourced certain aspects of these systems to specialist service providers. For example, we have outsourced our network and related infrastructure management, including operations and maintenance to third party service providers. Any failure of critical IT systems, including those provided by third parties, could have an adverse effect on our business and results of operations, and lead to a loss of revenue and customers.

We are dependent on several complex software packages that record minutes used, calculate the appropriate charge and then deduct the amount due from the account of the subscriber or record the amount payable by the subscriber. Any failure to properly capture the services provided or to charge the appropriate fees could have an adverse effect on our revenue. No system or process can ensure total capture and some loss of revenue is common. However, if our revenue leakages increase, or are greater than those of our competitors, our business and results of operations may be adversely affected.

There are several regulatory proceedings and other disputes pending against us for alleged breaches of license conditions and other alleged breaches of laws, rules and regulations, which, if successful may have an adverse effect on our business and results of operations.

We are involved in a number of legal cases, including, regulatory, civil disputes and consumer claims, pending at various levels of adjudication before various courts and tribunals, including:

- Pending dispute with DoT with respect to our notice for refund of excess license fees aggregating to Rs. 2.32 billion paid by us in light of the changes to the definition of AGR by TDSAT in August 2007.

- Pending dispute with respect to demands by DoT for Rs. 17.58 billion towards levy of one-time prospective charges for holding CDMA spectrum beyond 2.5 MHz for the period from January 1, 2013 till the expiry of the initial terms of the respective licenses, one time retrospective charges of Rs. 50 million for holding GSM spectrum beyond 6.2 MHz for the period from July 1, 2008 to December 31, 2012 and a one-time spectrum fee of Rs. 1.69 billion for GSM spectrum held beyond 4.4 MHz payable in eight annual instalments.
- Pending dispute with the DoT for the alleged shortfall in payment of license fees in 22 Circles by our Company and Reliance Telecom amounting to approximately Rs. 6.2 billion for the financial years 2007, 2008 and 2009 in relation to difference in computation of AGR by DoT and us. If this case is decided against us, we may be required to pay additional license fees with respect to subsequent financial years.

See “Legal Proceedings”. In the event that some of these cases are decided against us, it could have an adverse effect on our business and results of operations including significant monetary penalties and the cancellation of our licenses.

There are on-going investigations against our Subsidiary, Reliance Telecom and three executives of the Reliance Group in relation to award of a UASL, which may have an adverse effect on our business.

On October 22, 2011, the Special Judge, CBI framed preliminary charges against Reliance Telecom, three executives of the Reliance Group and certain persons not related to the Reliance Group for various offences, under various Sections of the IPC, or in the alternative, the Prevention of Corruption Act, 1988, in relation to award of the UASL to Swan Telecom Private Limited (“Swan”), now known as Etisalat DB Private Limited. It is alleged that Swan was ineligible to be granted a UASL as Reliance Telecom, directly as well as through its associates, was holding securities in Swan in excess of the prescribed limit of 10% under the UASL. Reliance Telecom has *inter-alia* contended that when Swan acquired the UASL and became a licensee, Reliance Telecom together with its associates did not hold any securities in Swan. The matter is pending before the Special Judge, CBI. Further, a special leave petition has been filed before the Supreme Court of India for quashing of charges framed on October 22, 2011. The matter is pending for hearing before the Supreme Court of India. For details, see “Legal Proceedings”. In the event that the Special Judge, CBI were to decide this case against us and any appeals by us against such order are also dismissed by higher courts, it could have an adverse effect on the business of Reliance Telecom including monetary fines.

Our Auditors have included certain matters of emphasis in their reports on our audited financial statements.

The auditors’ reports on our financial statements as of and for the financial years ended March 31, 2014, 2013 and 2012 include certain matters of emphasis relating to the following:

- In accordance with the schemes of arrangements approved by the Bombay High Court under different schemes of arrangement binding on our Company and three of our Subsidiaries, namely, RCIL, Reliance Infratel and Reliance Telecom, certain expenses and / or losses, were identified by the boards of directors of the respective companies as exceptional or otherwise subject to the accounting treatment prescribed in the schemes of arrangement and were withdrawn from our corresponding general reserves. See “Management’s Discussion and Analysis – Significant Factors Affecting our Results of Operations – Schemes of Arrangements and Amalgamations”; and
- Consequent to the investigations by an investigative agency (Central Bureau of Investigation) in relation to the entire telecom sector in India, certain preliminary charges have been framed by a trial court against our Subsidiary, Reliance Telecom and three executives of the Reliance Group. A writ petition has been filed before the Supreme Court of India against such charges, which is pending for hearing.

Also, see “Financial Statements – Independent Auditors’ Report”. If any such observation is included in the auditors’ report for our financial statements in the future, the trading price of our Equity Shares may be adversely affected.

We face significant competition in the markets in which we operate, which could result in a decrease in our market share and profitability.

Competition in the industry and the markets we operate in is intense. For our India operations, we face significant competition from other telecommunications companies with pan-India footprints such as Bharti Airtel Limited, Vodafone India Limited, Idea Cellular Limited and Tata DoCoMo Limited. Competition may affect our ability to bid competitively for spectrum that the Government auctions, may result in our subscriber base declining, could cause a decrease in tariff rates and ARPU and could cause an increase in customer churn and an increase in selling and promotional expenses, all of which could have an adverse effect on our business and results of operations. In addition, mobile number portability, which enables customers to switch their mobile telecommunications services providers without changing their phone numbers was introduced across all Circles in January 2011. In addition, the CDMA handsets market is not as developed as the GSM handsets market and our existing CDMA customers may choose to shift to GSM based services provided by us or other operators due to unavailability of suitable devices. This could lead to greater movement of customers among providers of mobile telecommunications services, which could increase our marketing, distribution and administrative costs, slow growth in subscribers and reduce revenues.

We also compete with companies such as Mahanagar Telephone Nigam Limited (“**MTNL**”) and Bharat Sanchar Nigam Limited (“**BSNL**”), which are state-owned enterprises controlled by the Government and therefore enjoy certain competitive advantages. For example, BSNL is not required to pay entry fees, which gives it a significant competitive advantage over other telecommunication operators. We cannot assure you that we will be able to compete successfully with the Government operators. If the Government does not ensure a level playing field, our business and results of operations may be adversely affected.

Some of our competitors have entered into roaming and tower sharing arrangements and in the future may combine or merge or begin to engage in extensive sharing, roaming or resale arrangements which could adversely affect our business and results of operations. Further, the Government recently issued guidelines liberalising mergers and acquisitions in the mobile telecommunications industry. Such liberalised policies that facilitate the consolidation of the industry could adversely affect our business and results of operations.

For our DTH business, we compete directly with other pay DTH operators, as well as indirectly with cable operators, IPTV operators and free-to-air television. We believe that we compete on pricing, programming content offerings, services, subscriber satisfaction, network quality and content delivery.

For our Global Operations, we compete primarily on the basis of price, geographical reach, network performance, network reliability and service quality against telecommunications companies that provide competing network access and data and voice services. We face competition from existing, newly developed and planned cable systems along certain of our existing and planned network routes.

Certain of our competitors may be able to offer services at relatively lower costs and may be able to bundle services and offer complete solutions to their customers in ways that we cannot provide. If we are not able to compete successfully, our business and results of operations could be adversely affected.

We are dependent on a limited number of vendors to supply critical network and other equipment and services.

We depend upon key suppliers and vendors to provide us with equipment and services that we need to build, develop, maintain and rollout our networks and operate our businesses. These vendors also provide maintenance support. We are substantially dependent on these vendors for critical components for future

expansions. We cannot be certain that we will be able to obtain satisfactory equipment and service on acceptable terms or that our vendors will perform as expected. Should we fail to receive the quality of equipment and maintenance services that we require, to negotiate appropriate financial terms for equipment and services or to obtain adequate supplies of equipment in a timely manner, or if our key suppliers discontinue the supply of such equipment and services due to withdrawal from the markets we operate in or otherwise, we may find it difficult to replace a vendor on a timely basis without significant capital expenditure, which could significantly disrupt our services. This may have an adverse effect on our business and results of operations. Further, certain of the agreements with our vendors have expired and we cannot assure you that we will be able to renew such agreements on acceptable terms, or at all.

In addition, certain of our agreements with vendors for the supply of handsets contain customary warranty provisions under which the vendors have agreed to provide warranty to the end users for any defects as set out in the relevant agreements. Purchasers of these handsets, however, could potentially claim damages from us. We cannot assure you that we will not be subject to the risks and costs associated with product liability and warranties, and negative publicity which may adversely affect our brand, business and results of operations.

Our outsourcing policy has made and may make us further dependent upon certain external suppliers of important services both to us and to our customers. We have outsourced most of our network and related infrastructure management, including operations and maintenance to third party vendors. As a result, we are exposed to the supply and service capabilities of each of these vendors, which may be adversely affected by their ability to retain and attract appropriate personnel, their financial position and many other factors which are outside our control. If such a vendor fails to perform adequately or we terminate the vendor or such vendor terminates its agreement with us, we may not be able to provide such services ourselves or find an alternative supplier without disruption to our services or incurring additional costs or at all, which may have an adverse effect on our business and results of operations.

Our agreements with certain third parties also contain restrictions and impose obligations on us, including consent requirements before we undertake certain actions. We may require consents from third parties under our agreements, which we have not obtained. Any failure by us to obtain the required consents from third parties may adversely affect our relationship with them and our business.

If our ability to use the intellectual property rights owned or licensed by us is restricted in any manner, we may not be able to provide our services on commercially viable terms, which may adversely affect our business and results of operations.

We rely on third-party licenses and other intellectual property arrangements to provide our services, including content providers for our DTH business. Network elements and telecommunications equipment including software and firmware deployed in our network are licensed or purchased from various third parties, including from vendors with the intellectual property rights to use or license these elements and equipments. Although our vendors and DTH content providers have provided warranties and indemnities including the rights to terminate in the event of any breach in respect of any intellectual property rights in the respective agreements, we cannot assure you that the intellectual property rights owned by or licensed to us will not be challenged, or that whether the relevant intellectual property rights are valid, enforceable or sufficiently broad to protect our interest or will provide or continue to provide us with any competitive advantage. Any loss or withdrawal of those intellectual property rights may affect our ability to provide our services and may adversely affect our business and results of operations.

Our inability to collect our receivables on a timely basis, or at all, could adversely affect our financial condition, liquidity and results of operations.

As of March 31, 2014 and 2013, our outstanding trade receivables, net of allowance for doubtful accounts, were Rs. 39.19 billion and Rs. 39.11 billion, respectively. Our provisions for doubtful accounts, increased to

Rs. 15.98 billion as of March 31, 2014 from Rs. 13.07 billion as of March 31, 2013. In addition, we also had short-term loans and advances outstanding of Rs. 58.28 billion, as of March 31, 2014, which includes Rs. 7.14 billion from a third-party. Our outstanding receivables from third parties include receivables from vendors including a vendor who we had engaged in the past for certain defeasement services by discounting of cash flows in respect of our equipment supply contracts, infrastructure providers, customers and other telecommunication operators. Our inability to collect our receivables and advances, due to macroeconomic conditions, or otherwise, on a timely basis, or at all, could adversely affect our financial condition, liquidity and results of operations.

We do not own all of the intellectual property rights in the brands used by us.

We do not own all of the intellectual property rights in the brand names used by us for marketing our services. Our Company has entered into a brand license agreement with Anil Dhirubhai Ambani Ventures Private Limited for use of the brand “Reliance” on May 6, 2006 for a period of 10 years. Further, certain of our trademark and patent applications are in various stages of registration. In addition, we have not applied for the registration of our ‘Reliance Pro’ and ‘Reliance Pro3’ brands, which we use for our CDMA wireless data services and ‘Reliance 3G’ brand, which we use for our 3G services. If any of the brands under which we operate become unavailable, we could face disruptions in our operations, which may adversely affect our business and reputation.

We depend on certain key personnel, and our business and growth prospects may be adversely affected if we lose the services of such personnel.

Our future success is dependent upon the continued service of our key executives and employees. We cannot assure you that we will be able to retain these executives and employees. If one or more of the key personnel were unable or unwilling to continue in their present positions, or if they join a competitor, our business may be significantly disrupted and our results of operations may be adversely affected. We cannot assure you that we will be able to attract and retain the key personnel that we will need to achieve our business objectives.

Further, our business industry requires personnel with diverse skills. Any failure to recruit and retain appropriate employees may adversely affect our business. We also face significant challenges in training our employees in the rapidly changing industry and our inability to do so successfully may adversely affect our business.

Required licenses and permits may be difficult to obtain, and once obtained may be amended or revoked or may not be renewed.

In addition to our licenses and spectrum, the deployment of our networks requires various approvals from central, state and local government and regulatory authorities, particularly in relation to establishing cell sites. These approvals include building, construction and environmental approvals, antenna and mast deployment approvals and other planning permissions. We have experienced and may continue to experience, difficulties in obtaining some of these approvals. This may force us to seek alternative cell sites or incur considerable effort and expense where a suitable alternative cell site is not available. Further, some of our telecommunication interconnect agreements may be terminated in the event of termination or non-renewal of such licenses and approvals. Inability to obtain the required approvals in a timely manner, or at all, may have an adverse effect on business and results of operations.

Further, we are required to comply with various environmental laws and regulations in India. For example, our subsidiary, Reliance Infratel, which provides passive telecom infrastructure, is required to comply with various laws and regulations in India concerning air and noise emissions. These laws can impose liability for non-compliance and may in the future give rise to substantial environmental compliance or remediation liabilities and costs. In addition to potential clean up liability, we may also become subject to monetary fines and penalties for violation of applicable environmental laws, regulations or administrative orders. We may

also be sued by third parties for damages and costs resulting from environmental contamination or health hazards emanating from our properties. This may have an adverse effect on our business and results of operations.

We may acquire or make strategic investments in complementary businesses, or enter into strategic partnerships or alliances with third parties in order to grow business. If we are unable to identify suitable acquisition targets, obtaining satisfactory acquisition financing or successfully integrate such acquisitions, our business and prospects may be adversely affected.

We may acquire or make strategic investments in complementary businesses, or enter into strategic partnerships or alliances with third parties in order to grow our business. We will continue to explore acquisition opportunities, including if appropriate, acquisitions that may be of a significant size and scale. We may not be able to identify suitable targets for acquisition, strategic investment or strategic partnership, or we may not be able to complete those transactions on terms acceptable to us, or at all. Further, our acquisition strategy may require us to obtain additional debt or equity financing, which could subject us to certain additional risks. We may not be able to finance our acquisitions on terms acceptable to us or at all. Our inability to identify suitable acquisition targets or investments, or the inability to complete such transactions, may adversely affect our business and prospects.

Further, such acquisitions may involve significant investments, which may not provide favourable returns and pose other risks, including:

- unforeseen risks or latent liabilities relating to target businesses that may only become apparent after the merger or acquisition is finalised;
- likely complexity in the integration and management of business operations and systems;
- potential difficulties in the retention of select personnel;
- probable complications in the co-ordination of sales and marketing efforts; and
- diversion of our management's attention from other ongoing business concerns.

If we are unable to integrate the operations of an acquired business successfully or manage such an acquisition profitably, our business and prospects may be adversely affected.

Our reputation and business may be harmed and we may be subject to legal claims if there is loss, disclosure or misappropriation of or access to our subscribers' or our own information or other breaches of our information security.

We make extensive use of online services and centralised data processing, including through third-party service providers. The secure maintenance and transmission of customer information is an important part of our operations. Our information technology and other systems that maintain and transmit customer information, or those of service providers, may be compromised by a malicious third-party penetration of our network security, or that of a third-party service provider, or impacted by advertent or inadvertent actions or inactions by our employees, or those of a third-party service provider. As a result, our subscribers' information may be lost, disclosed, accessed or taken without the subscribers' consent.

In addition, third-party service providers and us process and maintain our proprietary business information and data related to our customers or suppliers. Our information technology and other systems that maintain and transmit this information, or those of third party service providers, may also be compromised by a malicious third-party penetration of our network security or that of a third-party service provider, or impacted by intentional or inadvertent actions or inactions by our employees or those of a third-party service provider. As a result, our business information, or subscriber or supplier data may be lost, disclosed, accessed or taken without consent.

Any major compromise of our data or network security, failure to prevent or mitigate the loss of our services or any customer information and delays in detecting any such compromise or loss could disrupt our operations, damage our reputation and subscribers' willingness to purchase our service and subject us to additional costs and liabilities, including litigation.

Our telecommunications infrastructure may be affected by natural disasters and other unforeseen damage which may not be adequately covered by insurance.

We maintain and operate different kinds of telecommunication-related infrastructure, including 43,379 telecommunication towers and related infrastructure. Our telecommunication infrastructure also includes network control centres, OFC network, submarine cable systems and certain satellite-related infrastructure for our DTH business operations. The operation of this infrastructure may be vulnerable to damage or interruptions due to adverse weather conditions, earthquakes, fires, floods, power loss, military or terrorist activity, telecommunications failures, software flaws, transmission cable cuts or similar events. Any failure of the networks, servers, or any link in the delivery chain that results in an interruption in the operation or provision of any of our services could damage our ability to attract and retain customers and adversely affect our business and results of operations.

While we maintain insurance for our infrastructure against these risks (including business interruption insurance), we may not have adequate insurance to cover the associated costs of repair or reconstruction. Further, such business interruption insurance may not adequately compensate us for lost revenues, including penalties under our contracts with wireless service providers. This may have an adverse effect on our business, results of operations and financial condition.

Our Company's ability to pay dividends in the future will depend on future earnings, financial condition, cash flows, working capital requirements and required or planned capital expenditures.

The amount of future dividend payments, if any, will depend on our Company's future earnings, financial condition, cash flows, working capital requirements, terms and conditions of our Company's indebtedness and capital expenditures. Any inability to pay dividends in the future may adversely affect the trading price of the Equity Shares.

Our Promoters own a significant percentage of our Company's issued share capital and they may take actions that are not in your best interests.

Our Promoters owned approximately 67.8% of our Company's issued equity share capital as of March 31, 2014. As a result, they have the ability to significantly influence our operations. This will include the ability to appoint Directors to our Board and the right to approve significant actions at Board and at Shareholders' meetings, including the issue of Equity Shares and dividend payments, business plans, mergers and acquisitions, any consolidation or joint venture arrangements, any amendment to the Memorandum and Articles and any assignment or transfer of our interest in any of our licenses. Further, we cannot assure you that the Promoters will not have conflicts of interest with you. Our Promoters' ability to significantly influence our operations or any such conflicts may adversely affect our ability to execute our business strategy or to operate our business.

Our Promoters' shareholding could also influence a change in control in our Company, impede a merger, consolidation, takeover or other business combination involving our Company or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company even if that was in our Company's or your best interests.

We have certain contingent liabilities which may adversely affect our results of operations and financial condition.

As of March 31, 2014, our contingent liabilities not provided for, aggregated to Rs. 72.50 billion. These

include amount of contracts to be executed, disputed liabilities not provided for, claims against the company not acknowledged as debts and guarantees. Further, our Company has also given corporate guarantees on behalf of certain group companies in favour of third parties including banks and government authorities. See “Financial Statements – Contingent Liabilities”.

In the event that any of these contingent liabilities materialise, our results of operations and financial condition may be adversely affected.

Risks relating to our India Operations

Churn in the mobile telecommunications industry in India is high and we cannot assure you that we will be able to retain all our existing subscribers or that we will be successful in subscriber additions, which may have an adverse effect on our business and results of operations.

The Indian mobile telecommunications industry has historically experienced a high rate of churn. This high churn rate has been a consequence of increasing competition and resultant promotional tariffs for new connections. Churn rates are especially high among pre-paid subscribers, who constitute a significant portion of the subscriber base of the Indian telecommunications industry.

Our churn rate for the quarters ended March 31, 2012, 2013 and 2014 were 4.5%, 4.8% and 5.5%, respectively. Our ability to retain our existing subscribers and to compete effectively for new subscribers and reduce our rate of churn depends on, among other things:

- actual or perceived quality and coverage of our networks;
- executing our marketing and sales strategies, service delivery, customer care activities including account set-up and billing;
- our ability to anticipate and respond to various competitive factors affecting the industry, including new technologies, products and services, customer preferences, demographic trends, economic conditions and discount pricing or other strategies; and
- public perception of our brand.

Churn may also increase due to factors beyond our control, including, a slowing economy, a maturing subscriber base and competitive offers by other service providers, including pursuant to mobile number portability, which was introduced in India in 2011. We cannot assure you that we will be able to retain all our existing subscribers or that we will be successful in increasing the number of our subscribers. A high rate of churn could have an adverse effect on our business and results of operations.

Our telecommunications licenses, permits and spectrum allocations are subject to ongoing review and extensions and varying interpretations, each of which may result in modification, early termination, expiry on completion of the term or additional payments.

Our licenses, permits and spectrum allocations are subject to the terms and conditions contained in the licenses, ongoing review and extensions and approval of such extensions by the relevant authorities. While we do not expect our business to cease operations when our licenses come up for extension, we cannot assure you that these licenses will be extended on satisfactory terms, or at all. Additionally, these licenses and permits are subject to varying interpretations and the related uncertainty, as a result, may have an adverse effect on our business and results of operations.

The DoT in its NTP 2012, recommended refarming spectrum and allotment of alternative frequency bands to service providers from time to time. The DoT conducted spectrum auction in the 900 MHz and 1800 MHz spectrum bands in certain Circles instead of reserving spectrum in these bands for the licensees whose licenses were due for extension in 2014. Additionally, the TRAI in its recommendations on valuation and reserve price of spectrum, issued in September 2013, recommended, among other things, that there be no

reservation of spectrum for the renewal licensees of the 900 MHz and 1800 MHz bands. Some of the spectrum under which we operate may need to be replaced with another spectrum, which could have an adverse effect on our business. Our inability to extend the term of our license or win spectrum will result in an adverse effect on our business. Further, there continues to be uncertainty as to the fees and costs of the grant and any limitations or other terms that may be imposed upon successful extensions or bids. We have, in the past, paid significant amounts for certain of our telecommunications licenses and spectrum, and we anticipate that we may have to pay increasing license fees and spectrum usage charges for certain Circles, as well as meet specified roll-out obligations requirements. In August 2013, the DoT also announced Guidelines for Grant of Unified License (the “**UL Guidelines**”) which de-links the allocation of spectrum from the grant of licenses and provides the procedure for the grant of unified licenses. On expiry of existing licenses or in the event of expansion of the scope of their licenses to additional service areas, operators may be required to opt for a Unified License for such service areas, the grant of which is subject to various conditions, including that no licensee shall directly or indirectly have any beneficial interest in another licensee company in the same service area. In Bihar, Himachal Pradesh, Kolkata, Madhya Pradesh, Odisha and West Bengal Circles, both our Company and our subsidiary, Reliance Telecom, hold UASLs. Pursuant to the UL Guidelines, upon the expiry of such licenses (the earliest of which expires in the financial year 2016), we will be required to either divest our stake in Reliance Telecom or transfer to our Company the licenses held by Reliance Telecom in these Circles. We cannot assure you that we will be successful in transferring, obtaining or funding licenses or spectrum, or, if licenses and spectrum are awarded, that they will be obtained on acceptable terms. Furthermore, to obtain or extend our licenses or spectrum, we may need to seek further funding through additional borrowings or offerings, and we cannot assure you that such funding will be obtained on satisfactory terms, or at all, which could adversely affect our business, prospects, financial condition and results of operations.

Our ability to grow our business and our number of customers is dependent on the spectrum allocated to us.

The operation of our telecommunications network is limited by the amount of spectrum allocated to us. The basis for allocation of spectrum in India is determined by the DoT. The current spectrum allocated to us may not be sufficient for our expected customer growth, and our future profitability and growth may be adversely affected if our allocated spectrum proves inadequate or if we are unable to procure additional spectrum in the future for the expansion of our telecommunications business.

Additional spectrum is also required to maintain quality of service. As the number of callers simultaneously using the same spectrum capacity in a particular Circle (or areas therein) increases towards the maximum capacity of that spectrum, the quality of the service may suffer leading to a loss of customers and revenues. This could have an adverse effect on our business and results of operations.

Some of our licenses impose roll-out obligations and other operating targets and conditions and we may be subject to fines or the licenses could be revoked if we fail to meet these conditions.

Our telecommunication licenses for certain of the Circles that we operate in require us to meet specified roll-out obligations requirements including minimum specified quality, service and coverage. Failure to comply with these obligations could result in imposition of fines or the revocation or forfeiture of the license for that Circle. Further, the need to meet scheduled deadlines may require more resources than otherwise budgeted for a particular roll-out obligations. We cannot assure you that we will be able to comply with the terms and conditions of these licenses. Failure by us to comply with these license conditions may result in termination of such licenses and may adversely affect our business and results of operations.

We are dependent on interconnection with our competitors’ networks and associated infrastructure as well as roaming arrangements with other telecommunications operators.

Our ability to provide commercially viable wireless and fixed-line telecommunications services depends, in

part, upon our interconnection arrangements with other telecommunications operators, including with our competitors' wireless and fixed-line networks and associated infrastructure. The framework under which interconnection charges are calculated is regulated by TRAI. Any change to this framework may require us to renegotiate our existing interconnection agreements. Further, any change in our network coverage will require us to negotiate and mutually agree with our existing interconnect partners on all relevant and connected aspects of such change. If we are not able to maintain our interconnection agreements on terms that are acceptable to us or our interconnection expenses increase materially or operations under our interconnect agreements are suspended by the other telecommunications operators, our business and results of operations may be adversely affected.

We are dependent on roaming agreements with other telecommunications operators as a source of revenue. Under these agreements, we receive a fee from other telecommunication operators in return for permitting their customers to roam on our networks. If these roaming agreements were to terminate, or if the other telecommunications operators were to deploy incompatible technologies, our roaming revenues may decrease, which may have an adverse effect on our business and results of operations. Further, if roaming charges were abolished by the regulator, our results of operations may be adversely affected.

We also rely on other telecommunications operators for the provision of international and domestic roaming services for our subscribers. While we have interconnection international and ICR agreements in place with other telecommunications operators, we have no direct control over the quality of their networks and the roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to us on a consistent basis, could result in loss of customers or a decrease in traffic, which may adversely affect our business and results of operations.

Concerns about health risks associated with mobile telecommunications equipment may reduce the demand for our services.

The effects of any damage caused by exposure to an electromagnetic field have been and continue to be the subject of careful evaluations by the international scientific community. We cannot rule out that exposure to electromagnetic fields or other emissions originating from transmission infrastructure may be found to be a health risk.

Our costs could increase and our revenue could decrease due to perceived health risks from radio emissions, especially if these perceived risks are substantiated. Public perception of potential health risks associated with mobile telecommunications could slow the growth of mobile telecommunications services companies such as us. In particular, negative public perception of, and regulations regarding, these perceived health risks could slow the market acceptance of mobile telecommunications services, which could restrict our ability to expand our business. Such perception could also increase opposition to the development and expansion of passive infrastructure, which could force us to relocate our existing cell-sites, which may adversely affect the quality of our services and, in turn, our business and results of operations.

Numerous health related lawsuits have been filed against mobile telecommunications operators and mobile device manufacturers, including against us, in various jurisdictions, including India. Petitions have also been filed against the installation of towers near residential areas owing to concerns relating to the adverse effects of electromagnetic radiation in India. If any of these proceedings are decided against us, we may be required to pay compensation and/or incur additional expenses in relation to relocating our telecommunication towers to new locations. Beginning September 1, 2012, the DoT implemented new standards in relation to electromagnetic radiation emitted by cell-sites. The DoT also issued new guidelines to all state Governments with regard to clearance for installation of mobile towers. Further, the Rajasthan High Court had, pursuant to an order dated August 22, 2012, asked the state Government to remove telecommunication towers, including 203 towers owned by Reliance Infratel, from areas near schools, hospitals and densely populated localities,

as they were suspected to contain potentially hazardous radiation. This order of the Rajasthan High Court was challenged before the Supreme Court and its operation was stayed by an interim order of the Supreme Court, which is currently in force. If similar orders are passed by other courts in India, we may have to incur additional expenditure in relocating our telecommunication towers business. Further, if a scientific study resulted in a finding that radio frequency emissions posed health risks to consumers, it may adversely affect the market for mobile telecommunications services, which may adversely affect our business and results of operations.

Our ability to grow might be affected due to saturation of the telecommunications sector in India.

The telecommunications sector in India has grown at a significant pace in the past few years. At present, there are more than 900 million subscribers in India. In the future, the telecommunications market in India may experience saturation and it may not be possible to maintain historic growth rates. Further growth in the Indian telecommunications market is largely dependent on the ability to tap the market in rural India. However, the relatively small size of the various pockets of demand in rural India may not be able to fuel future growth in subscribers and revenue. The saturation in the Indian telecommunications sector may affect our ability to grow and this may have an adverse effect on our business, results of operations and prospects.

Our telecommunications infrastructure service business may be adversely affected if wireless service providers consolidate, merge or enter into strategic alliances with each other to any significant degree.

We own and operate telecommunication infrastructure primarily comprising telecommunication towers and related assets through our subsidiary, Reliance Infratel. We provide these telecommunication infrastructure assets on a shared basis to wireless service providers and other communications service providers under long-term contracts. Reliance Infratel currently owns the significant portion of telecommunication towers used by our CDMA and GSM networks.

The Indian cellular telecommunication industry has experienced consolidation during the past years. This may result in consolidation of cellular telecommunication networks and reduced capital expenditures due to the potential overlap in network coverage and in expansion plans. Pursuant to any such consolidation, certain parts of our existing or potential infrastructure customers' merged networks may be deemed to be duplicative and these customers may attempt to eliminate these duplications by terminating their contracts with us. Our ongoing contractual revenues and future results of operations may be adversely affected if this were to occur. We could face similar consequences if wireless communications service providers begin to engage in extensive sharing, roaming or resale arrangements as an alternative to leasing passive infrastructure from third party operators such as Reliance Infratel. In addition, the development and commercialisation of new technologies designed to improve and enhance the coverage and effectiveness of cellular telecommunication networks may significantly decrease demand for additional passive telecommunication infrastructure.

We cannot assure you that further consolidation of Indian cellular telecommunication operators will not take place in the future or that new technologies designed to improve and enhance the coverage and effectiveness of cellular telecommunication networks will not affect our telecommunication infrastructure business, which may adversely affect our business and results of operations.

We face pricing pressures from our competitors in our passive infrastructure business, which may adversely affect our business and results of operations.

Our passive infrastructure business faces competition from other mobile telecommunications operators that share their own passive infrastructure with other carriers, other tower infrastructure companies, site development companies that purchase antenna space on existing towers for mobile telecommunications operators, and public sector entities. We believe that Indian mobile telecommunications operators may increasingly share passive infrastructure which could adversely affect the pricing of our passive

infrastructure business and consequently adversely affect our results of operations.

Competitive pricing pressures for tenants from these competitors could adversely affect our passive infrastructure business and results of operations. If we lose customers due to pricing or other reasons, we may not be able to find new customers, and our results of operations may be adversely affected. Increasing competition in this business could also make the acquisition of high quality tower assets, and securing the rights to land for the towers, more costly. We cannot therefore assure you that we will be able to successfully compete within this increasingly competitive business sector.

Additionally, factors adversely affecting the demand for mobile telecommunications services also adversely affect the demand for tower space in India. If the Indian mobile telecommunications services market does not grow or grows at a slower rate than we expect, or the behaviour of market participants do not meet current expectations, the demand for our passive infrastructure services and growth prospects will be adversely affected, which may have an adverse effect on our business and our results of operations.

Reductions in prices for telecommunications services in India may have an adverse effect on our business and results of operations.

The prices for our telecommunications services in India may decrease:

- as a result of increase in competition;
- as we and our competitors, existing and new, increase transmission capacity on existing and new networks;
- as a result of technological advances;
- as a result of synergies realised by us and our competitors; and
- as we and our competitors compete to acquire new subscribers or retain existing subscriber base.

Any decline in tariffs may adversely affect our business, results of operations and financial condition.

If we fail to lease sufficient satellite transmission capacity to deliver our programming content offerings, our business and results of operations may be adversely affected.

Our DTH business requires that we have sufficient satellite transmission capacity for the programming content we offer. We do not own any satellites and have entered into a lease agreement for transponder capacity on the MEASAT 3 satellite which is valid until 2017, with the Department of Space, Government of India (the “**Department of Space**”). We currently lease nine transponders of 36 MHz on this satellite.

In the event that we breach a provision or fail to perform an obligation under this agreement, the Department of Space has the right to terminate this agreement. In the event of such termination by the Department of Space, we would be required to pay certain early termination charges.

If this lease agreement is terminated or expires and we are unable to secure suitable replacement transponder capacity, our business and results of operations may be adversely affected.

If the MEASAT 3 satellite experiences technical failure, including electrical shut down, or is damaged or is lost, our business and results of operations may be adversely affected.

While the MEASAT 3 satellite has an estimated useful life through 2028, it is subject to significant operational risks while in orbit. These risks include malfunctions that may occur as a result of various factors, such as satellite manufacturer error or operational failures. Satellites are also subject to a variety of atmospheric risks while in orbit that may adversely affect operations, including meteoroid events, electrostatic storms, increased solar activity and collisions with space debris. If this satellite experiences technical failure including electrical shut down, or is damaged or lost, our ability to provide programming

content to our DTH subscribers could be seriously disrupted or suspended, including for prolonged periods. As a result, our relationship with current subscribers and our ability to attract new subscribers may be adversely affected, which may adversely affect our business and results of operations.

In the event of such failure, damage or loss, we could be prevented from effectively operating our business and we may be required to incur significant capital expenditure to restore operations including by obtaining replacement satellite capacity. We cannot assure you that we would be able to restore our operations or obtain such capacity in a timely manner, or at all, which may have an adverse effect on our business and results of operations.

If additional capacity is not available on the MEASAT 3 satellite, we may not be able to enter into agreements to obtain capacity on other satellites.

The MEASAT 3 satellite is located at a particular orbital slot. The satellite dishes we currently install at our subscribers' premises can only receive signals from an additional satellite if such satellite is located within one degree of the orbital slot of this satellite. In order for the satellite dishes to receive signals from a satellite located outside the orbital slot, we would be required to install additional equipment to the subscribers' dishes. In addition, existing subscribers would be required to reposition their satellite dishes, which would require our personnel to travel to subscribers' residences or locations where the consumer premises equipment is installed, which would be time consuming and expensive. The installation of this equipment would require additional costs, part or all of which we would be required to bear if we wish to encourage subscribers to subscribe to our additional programming content offerings, which may adversely affect our business and results of operations.

We are dependent on third parties to provide us with programming content for our DTH services and any increase in programming costs or applicable laws may adversely affect our business, financial condition and results of operations.

We depend on third parties to provide us with programming content. Our ability to compete successfully depends on our ability to continue to obtain competitive programming content and deliver it to our subscribers at competitive prices. We may be unable to obtain sufficient high-quality programming content for our DTH services on satisfactory terms or at all. This may limit our ability to attract new subscribers and migrate existing subscribers from lower tier subscription packages to higher tier subscription packages, thereby inhibiting our ability to execute our business plans.

We have entered into agreements with content providers for the provision of programming content. Our programming content agreements generally have term of one year and contain various renewal and termination provisions. Further, these agreements impose stringent obligations on us to conform to anti-piracy requirements. We may be unable to renew these agreements on favourable terms, in a timely manner, or at all, or these agreements may be terminated prior to the expiration of their original terms. If we are unable to renew any of these agreements or if a counterparty terminates any of these agreements, we may be unable to obtain appropriate substitute programming content at comparable cost, in a timely manner, or at all.

When offering new programming content, or upon expiration of existing contracts, programming content suppliers typically increase the rates they charge us for programming content, which increases our programming content costs. Increase in programming content costs may cause us to increase the rates that we charge our subscribers, which may increase subscriber churn and cause potential subscribers to refrain from subscribing to our services. In addition, in certain cases, we may be unable to pass increases in programming content cost on to our subscribers. If our programming content costs increase, our business, financial condition and results of operations may be adversely affected.

Content procurement by DTH operators in India, including us, generally takes place through channel

distributors or owners. Under Indian interconnection regulations, all broadcasters and distributors are required to offer their content to all platforms and operators. We enter into agreements with channel distributors and owners to license channels for viewing by our subscribers. The major channel distributors and owners, from whom we license channels or to whom we pay content and programming content costs, provide us with access to over 250 channels including free-to-air channels. Any change in Indian interconnection regulations that would permit broadcasters and distributors to refuse to provide such programming content to us or to impose discriminatory terms or conditions may adversely affect our ability to acquire programming content on a cost-effective basis, or at all, which would adversely affect our business, financial condition and results of operations.

If we are unable to recover the consumer premises equipment, there could be an erosion of the realisable value of our consumer premises equipment and net tangible assets.

Consumer premises equipment comprises a significant portion of the net tangible assets of our DTH business. As a result of discontinuance or termination of services, which is an industry wide phenomenon, we may not be able to recover our consumer premises equipment that we have provided on a rental basis to such subscribers. If we are unable to recover the consumer premises equipment from such subscribers, there could be a significant erosion of the realisable value of our consumer premises equipment, which may adversely affect our business and results of operations.

Risks relating to our Global Operations

The prices that we charge for our services have been decreasing, and we expect that such decreases will continue over time.

The prices that we charge for our capacity services and other related network services such as IP transit have declined significantly in many markets around the world. Sharp declines in price levels in the United States and Europe starting in 2000 were the principal factor that led to FLAG Telecom Group Limited, our predecessor entity, to file for bankruptcy protection in the United States in April 2002 before it was acquired by us. In the late 1990s, several companies invested in constructing a significant amount of cable capacity. However, adoption of broadband services was significantly slower than expected, resulting in an oversupply of capacity and rapidly declining data transmission prices. Although the submarine cable market environment has recovered in the recent past, there is still a substantial amount of unused capacity in markets such as Asia.

We target emerging markets for a significant portion of our future growth. These markets have also experienced price erosion. If the prices for our capacity and related network services continue to decrease and we are unable to increase volumes or sell new services or we are unable to reduce our operating and capital expenditure costs, our results of operations may be adversely affected. In addition, price erosion may also affect our ability to raise financing or to obtain pre-build commitments for capacity purchases, which are necessary to allow us to fund the expansion of our network. Any failure to do so may adversely affect our business and results of operations.

If we are unable to successfully expand our business by deploying new products and services, our business, results of operations and financial condition could be adversely affected.

An important component of our strategy is to further complement our traditional capacity and network services by continuing to expand into higher-margin managed services and other value added services. This portion of our business depends, in large part, on our ability to enhance our platform for the provision of innovative network products and services and to maintain a lower cost base than our competitors. If we are not able to successfully complete the development and introduction of new products and services in a timely manner or at all, our business, financial condition and results of operations may be adversely affected.

In addition, new product and service offerings may not be widely accepted by our customers. If this occurs

we may terminate those product and service offerings and be required to write off, in whole or in part, any assets or information technology used to develop or offer those services, which may adversely affect our business, results of operations and financial condition.

If customers' buying patterns change such that those who traditionally buy ROUs switch to leased capacity, which is also provided by other service providers, our business and financial condition may be adversely affected.

We provide capacity services, which entail the sale of capacity on our network, to customers under long-term contracts, as well as associated operations and maintenance services. Historically, capacity services have accounted for a significant portion of our revenues. Customers pay a one-time fee to purchase the ROU and an annual operations and maintenance fee, which typically ranges from 3% to 4% of the purchase fee. A downturn in the economic conditions among other conditions could cause customers to change their buying patterns away from making capital investments in ROUs in order to reduce initial cash payments. If our customers' buying patterns change, such that those traditionally buying ROUs switch to buying leased capacity on monthly payment plans from other service providers or from us, our business and results of operations may be adversely affected. Further, certain of the agreements with our customers have expired and we cannot assure you that we will be able to renew such agreements on acceptable terms, or at all.

If we fail to obtain and maintain access to terrestrial networks in key markets, we may not be able to remain competitive or provide solutions and services our customers seek.

If we fail to connect our submarine cables or maintain access with terrestrial networks in key markets such as the United States, the United Kingdom, the Middle East, Hong Kong and Singapore, we may not be able to retain our existing customers or attract new customers. In certain jurisdictions, we rely on third parties to procure terrestrial networks, including backhaul links between our cable landing stations and PoPs for regulatory or other reasons. However, in the future we may not be able to procure backhaul or other terrestrial networks on terms acceptable to us, or at all. This could prevent us from offering our services on competitive terms, which may adversely affect our business, financial condition and results of operations.

We may not be able to obtain additional capacity for our network from other service providers on terms acceptable to us or at all.

We use network resources owned by other companies for portions of our network by leasing and operating a variety of network connectivity, including backhaul networks, international backbone networks, domestic networks and local access networks to provide service coverage beyond the reach of our networks and enter into interconnection arrangements for Internet sharing and for voice call origination and/or termination. We obtain the right to use such network portions, including both telecommunications capacity and rights to use dark fibre, through operating leases and other sharing arrangements. If we are unable to enter into or renew our existing agreements with such providers on commercially acceptable terms or in a timely manner or at all, it may result in a delay in providing services to our customers and disrupt our operations. In several of those agreements, the counter party is responsible for network maintenance and repair. If a counter party to a lease or ROU suffers financial distress or bankruptcy, we may not be able to enforce our rights to use these network assets or even if we could continue to use these network assets, we could incur material expenses related to maintenance and repair if the counter party fails to adequately maintain or repair the network. We could also incur material expenses if we were required to locate alternative network assets. We may not be successful in obtaining reasonable alternative network assets, if needed. Failure to obtain usage of alternative network assets, if necessary, may affect our ability to meet our customers' requirements and may have an adverse effect on our business and results of operations.

We rely on third parties for the construction and maintenance of and upgradation of capacity on our network and the failure of such parties to perform their contractual obligations to our satisfaction, or at all, may have an adverse effect on our business and results of operations.

We are and will continue to be dependent upon third parties to: (a) provide access to certain origination and termination points of our systems in various jurisdictions; (b) construct and operate landing stations in certain jurisdictions; (c) construct, operate, maintain, upgrade, repair and/or replace our systems pursuant to contractual arrangements; (d) provide backhaul and other network service through contractual arrangements with such parties; (e) provide business support services such as accepting customer orders and billing; and (f) provide content based VAS. We cannot assure you that the third parties providing services described above will perform their contractual obligations to our satisfaction, or at all, or that there will not be any political or economic events in relation to such parties which may prevent them from providing services to us, which in turn could have an adverse effect on our business and results of operations.

If we fail to maintain co-operative relationships with landing parties, our operations may be impaired.

We utilise a number of different landing parties to provide access to the origination and termination points necessary for continued operations and any future upgrades, such as cable landing stations, at various locations on the our global network. Our ability to offer end-to-end services and new services is dependent on the landing parties' willingness to provide cost-effective terrestrial services, to agree to connect other terrestrial networks to our systems and to provide us with access to its facilities for purpose of upgrading the network.

Despite their contractual obligations and other commitments, we cannot assure you that the landing parties will perform their contractual obligations or that there will not be any political events or changes in relation to the landing parties that may have adverse effects on our ability to operate our network, which may have an adverse effect on our business and results of operations. Further, if we fail to pay the required fees within the prescribed time, the landing party has the right under our agreements with them to suspend services or terminate the agreement, which may adversely affect our business.

Risks relating to India

Currency exchange rate fluctuations could have an adverse effect on our results of operations.

We have currency exposures related to our revenues, expenditures and financing in currencies other than the local currencies in which we operate. Our Company also has significant borrowings in currencies other than Rupees. Further, we also import various equipment for our India operations for which we make payment in foreign currencies. As of March 31, 2014, foreign currency exposures that are not hedged by derivative instruments, or otherwise, primarily included contracts aggregating to U.S.\$ 4.04 billion, equivalent to Rs. 241.80 billion, and Euro 38,378, equivalent to Rs. 3.20 million.

We report our results of operations in Rupees, which has experienced significant fluctuations in recent years. To the extent that we are unable to match income received in foreign currencies with costs paid in the same currency, exchange rate fluctuations in any such currency could have an adverse effect on our revenues and financial results.

If terrorist attacks or social unrest in India increase, our business could be adversely affected and the trading price of our Equity Shares could decrease.

India has from time to time experienced instances of civil unrest and terrorist attacks. These events could lead to political or economic instability in India and may adversely affect the Indian economy, our business, results of operations, financial condition and the trading price of our Equity Shares. India has also experienced social unrest, naxalite violence and communal disturbances in some parts of the country. If such tensions occur in places where we operate or in other parts of the country, leading to overall political and economic instability, it could adversely affect our business, results of operations, financial condition and the trading price of our Equity Shares.

Natural disasters could have an adverse effect on the Indian economy our business and the trading price

of our Equity Shares.

India has experienced natural disasters such as earthquakes, a tsunami, floods and droughts in the past few years. In the event of a natural disaster of a significant scale, we could suffer significant losses. The extent and severity of these natural disasters determines their impact on the Indian economy and infrastructure. Prolonged spells of below normal rainfall or other natural calamities could adversely affect the Indian economy, our business and the trading price of our Equity Shares.

A decline in economic growth in India could adversely affect our business.

We derive a substantial portion of our revenue from our operations in India and so the performance and the growth of our business is dependent on the performance of the Indian economy. In the recent past, the Indian economy has been affected by global economic uncertainties and liquidity crisis, domestic policy and political environment, volatility in interest rates, currency exchange rates, commodity and electricity prices, adverse conditions affecting agriculture, rising inflation rates and various other factors. GDP growth for the financial year 2014 increased marginally to 4.7% from 4.5% for the financial year 2013. The RBI, in its recent monetary policy reviews, has indicated that inflation continues to be a concern and further tightening measures may be required.

Risk management initiatives by banks and lenders in such circumstances could affect the availability of funds in the future or the withdrawal of our existing credit facilities. The Indian economy is undergoing many changes and it is difficult to predict the impact of certain fundamental economic changes on our business. Conditions outside India, such as a slowdown or recession in the economic growth of other major countries, especially the United States, have an impact on the growth of the Indian economy. Additionally, an increase in trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business. Any downturn in the macroeconomic environment in India could adversely affect our business, results of operations, financial condition and the trading price of our Equity Shares.

Political instability in India or in the states where we operate could cause us significant adverse effects.

Our Company is incorporated in India and a substantial portion of our operations, assets and personnel are located in India. The central Government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Further, our business is also affected by regulation and conditions in the various states in India where we operate. Our business and the market price and liquidity of our Equity Shares may be affected by interest rates, changes in central or state Government policies, taxation and other political, economic or other developments in or affecting India. Since 1991, successive central Governments have pursued policies of economic liberalisation and financial sector reforms. We benefit from demand drivers in rural India such as government expenditure on rural schemes, minimum support prices and agriculture growth. Any slowdown in these demand drivers or change in Government policies may adversely impact our business and operations. A new Government was elected in the recently concluded parliamentary elections in May 2014. Generally a significant adverse change in the central Government's policies, in particular, those relating to the telecommunication industry in India, could adversely affect our business, results of operations and financial condition and could cause the trading price of our Equity Shares to decline.

We may be affected by competition law in India and any adverse application or interpretation of the Competition Act could adversely affect our business.

The Competition Act, 2002, of India, as amended (the "**Competition Act**") regulates practices having an appreciable adverse effect on competition ("**AAEC**") in the relevant market in India. Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes or is likely to cause an AAEC is considered void and results in the imposition of substantial monetary penalties which may

extend up to 10% of the average of the turnover for the last three financial years. Further, any agreement among competitors which directly or indirectly involves the determination of purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, shares the market or source of production or provision of service by way of allocations of geographical area or types of goods or services or number of customers in the relevant market or directly or indirectly results in bid-rigging or collusive bidding is presumed to have an AAEC in the relevant market in India and is considered void. The Competition Act also prohibits abuse of a dominant position by any enterprise.

On March 4, 2011, the Government issued and brought into force the combination regulation (merger control) provisions under the Competition Act with effect from June 1, 2011. These provisions require acquisitions of shares, voting rights, assets or control or mergers or amalgamations that cross the prescribed asset and turnover based thresholds to be mandatorily notified to and pre-approved by the Competition Commission of India (the “CCI”). Additionally, on May 11, 2011, the CCI issued Competition Commission of India (Procedure for Transaction of Business Relating to Combinations) Regulations, 2011, as amended, which sets out the mechanism for implementation of the merger control regime in India.

The Competition Act aims to, among others, prohibit all agreements and transactions which may have an AAEC in India. Consequently, all agreements entered into by us could be within the purview of the Competition Act. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an AAEC in India. In the event our Company or any of its Subsidiaries enters into any agreements or transactions that are held to have an AAEC on competition in the relevant market in India, the provisions of the Competition Act will apply. If we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect our business, results of operations and prospects.

India’s infrastructure is less developed than that of many developed nations and any material deterioration of such infrastructure may interrupt our business operations.

India’s infrastructure is less developed than that of many developed nations and problems with its port, rail and road networks, electricity grid, communication systems or other public facilities could disrupt our normal business activity. Any material deterioration of India’s physical infrastructure could harm the national economy, disrupt the transportation of goods and supplies, and add costs to doing business in India. These problems could interrupt our business operations and reduce demand for our services, which may have an adverse effect on our business and results of operations.

Significant differences exist between Indian GAAP used throughout our financial information and other accounting principles, such as U.S. GAAP or IFRS, with which investors may be more familiar.

Our financial statements are prepared in conformity with Indian GAAP, consistently applied during the periods stated, except as provided in the related reports, and no attempt has been made to reconcile any of the information given in this Placement Document to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries such as U.S. GAAP and IFRS. The degree to which financial information in this Placement Document will provide meaningful information depends on your familiarity with Indian GAAP and the Companies Act and therefore, no undue reliance should be put by persons not familiar with Indian GAAP on the financial disclosures presented in this Placement Document.

The Companies Act, 2013 has effected significant changes to the existing Indian company law framework and SEBI has introduced changes to the Listing Agreement, which are effective from October 1, 2014, which may subject us to higher compliance requirements and increase our compliance costs.

A majority of the provisions and rules under the new Companies Act have recently been notified and have come into effect from the date of their respective notification, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as the provisions related to the issue of capital (including provisions in relation to the issue of securities on a private placement basis), disclosures in offer documents, corporate governance norms, accounting policies and audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by Indian companies through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors, insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing. We may also need to spend, in each financial year, at least 2% of our average net profits during the three immediately preceding financial years towards corporate social responsibility activities and disclose our corporate social responsibility policies and activities on our website. Further, the Companies Act, 2013 imposes greater monetary and other liability on our Company and Directors for any non-compliance. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

The Companies Act, 2013 has introduced certain additional requirements which do not have corresponding equivalents under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such provisions due to limited jurisprudence on them. In the event, our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with other existing laws and regulations (such as the corporate governance norms and insider trading regulations issued by the SEBI). Recently, the SEBI issued revised corporate governance guidelines which are effective from October 1, 2014. Pursuant to the revised guidelines, we will be required to, *inter alia*, appoint at least one female director to our Board, establish a vigilance mechanism for directors and employees and reconstitute certain committees in accordance with the revised guidelines. We may face difficulties in complying with any such overlapping requirements. Further, we cannot currently determine the impact of provisions of the Companies Act, 2013 or the revised SEBI corporate governance norms, which are yet to come in force. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business and results of operations.

Our ability to raise foreign debt may be constrained by Indian law.

Companies incorporated in India are subject to regulatory restrictions in relation to borrowing in foreign currencies, including restrictions in relation to eligibility, the amount of borrowings which may be incurred, end-use and creation of security and may require the prior approval of Indian regulatory authorities. Such restrictions could limit our ability to raise finance on competitive terms and refinance existing indebtedness. Additionally, our ability to borrow money outside India against the security of our immovable assets in India is subject to the FEMA and exchange control regulations in India and may require the prior approval of the Indian regulatory authorities. We cannot assure you that any approval required to raise borrowings will be granted without onerous conditions, or at all. Such limitations on debt may have an adverse impact on our business, results of operations, financial condition and cash flows.

Risks relating to the Equity Shares

We cannot guarantee that the Equity Shares will be listed on the Stock Exchanges in a timely manner.

In accordance with Indian law and practice, after our Board passes the resolution to allot the Equity Shares but prior to crediting such Equity Shares into the Depository Participant accounts of the QIBs, we are

required to apply to the Stock Exchanges for in-principle listing and trading approvals. After receiving the in-principle listing and trading approvals from the Stock Exchanges, we will credit the Equity Shares into the Depository Participant accounts of the respective QIBs and apply for the final listing and trading approvals from the Stock Exchanges. There could be a delay in obtaining these approvals from the Stock Exchanges, which in turn could delay the listing of the Equity Shares on the Stock Exchanges. Any delay in obtaining these approvals would restrict your ability to dispose of your Equity Shares.

An investor will not be able to sell any of the Equity Shares other than on a recognised Indian stock exchange for a period of 12 months from the date of this Issue.

The Equity Shares are subject to restrictions on transfers. Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of the Equity Shares, QIBs subscribing to the Equity Shares may only sell their Equity Shares on the Stock Exchanges and may not enter into any off market trading in respect of these Equity Shares. Further, allotment to FVCIs, VCFs and AIFs are subject to applicable rules and regulations, including in relation to lock-in. We cannot be certain that these restrictions will not have an impact on the price and liquidity of the Equity Shares.

The price of the Equity Shares may be volatile.

The trading price of the Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, the performance of the Indian and global economy and significant developments in India's fiscal regime, volatility in the Indian and global securities market, performance of our competitors, the Indian telecommunications industry and the perception in the market about investments in the telecommunications industry, changes in the estimates of our performance or recommendations by financial analysts and announcements by us or others regarding contracts, acquisitions, strategic partnerships, joint ventures, or capital commitments. In addition, if the stock markets in general experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, financial condition or operating results. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. Each of these factors, among others, could adversely affect the price of the Equity Shares.

Any future issuance of the Equity Shares or sales of the Equity Shares by any of our Company's significant shareholders may adversely affect the trading price of the Equity Shares.

Any future issuance of Equity Shares by us, including pursuant to an employee stock option scheme could dilute your shareholding. Any such future issuance of the Equity Shares or sales of the Equity Shares by any of our significant shareholders may also adversely affect the trading price of the Equity Shares, dilute your shareholding, and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge, or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

Our Company has also announced a preferential allotment of 86.7 million warrants exchangeable for 86.7 million Equity Shares aggregating to Rs.13 billion (approximately U.S. dollars 217 million) to the Promoters on June 24, 2014 subject to necessary permissions and Shareholder approvals. This may lead to dilution of your shareholding and could also affect the trading price of the Equity Shares. Certain of our Company's lenders have the right to convert their outstanding debt in to Equity Shares of our Company on occurrence of certain events of default under the respective lenders agreements. This may lead to dilution of your shareholding and could also affect the trading price of the Equity Shares.

Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.

Under current Indian tax laws, capital gains arising from the sale of the Equity Shares within 12 months in

an Indian company are generally taxable in India. Any gain realised on the sale of listed Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax (“STT”) has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold. Any gain realised on the sale of the Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed Equity Shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of our Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India’s ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares. The above statements are based on the current tax laws. However, the Government has proposed the introduction of the Direct Taxes Code, 2013 (the “DTC”), which will revamp the implementation of direct taxes. If the same is passed in present form by both houses of Indian Parliament and approved by the President of India and then notified in the official Gazette of India, the tax impact mentioned above will be altered by the DTC.

A third party could be prevented from acquiring control of our Company because of anti-takeover provisions under Indian law.

There are provisions in Indian law that may discourage a third party from attempting to take control of our Company, even if a change in control would result in the purchase of the Equity Shares at a premium to the market price or would otherwise be beneficial to investors. The Takeover Code requires that if an acquirer (together with any persons acting in concert with him): (a) acquires shares or voting rights entitling them to exercise 25% or more of the voting rights in a listed company; or (b) already holds shares or voting rights entitling them to exercise 25% or more of the voting rights in a listed company, and acquires shares or voting rights entitling them to exercise more than 5% of the voting rights in the listed company during any financial year; or (c) acquires control directly or indirectly over a listed company, such acquirer will have to make an open offer for at least 26% of the total shares of the listed company.

These provisions may discourage or prevent certain types of transactions involving an actual or threatened change in control of our Company. See “The Securities Market of India”.

Foreign investors are subject to foreign investment restrictions under Indian law that limit our Company’s ability to attract foreign investors, which may adversely impact the market price of the Equity Shares.

Subject to certain conditions, under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted if they comply with the pricing guidelines and reporting requirements specified by RBI. If a transfer of the Equity Shares is not in compliance with such pricing guidelines or reporting requirements, then the prior approval of RBI or the FIPB will be required. In addition, Shareholders who seek to convert the Rupee proceeds from a sale of the Equity Shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or a tax clearance certificate from the income tax authority. We cannot assure investors that any required approval from RBI or any other Government agency will be obtained on any particular terms or at all.

Any trading closures at the Stock Exchanges may adversely affect the trading price of the Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. A closure of, or trading stoppage on, either of the Stock Exchanges could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

MARKET PRICE INFORMATION

The Equity Shares have been listed on the Stock Exchanges since March 6, 2006. As the Equity Shares are actively traded on the Stock Exchanges, the stock market data has been given separately for each of these Stock Exchanges. As at March 31, 2014, our Company had 2,064,026,881 Equity Shares outstanding.

The following tables set forth the reported high and low closing prices of the Equity Shares on the Stock Exchanges and the number of Equity Shares traded on the days such high and low prices were recorded, for the financial years 2012, 2013 and 2014:

(a) NSE

Year ended March 31	High (Rs.)	Date of high	No. of Equity Shares traded on date of high	Volume traded on date of high in Rs. million	Low (Rs.)	Date of low	No. of Equity Shares traded on date of low	Volume traded on date of low in Rs. million	No. of Equity Shares traded in the year	Volume traded in the year in Rs. million	Average price for the year (Rs.)
2012	112.25	April 5, 2011	10,048,708	1,122	62.10	December 20, 2011	6,875,542	431	2,120,974,096	188,197	87.39
2013	89.00	January 21, 2013	24,808,182	2,162	47.90	September 3, 2012	6,680,752	321	2,726,879,340	183,879	66.76
2014	160.75	September 25, 2013	13,531,011	2,131	57.10	April 1, 2013	12,562,809	705	3,479,194,741	405,156	124.87

** Average of the daily closing prices*

(Source: www.nseindia.com)

(b) BSE

Year ended March 31	High (Rs.)	Date of high	No. of Equity Shares traded on date of high	Volume traded on date of high in Rs. million	Low (Rs.)	Date of low	No. of Equity Shares traded on date of low	Volume traded on date of low in Rs. million	No. of Equity Shares traded in the year	Volume traded in the year in Rs. million	Average price for the Year (Rs.)
2012	112.20	April 5, 2011	3,037,228	339	62.20	December 20, 2011	1,957,890	123	604,751,102	53,979	87.37
2013	89.00	January 21, 2013	6,359,094	554	47.90	September 3, 2012	1,717,954	83	600,138,939	40,709	66.76
2014	160.80	September 25, 2013	3,024,295	477	57.10	April 1, 2013	2,453,627	138	811,554,458	94,600	124.84

** Average of the daily closing prices*

(Source: www.bseindia.com)

The following tables set forth the reported high and low closing prices of the Equity Shares on the Stock Exchanges, the number of Equity Shares traded on the days such high and low prices were recorded and the volume of Equity Shares traded on those dates during the last six months:

(c) NSE

Month, Year	High (Rs.)	Date of high	No. of Equity Shares traded on date of high	Volume traded on date of high in Rs.	Low (Rs.)	Date of low	No. of Equity Shares traded on date of low	Volume traded on date of low in Rs.	Average price for the month (Rs.)	No. of Equity Shares traded in the month	Volume of Equity Shares traded in the month in Rs.
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				million				million			million
May 2014	145.2	May 28, 14	10,354,234	1,503	115.8	May 8, 14	3,959,432	458	130.0	136,850,946	18,243
April 2014	134.8	April 9, 2014	6,188,840	837	122.5	April 30, 2014	6,713,339	843	131.2	96,302,717	12,729
March 2014	129.6	March 28, 2014	8,698,881	1,114	110.2	March 3, 2014	5,336,401	594	119.6	129,286,465	15,513
February 2014	126.8	February 6, 2014	6,275,551	793	110.4	February 26, 2014	6,590,977	730	118.7	100,704,110	11,938
January 2014	138.4	January 1, 2014	11,270,108	1,532	116.3	January 30, 2014	9,317,884	1,106	127.2	150,642,558	19,303
December 2013	142.7	December 2, 2013	5,348,200	759	127.2	December 17, 2013	3,694,558	473	133.4	81,488,201	10,956

** Average of the daily closing prices
(Source: www.nseindia.com)*

(d) BSE

Month, Year	High (Rs.)	Date of high	No. of Equity Shares traded on date of high	Volume traded on date of high in Rs. Million	Low (Rs.)	Date of low	No. of Equity Shares traded on date of low	Volume traded on date of high in Rs. Million	Average price for the month (Rs.)	No. of Equity Shares traded in the month	Volume of Equity Shares traded in the month in Rs. Million
May 2014	145.5	May 28, 14	2,363,163	343	115.7	May 8, 14	957,825	111	129.9	32,139,294	4,289
April 2014	134.8	April 9, 2014	1,073,192	145	122.5	April 30, 2014	1,589,470	200	131.1	21,000,280	2,774
March 2014	129.3	March 28, 2014	1,685,402	216	110.3	March 3, 2014	1,145,727	127	119.5	32,203,813	3,810
February 2014	126.7	February 6, 2014	1,173,490	148	110.4	February 26, 2014	1,135,612	126	118.6	21,294,978	2,517
January 2014	138.3	January 1, 2014	3,213,982	437	116.3	January 30, 2014	1,049,341	124	127.2	32,647,184	4,206
December 2013	142.3	December 2, 2013	1,353,991	192	127.4	December 17, 2013	915,458	117	133.4	19,641,769	2,635

** Average of the daily closing prices
(Source: www.bseindia.com)*

(e) The following tables set forth the details of the volume of business transacted during the last six months on the Stock Exchanges.

(No. of Equity Shares traded)

Month, Year	NSE	BSE
May 2014	136,850,946	32,139,294

April 2014	96,302,717	21,000,280
March 2014	129,286,465	32,203,813
February 2014	100,704,110	21,294,978
January 2014	150,642,558	32,647,184
December 2013	81,488,201	19,641,769

(Source: www.nseindia.com, www.bseindia.com)

(Volume of Equity Shares traded in Rs. million)

Month, Year	NSE	BSE
May 2014	18,243	4,289
April 2014	12,729	2,774
March 2014	15,513	3,810
February 2014	11,938	2,517
January 2014	19,303	4,206
December 2013	10,956	2,635

(Source: www.nseindia.com, www.bseindia.com)

- (f) The following table sets forth the market price of the Equity Shares on the Stock Exchanges on the first working day following the Board meeting approving the Issue.

(In Rs.)

Date	NSE						BSE					
	Open	High	Low	Close	No. of Equity Shares traded	Volume traded in Rs. million	Open	High	Low	Close	No. of Equity Shares traded	Volume traded in Rs. million
June 25, 2014	149.00	153.20	146.25	151.45	11,504,498	1,720	149.60	153.25	146.40	151.40	3,070,280	460

(Source: www.nseindia.com, www.bseindia.com)

There has been no change in the capital structure since March 31, 2011.

USE OF PROCEEDS

The total proceeds of the Issue will be approximately Rs. 48,084 million. After deducting the Issue expenses of approximately Rs. 480 million, the net proceeds of the Issue will be approximately Rs. 47,604 million.

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds of the Issue for strengthening our financial position and network including for repayment of debt, capital expenditure, working capital and general corporate purposes, including but not restricted to strategic initiatives, partnerships, joint ventures, investments, acquisitions and meeting exigencies and other general corporate purposes, which in the ordinary course of business we may face, or any other purposes as approved by the Board.

In accordance with the policies approved by the Board and as permissible under applicable laws and government policies, our management will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest funds in creditworthy instruments, including money market Mutual Funds and deposits with banks and corporates. Such investments would be in accordance with the investment policies as approved by the Board from time to time and will also be in accordance with all applicable laws and regulations.

CAPITALIZATION AND INDEBTEDNESS

As of the date of this Placement Document, our Company's authorized share capital is Rs. 25,000 million consisting of 5,000,000,000 Equity Shares of Rs. 5 each. Our Company's issued, subscribed and paid up capital is Rs. 10,320.13 million divided into 2,064,026,881 Equity Shares of Rs. 5 each.

The following table sets forth our capitalization (including indebtedness) on a consolidated basis as of March 31, 2014 on the basis of its Financial Statements and as adjusted to give effect to the receipt of the gross proceeds of the Issue and the application thereof. This table should be read in conjunction with the sections titled "Management Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" included elsewhere in this Placement Document.

(In Rs. million)

	As at March 31, 2014	As adjusted for the Issue
	Actual	
Shareholders' Funds		
Share Capital ^{1*}	10,320	12,012
Reserves and Surplus		
Capital Reserve	1	1
Statutory Reserve Fund	1	1
Securities Premium Account*	80,470	126,863
General Reserves	84,614	84,614
Debenture Redemption Reserve	6,196	6,196
Exchange Fluctuation Reserve	9,013	9,013
Foreign Currency Monetary Items Translation Difference Account	(9,844)	(9,844)
Surplus in the Statement of Profit and Loss	134,358	134,358
Reserve for Business Restructuring	12,871	12,871
Total Reserves and Surplus	317,680	364,073
Total Shareholders' Funds	328,000	376,085
Loan Funds		
Secured Loans	387,987	387,987
Unsecured Loans		
Foreign Currency Convertible Bonds		
Other than Foreign Currency Convertible Bonds	31,790	31,790
Total Unsecured Loans	31,790	31,790
Total Debt	419,777	419,777
Total Capitalisation	747,777	795,862

¹ Our Company has instituted ESOS 2007, ESOP 2008 and ESOP 2009. As on date of this Placement Document, there are an aggregate of 2,086,921 options outstanding and all options are vested but yet not exercised.

** The paid up share capital and securities premium account include Rs. 106 million and Rs. 3,800 million respectively, on account of Equity Shares held by RCOM ESOS Trust. This adjustment has been made pursuant to the opinion of the Expert Advisory Committee of the ICAI, on account of the consolidation of RCOM ESOS Trust.*

Consolidated contingent liabilities were Rs. 72.50 billion as of March 31, 2014.

Except as described above, there has been no material change to our capitalisation or indebtedness or contingent liabilities since March 31, 2014.

DIVIDEND POLICY

The declaration and payment of dividend by our Company is governed by the applicable provisions of the Companies Act and our Articles. For further information, see “Description of Equity Shares”.

Under the Companies Act, an Indian company pays dividends upon the recommendation by its board of directors and approval by a majority of the shareholders at the annual general meeting (“AGM”), who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or free reserves of previous financial years or out of both.

Our Company does not have a formal dividend policy. The declaration and payment of dividends are recommended by the Board and approved by the Shareholders, at their discretion, and depend on a number of factors, including but not limited to our Company’s profits, capital requirements and overall financial condition.

The table below sets forth the details of the dividends declared by our Company on its Equity Shares during the last three financial years:

Financial Year	Interim dividend per Equity Share (Rs.)	Final dividend per Equity Share (Rs.)	Total dividend per Equity Share (Rs.)	Interim dividend (Rs. in million)	Final dividend (Rs. in million)	Total dividend (Rs. in million)
2014	-	-	-	-	-	-
2013	-	0.25	0.25	-	516	516
2012	-	0.25	0.25	-	516	516

The amounts paid as dividends in the past are not necessarily indicative of the dividend policy of our Company or dividend amounts, if any, in the future. There is no guarantee that any dividends will be declared or paid or that the amount thereof will not be decreased in the future.

Dividends are payable within 30 days of approval by the Shareholders in an AGM. The Articles grant discretion to the Board to declare and pay interim dividends as appear to it to be justified by the profits of our Company. Dividends can only be paid in cash to shareholders listed on the register of shareholders or those persons whose names are entered as beneficial owner in the records of the Depository on the date specified as the ‘record date’ or ‘book closure date’. Any shareholder who ceases to be a shareholder prior to the record date or who becomes a shareholder after the record date will not be entitled to the dividend declared by our Company.

Under the current Indian tax laws, dividends are not subject to income tax in India in the hands of the recipient. However, our Company is liable to pay a “dividend distribution tax” currently at the rate of 15% plus a surcharge at 10% on the dividend distribution tax and an education cess at the rate of 3% on dividend distribution tax and surcharge. The effective rate of dividend distribution tax is approximately 16.995% on the total amount of dividend declared and paid by the Company. See “Taxation”.

CAPITAL STRUCTURE

The Equity Share capital of our Company as at the date of this Placement Document is set forth below:

		Aggregate value at face value in Rupees (except share data)
A.	Authorised Share Capital	
	5,000,000,000 Equity Shares	Rs. 25,000,000,000
B.	Issued, subscribed and paid-up capital before the Issue¹	
	2,064,026,881 Equity Shares	Rs. 10,320,134,405
C.	Present Issue in Terms of this Placement Document	
	338,286,197 Equity Shares aggregating Rs. 48,084 million ²	Rs. 1,691,430,985
D.	Paid-up capital after the Issue	
	2,402,313,078 Equity Shares	Rs. 12,011,565,390
E.	Securities premium account	
	Before the Issue ³	Rs. 80,470,437,276
	After the Issue	Rs. 126,863,006,333

- ¹ The issued, subscribed and paid up share capital before the Issue includes 21,279,000 Equity Shares amounting to Rs. 106,395,000 on account of Equity Shares held by RCOM ESOS Trust.
- ² The Issue has been authorised by the Board on June 24, 2014 and by the Shareholders pursuant to their resolution dated August 27, 2013.
- ³ The securities premium account before the Issue includes Rs. 3,803,105,061 on account of Equity Shares held by RCOM ESOS Trust.

Equity Share Capital History of our Company

The history of the equity share capital of our Company is provided in the following table:

Date of allotment of Equity Shares	Equity Shares issued		Cumulative paid up capital after the issue		Face value of Equity Shares in Rs.	Price paid for each Equity Share in Rs.	Mode of allotment
	Number of Equity Shares	Percentage of our Company's paid up share capital	Number of Equity Shares	Percentage of our Company's paid up share capital			
July 16, 2004	10,000	100	10,000	100	10	10	Subscribers
July 25, 2005	40,000	80	50,000	100	10	10	Cash
August 11, 2005	50,000 ¹	50	100,000	100	5	Not Applicable	Sub-division of share capital
January 27, 2006	1,223,130,422	99.99%	1,223,230,422	100	5	Not Applicable	Scheme of arrangement
January 27, 2006	(100,000)	0.01%	1,223,130,422	100	5	Not Applicable	Cancelled pursuant to a scheme of arrangement
September, 14, 2006	821,484,568	40.18%	2,044,614,990	100	5	Not Applicable	Scheme of Arrangement
October 18, 2007	639,100	0.03%	2,045,254,090	100	5	480.68	Conversion of foreign convertible currency bonds
October 23, 2007	221,096	0.01%	2,045,475,186	100	5	480.68	Conversion of foreign convertible currency bonds
October 24, 2007	3,297,522	0.16%	2,048,772,708	100	5	480.68	Conversion of foreign convertible currency bonds

October 25, 2007	646,210	0.03%	2,049,418,918	100	5	480.68	Conversion of foreign convertible currency bonds
October 31, 2007	667,090	0.03%	2,050,086,008	100	5	661.23	Conversion of foreign convertible currency bonds
October 31, 2007	2,105,353	0.10%	2,052,191,361	100	5	480.68	Conversion of foreign convertible currency bonds
November 5, 2007	4,675,242	0.23%	2,056,866,603	100	5	480.68	Conversion of foreign convertible currency bonds
November 14, 2007	715,445	0.03%	2,057,582,048	100	5	480.68	Conversion of foreign convertible currency bonds
November 19, 2007	973,838	0.05%	2,058,555,886	100	5	480.68	Conversion of foreign convertible currency bonds
November 24, 2007	2,539,513	0.12%	2,061,095,399	100	5	480.68	Conversion of foreign convertible currency bonds
December 7, 2007	206,602	0.01%	2,061,302,001	100	5	480.68	Conversion of foreign convertible currency bonds
December 14, 2007	877,000	0.04%	2,062,179,001	100	5	480.68	Conversion of foreign convertible currency bonds
December 29, 2007	692,366	0.03%	2,062,871,367	100	5	480.68	Conversion of foreign convertible currency bonds
January 16, 2008	423,913	0.02%	2,063,295,280	100	5	480.68	Conversion of foreign convertible currency bonds
January 22, 2008	703,907	0.03%	2,063,999,187	100	5	480.68	Conversion of foreign convertible currency bonds
January 31, 2008	27,694	0.001%	2,064,026,881	100	5	480.68	Conversion of foreign convertible currency bonds

¹ Issued on sub division of the face value of the equity shares of our Company from Rs. 10 to Rs. 5 per Equity Share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following discussion in conjunction with our audited consolidated financial statements as of and for the financial years ended March 31, 2012, 2013 and 2014 and the related notes, included elsewhere in this Placement Document (the "Financial Statements"). Our Financial Statements are prepared in accordance with Indian GAAP, which differs in certain material respects with IFRS and U.S. GAAP. Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12 month period ended March 31 of that year. This discussion contains forward-looking statements that involve risks and uncertainties and reflects our current view with respect to future events and financial performance. See "Risk Factors" and "Forward Looking Statements".

Overview

We are a fully integrated and converged telecommunications service provider operating across the full spectrum of wireless, wireline, voice, data, video, internet and IT infrastructure services in India. We believe we are the only telecommunications service provider offering CDMA and GSM mobile services in all 22 Circles in India. We also have a substantial international presence through the provision of long distance voice, data and internet network and services using our widespread submarine cable infrastructure and owned and leased metropolitan city networks.

As of March 31, 2014, we have a customer base of 119.4 million customers, including 110.9 million wireless customers, 1.2 million wireline customers, over 2.6 million overseas retail customers and 4.8 million DTH customers. Our enterprise clientele includes approximately 39,000 Indian and multinational corporations including small and medium enterprises and over 290 global, regional and domestic carriers. Our enterprise customers include 880 prominent enterprises in India.

In India, we provide mobile and fixed wireless voice, data, video and internet services to retail customers. We also provide long distance business services to enterprise customers including wholesale voice, bandwidth and infrastructure services, national and international private leased circuits, broadband internet access, audio and video conferencing, MPLS-VPN, remote access VPN, Centrex, toll-free services, voice services for offices, voice VPN for enterprises and managed IDC services. We offer value-added products and services to large, medium and small enterprises for their communications, networking, and IT infrastructure needs across India.

We have established a pan-India, integrated (wireless and wireline) and convergent (voice, data and video) digital network capable of supporting services spanning the entire telecommunications value chain, and covering over 21,000 cities and towns and over 400,000 villages. We provide 3G services across 13 Circles covering 334 cities including the metropolitan Circles of Mumbai, Delhi and Kolkata. Recently, we launched 3G services in five additional Circles, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Uttar Pradesh (East), through ICR arrangements, thus increasing our 3G coverage to 18 Circles. We provide wireless broadband services on our own network in 1,624 cities and towns and offer internet connectivity in over 19,000 towns across India. Our 43,379 telecommunication towers are used for both CDMA and GSM mobile networks and service multiple mobile service providers, including us and are located in all 22 Circles in India and are supported by over 190,000 Rkm OFC network. We hold UASL and 3G spectrum licenses as well as licenses for the provision of NLD and ILD services.

In India, we also offer nationwide DTH services through our wholly owned subsidiary, Reliance Big TV, in 8,350 cities and towns. Using the MPEG 4 technology, we offer 250 channels in HD like quality. We also offer Standard Definition, High Definition and High Definition-DVR set top boxes.

Our Global Operations comprises the provision of voice, data and internet network and services and the lease of submarine cable infrastructure and metropolitan city networks. We have 650 enterprise customers

spread over developed markets such as the United States, the United Kingdom, the Netherlands and Singapore. We own and operate a widespread submarine fibre optic cable network spanning 68,400 Rkm and connecting North America, Europe, Middle-East and Asia through landing points in 27 countries. The total installed capacity of our five subsea cable systems is over 21 Tbps. We also own and lease data and internet networks in 57 cities across 21 countries. We are one of the leading managed Ethernet service providers in the United States and have an established position in the global enterprise data market.

Significant Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition have been affected and will continue to be affected by a number of significant factors, including the following:

Schemes of Amalgamation and Arrangements

Our Company, during the past years, undertook several schemes of amalgamation and arrangement under Sections 391 to 394 of the Companies Act, 1956, including the restructuring of ownership structure of our telecommunication business in order to align the interest of our shareholders, which were approved by the High Courts of the respective jurisdictions. The accounting effects of such schemes include:

- (i) Rs. 80.47 billion was recorded in our securities premium account, which was earlier a part of the securities premium of erstwhile Reliance Infocomm Limited, the transferor company;
- (ii) Rs. 123.45 billion was recorded as part of the general reserve, on fair valuation of assets and liabilities of our Company in accordance with the scheme of amalgamation of Reliance Gateway Net Limited into our Company (the “**Reliance Gateway Scheme**”);
- (iii) pursuant to the Reliance Gateway Scheme, on account of the fair valuation during the financial year 2009, additions or adjustments to the fixed assets of our Company included increase in freehold land by Rs. 2.25 billion, buildings by Rs. 1.30 billion and telecommunication licenses by Rs. 141.45 billion;
- (iv) additional depreciation of Rs. 96.53 billion arising on fair value of the assets was adjusted from our general reserve and from provisions for business restructuring;
- (v) Rs. 12.87 billion, being the balance was transferred to our reserve for business restructuring in accordance with the scheme of arrangement for demerger of our passive infrastructure assets to Reliance Infratel;
- (vi) Rs. 0.07 billion being, goodwill arising on consolidation pursuant to the scheme of amalgamation between certain of our erstwhile subsidiaries was deducted from our general reserve;
- (vii) additional depreciation of Subsidiaries of Rs. 17.56 billion consequent upon revaluation of assets carried was adjusted to our general reserve;
- (viii) Rs. 4.70 billion, being excess of liabilities over assets was adjusted from our general reserve pursuant to demerger of BPO division to RCIL; and
- (ix) pursuant to the demerger of telecommunication assets of Reliance Industries Limited, our Company computed goodwill of Rs. 26.59 billion arising on consolidation using the step-up method based on date of original investment by Reliance Industries Limited prior to demerger instead of considering the date of demerger as the date of investment in absence of specific guidance in AS 21 “Consolidated Financial Statements” in a demerged scenario.

Further, pursuant to the direction of the Bombay High Court and option exercised by the boards of directors of the respective companies, in accordance with the schemes of arrangements approved by the respective High Courts under different schemes of arrangement binding on our Company and three of our Subsidiaries,

namely, RCIL, Reliance Infratel and Reliance Telecom, certain expenses or losses, were identified by the boards of directors of the respective companies as exceptional or otherwise subject to the accounting treatment prescribed in the schemes of arrangement and were withdrawn from general reserves in the manner set out below:

	Financial Year					
	2012		2013		2014	
	(Rs. in billions)	(% of total income for the financial year)	(Rs. in billions)	(% of total income for the financial year)	(Rs. in billions)	(% of total income for the financial year)
Exceptional Items						
Bad Debts and Subsidy written off	11.07	5.4	-	-	-	-
Equivalent amount withdrawn from general reserve	(11.07)	5.4	-	-	-	-
Capital Work in Progress Written Off	-	-	3.25	1.5	-	-
Equivalent amount withdrawn from general reserve	-	-	(3.25)	1.5	-	-
Depreciation on account of change in exchange rate	-	-	2.75	1.3	3.85	1.7
Equivalent amount withdrawn from general reserve	-	-	(2.75)	1.3	(3.85)	1.7
Foreign currency exchange fluctuation (Gain) / Loss (net)	15.73	7.7	8.41	3.9	5.95	2.7
Equivalent amount withdrawn from general reserve	(15.73)	7.7	(8.41)	3.9	(5.95)	2.7
Fuel Expenses	0.7	0.3	0.62	0.3	-	-
Equivalent amount withdrawn from general reserve	(0.7)	0.3	(0.62)	0.3	-	-
Provision for Deferred Tax	6.51	3.2	3.54	1.6	-	-
Equivalent amount withdrawn from general reserve	(6.51)	3.2	(3.54)	1.6	-	-

Demand for our Products and Services

Our results of operations depend on the continued existence, success and growth of demand for our various products and services.

For our India operations, we attract subscribers based on the strength of our network, our brand recognition, our focus on subscribers and processes. We believe that the Indian telecommunication market has one of the lowest tariffs in the world. However, as a result of recent changes in the competitive landscape, we believe that tariffs may stabilise in the medium term. Over the last few months, the increase in data volume and an increase in tariffs has improved our ARPM. Our RPM for the quarters ended June 30, 2013, September 30, 2013, December 31, 2013 and March 31, 2014 was Rs. 0.42, Rs. 0.43, Rs. 0.44 and Rs. 0.43 respectively. The increase in data volumes is due to an increase in smart phone penetration as well as use of data services by subscribers. For our Global Operations, we depend on multinational enterprises. We continue to focus on high quality, scalable IP and valued added services that have had high levels of customer acceptance in the past. As we expand our offerings in new markets, our success will depend on customer acceptance.

Further, the telecommunications industry is characterised by technological changes, including an increase in the pace of change of existing mobile systems, industry standards and ongoing improvements in the capacity and quality of technology. As new technologies develop, our equipment may need to be replaced or upgraded, or our networks may need to be rebuilt in whole, or in part, in order to sustain our competitive

position. Our capital expenditure for the financial years 2012, 2013 and 2014 were Rs. 58.48 billion, Rs. 39.21 billion and Rs. 33.42 billion, respectively.

Cost of Network Maintenance and Repair

The operation, administration, maintenance and repair of our systems require the coordination and integration of sophisticated and highly specialised hardware and software technologies and equipments and significant operating and capital expenses. Although we seek to use advanced technologies to ensure our network's reliability, such as self-healing networks and built-in redundancies, our network remains subject to risks inherent in large-scale, telecommunications systems employing advanced technologies including, among others, defects in design, equipments and network breakdowns and physical damage to our network and equipment as a result of natural disasters and manmade factors, including damage caused by fishing nets or anchors. Due to these factors, our systems may not continue to function as expected in a cost-effective manner. Moreover, the actual usable lives of our systems may differ from our estimate and as our network elements become obsolete or reach the end of their design life and our operating expenses could significantly increase depending on the nature and extent of the required repairs or replacements. For the financial years 2012, 2013 and 2014, we incurred Rs. 30.50 billion, Rs. 34.39 billion and Rs. 34.53 billion, respectively, for network repair and maintenance and other network operating expenses. With respect to our India operations, we have outsourced most of our network management operations to third-party vendors for the various regions of India for a five year term, beginning January 2013 and December 2012, respectively. These outsourcing agreements cover functions such as network management and maintenance services, field operations, service delivery and compliance with benchmark key performance indicators and service level assurances.

Capital Requirements and Availability of Funding

Our business is capital intensive, as a substantial amount of capital is required to build, maintain and operate our telecommunication and DTH networks. We also require a significant amount of capital to develop, market and distribute our services and products, to develop and implement new technologies, to acquire and invest in new businesses and to acquire telecommunication licenses and spectrum rights. We estimate that our capital expenditure requirement for the financial year 2015 will be up to Rs. 20 billion. We intend to incur this expenditure for network expansion, including the expansion of our GSM, CDMA, 3G and high-speed data networks, expansion of our enterprise business including development of new IDCs, expansion of our Global Operations and upgrading our information technology systems. Our earliest licenses due for renewal in the financial year 2016 relate to the Category 'C' Circles of Assam, Bihar, Himachal Pradesh, North East, Odisha and Category 'B' Circles of Madhya Pradesh and West Bengal.

The actual amount and timing of our future capital requirements are also dependant on the schedule and estimated costs of establishing, expanding or upgrading our networks, acquisition of licenses and rights and engineering, design and technological changes. To the extent that our capital requirements exceed available resources, we will be required to seek additional debt or equity financing. Additional debt financing could increase our interest expense and may require us to comply with additional restrictive covenants under our financing agreements. As of March 31, 2012, 2013 and 2014, our total outstanding borrowing was Rs. 383.03 billion, Rs. 415.47 billion and Rs. 419.78 billion, respectively. For the financial years 2012, 2013 and 2014, our finance costs accounted for 8.0%, 11.5% and 13.5% of our total income, respectively.

Our ability to obtain additional financing will depend on a number of factors, including our future financial condition, results of operations and cash flows, general market conditions for telecommunications companies and economic, political and other conditions in the markets where we operate. Our ability to finance our capital needs, and secure other financing when needed, on acceptable terms, is a key factor in the operation of our business.

Government Regulations

The telecommunications industry is highly regulated and the regulatory environment has been subject to frequent changes in India in the recent past and it varies substantially in each country where we operate. If we fail to comply with any of the regulatory requirements applicable to us, we may not be able to conduct our business. We operate in several countries and we may be required to obtain landing licenses, operator licenses and other permits to run our operations in each jurisdiction. Obtaining and maintaining telecommunication licenses involve substantial financial costs and our inability to obtain, maintain or renew certain licenses may substantially affect our business and results of operations. Currently we have spectrum in the 900 MHz, 1800 MHz and the 2100 MHz bands and we are required to pay license and spectrum charges in accordance with the terms of grant of such licenses and spectrum. For the financial years 2012, 2013 and 2014, the license fees (which include spectrum charges) paid by us was Rs. 11.32 billion or 5.6% of our total income, 11.15 billion, or 5.1% of our total income and 12.03 billion, or 5.4% of our total income, respectively. Also, see “Overview of the Telecom Regulatory Regime in India” and “Legal Proceedings” for details.

Effects of Fluctuations in Foreign Currency Exchange Rates

Our Financial Statements are presented in Rupees, which is our functional and reporting currency. We have several Subsidiaries that operate in countries other than India and who use reporting currencies other than Rupees. In case of such foreign Subsidiaries, revenue and expenditure items are translated at the average exchange rate prevailing during the relevant financial period and the monetary assets and liabilities are translated at the exchange rate prevailing at the end of such year. Non monetary assets and liabilities are translated 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 operations and non-integral foreign operations is recognised in our statement of profit and loss and exchange fluctuation reserve, respectively.

We face exchange rate risk because certain of our obligations and certain receivables pertaining to international roaming and ILD charges are denominated in foreign currencies, certain debt repayment obligations and equipment supply contracts are in US\$. For our Global Operations, we typically bill our customers in their local currencies, and as a result fluctuations in the exchange rates of such currencies against the US\$ (and, in turn, against the Rupees) will affect our revenues. However, as we also incur some costs in local currencies, the effect to our revenues as a result of foreign exchange rate fluctuations is partially offset by countervailing changes in our cost of sales and other costs.

While we enter into certain hedging transactions with respect to our foreign currency exchange risk exposure, see “– Exchange Rate Risk” for our unhedged foreign currency exposure as of March 31, 2014.

Our Significant Accounting Policies

The principles of consolidation and the critical accounting policies followed by us in the preparation of our Financial Statements are set out below. Except as set out under financial year 2013 compared to financial year 2012 – Depreciation, Impairment and Amortisation, we have not changed any of our accounting policies during the last three financial years.

Basis of Preparation of Financial Statements

Our Financial Statements are prepared under historical cost convention or under fair valuation mechanism provided under schemes of arrangement approved by the respective High Courts, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 2013 (to the extent notified) and the provisions of the Companies Act, 1956 (to the extent applicable) read with the Companies Accounting Standard Rules as well as any applicable pronouncements of the Institute of Chartered Accountants of India (the “ICAI”).

All assets and liabilities have been classified as current or non-current in accordance with our normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956. Based on the nature of the services and their realisation in cash and cash equivalents, we have ascertained our operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

Principles of Consolidation

Our Financial Statements relate to our Company and all of its Subsidiaries, the companies controlled by us, that is, the companies over which our Company exercises control or joint control over ownership and voting power, and its associates and joint venture. Our Financial Statements have been prepared as set out below:

- The financial statements of our 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 unrealised profits or losses in accordance with the AS 21 – Consolidated Financial Statements as referred to in the Companies Accounting Standards Rules, 2006 (Accounting Standard Rules).
- For the foreign Subsidiaries and companies controlled by our Company, revenue and expenditure items are consolidated at the average exchange rate prevailing during the financial year. All monetary assets and liabilities are converted at the exchange rate prevailing at the end of the financial year. 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 operation is recognised in our statement of profit and loss and exchange fluctuation reserve, respectively.
- 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.
- The difference between the proceeds from disposal of investment in a subsidiary or in a company controlled by our Company and the proportionate carrying amount of its assets decreased by the liabilities as on the date of disposal, is recognised in our statement of profit and loss as profit or loss on disposal of investment in Subsidiaries.
- Minority interest's share of net profit or loss of consolidated Subsidiaries for the financial year is identified and adjusted against our income in order to arrive at the net income attributable to the equity shareholders of our Company.
- Minority interest's share of net assets of consolidated Subsidiaries is identified and presented in our consolidated balance sheet as a separate item from liabilities and the shareholders' equity.
- For associates, where our Company directly or indirectly through Subsidiaries holds 20% or more of the equity shares, investments in associates are recorded using equity method in accordance with "AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements". Our 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 our Company and its associates to the extent of its share, through its statement of profit and loss, to the extent such change is attributable to the associates' statement of profit and loss, based on available information.
- Interest in a jointly controlled entity is reported using proportionate consolidation in accordance with the "AS 27 - Financial Reporting of Interests in Joint Ventures".

- As far as possible, our 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 unconsolidated financial statements of our Company.

Use of Estimates

The preparation and presentation of our 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. The difference between the actual results and estimates is recognised in the period in which the results are known or materialised.

Fixed Assets

Fixed assets are divided into tangible assets and intangible assets.

- Fixed assets are stated at cost or fair value less of Modvat, Cenvat or VAT, as the case may be, and include the amount added on revaluation less accumulated depreciation, amortisation and impairment loss, if any.
- For the accounting period after April 1, 2011, the cost of depreciable capital assets includes foreign exchange differences arising on translation of long term foreign currency monetary items as of the balance sheet date, in so far as they relate to the acquisitions of such assets.
- 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.
- Expenses incurred relating to project, prior to commencement of commercial operation, are considered as project development expenditure and shown under capital work-in-progress.
- Telecommunications licenses are stated at fair value or at cost as applicable, less accumulated amortisation.
- Indefeasible rights of connectivity are stated at cost less accumulated amortisation.

Lease

Operating leases are expensed on a straight line basis with reference to the term of lease, except for lease rentals concerning 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 the statement of profit and loss.

In respect of 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 the leased assets. The principal component in lease rental is adjusted against liabilities for the leased assets and the interest component is recognised as an expense in the financial year in which it is incurred except in the case of assets used for capital projects where it is capitalised.

Depreciation and Amortisation

Depreciation on fixed assets is provided on a straight line method as prescribed under the Companies Act, 1956, except in the case of the following assets which are depreciated over their useful life as set out below:

- telecommunications electronic equipments – 18 years;
- telecommunications towers – 35 years;
- furniture, fixtures and office equipments – five years or 10 years;
- customer premises equipments – three years;
- vehicles – five years;
- leasehold improvements – shorter of the remaining lease term or useful life; and
- cable systems – shorter of 15 years or remaining useful life.

The useful life of our sub-marine cable network and terrestrial network is estimated at 25 years and 15 years, respectively.

Intangible assets, namely telecommunication licenses and brand licenses are amortised over the period of the licenses. IRC and software are amortised from the date of the acquisition or commencement of commercial services, whichever is later. The life of amortisation of intangible assets are set out below:

- telecommunications licenses – 12.5 to 20 years;
- brand license – 10 years;
- DTH license – 10 years;
- indefeasible right of connectivity – in the year of purchase 15 / 20 years;
- software – five years;
- trade names and trademarks – five years to 10 years;
- intellectual property – seven years; and
- building access rights – five years.

Depreciation on foreign exchange differences including depreciation that is attributable to interest capitalised pursuant to paragraph 46A of “AS 11 – The Effects of Changes in Foreign Exchange Rate”, is provided over the balance of the useful life of the depreciable capital assets.

Depreciation on additions is calculated pro rata from the month following the addition.

Asset Retirement Obligation

Asset retirement obligation relates to the removal of cable systems and equipments when they are retired from active use. Provision is based on the best estimate of the management of the eventual costs (net of recovery) that relates to such obligation and is adjusted to the cost of such assets.

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 statement of profit and loss in the year in which an asset is identified as impaired. The impairment loss recognised in the prior accounting period is increased or reversed where there is a change in the estimate of recoverable value. The recoverable value is the higher of net selling price and value in use.

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 only made if such a decline is other than temporary in our opinion.

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 the case of certain Subsidiaries, where cost is determined on a first-in-first-out basis.

Employee Benefits

All employee benefits payable wholly within 12 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 such period.

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 up to the commencement of commercial operations. A qualifying asset is one that takes a substantial period of time to prepare for its intended use. Other borrowing costs are recognised as an expense in the year in which they are incurred.

Foreign Currency Transactions

Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the time of the transaction. Monetary items denominated in foreign currencies at the end of a financial year are restated at year end rates. For monetary items that are covered by forward exchange contracts, the difference between the financial 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.

Non-monetary foreign currency items are carried at cost. Any income or expense on account of exchange difference in case of monetary items other than mentioned above either on settlement or on translation is recognised in the statement of profit and loss. Any loss arising out of marking a class of derivative contracts to market price is recognised in the statement of profit and loss. Income, if any, arising out of marking a class of derivative contracts to market price is not recognised in the statement of profit and loss.

All long term foreign currency monetary items consisting of loans, which relate to the acquisition of depreciable capital assets have been restated at the rate prevailing on the balance sheet date. The exchange difference, including that attributable to interest arising as a result, has been added to or deducted from the cost of the assets in accordance with the notification issued by the Ministry of Corporate Affairs and depreciated over balance life of capital asset. Exchange difference on other long term foreign currency loans is accumulated in the "Foreign Currency Monetary Item Translation Difference Account ("FCMITDA") which will be amortised over the balance period of monetary assets or liabilities.

Revenue Recognition

Revenue is recognised as and when the services are provided on the basis of actual usage of our 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. The useful life, is estimated based on the estimated churn of subscribers.

We sell ROUs that provide customers with network capacity, typically over a 10 year 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 our profit and loss statement over the life of the contract. Bills raised on customers or 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 is recognised upfront as licensing income on activation of services.

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 the provision of service are included in deferred revenue.

Network services include capacity lease services, IP transit, IPLC, back-up service for other network operators and all other services. The customer typically pays the charges for the network services periodically over the life of the contract, which may be up to three years. Network revenue is recognised in our statement of profit and loss over the term of the contract.

Sale of 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.

Interest income on investment is recognised on time proportion basis. Dividend is considered when right to receive is established. We recognise income from the dividend from 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.

With respect to our telecommunication towers, revenue is recognised net of taxes when the Base Transceiver Station (“BTS”) tower is ready for installation of customer equipments and in accordance with the terms of the agreements.

Activation fees in respect of DTH services are recognised on an upfront basis at the time of activation of services in the customer premises. Subscription revenue of initial customers is 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.

Taxes on Income and Deferred Tax

Provision for income tax is made on the basis of taxable income for the financial year at current rates. Our tax expense comprises current tax and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable or recoverable in respect of the taxable income or 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. 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 we will pay normal income tax during the specified period.

Government Grants

Subsidies granted by the Government for providing telecommunications services in rural areas are recognised as other operating income in accordance with the relevant terms and conditions of such scheme and agreement.

Provisions and Contingent Liabilities and Contingent Assets

Provisions involving a substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is likely 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 where likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the Financial Statements.

Segment Information

During the financial year 2014, we reorganised our internal financial reporting, performance evaluation and organisational structure by geographical locations of our operations based on where the service rendering activities are based. Accordingly, we have identified geographic segments as our primary segments and have disclosed segment information as “India Operations” and “Global Operations”.

Our segment-wise net revenue and results, before exceptional and non-recurring items, interest and tax, are presented below for the periods indicated and are also expressed as a percentage of total income (before inter segment eliminations) for such periods:

	Financial Year											
	2012				2013				2014			
	Net Revenue*		Result before Exceptional and Non-recurring Items, Interest and Tax*		Net Revenue*		Result before Exceptional and Non-recurring Items, Interest and Tax*		Net Revenue*		Result before Exceptional and Non-recurring Items, Interest and Tax*	
	(Rs. in billions)	(%)	(Rs. in billions)	(%)	(Rs. in billions)	(%)	(Rs. in billions)	(%)	(Rs. in billions)	(%)	(Rs. in billions)	(%)
Primary Segments:												
India Operations.....	173.87	85.3	18.34	9.0	177.84	81.7	18.08	8.3	185.69	83.2	23.85	10.7
Global Operations....	42.07	20.6	6.79	3.3	49.28	22.6	9.56	4.4	46.21	20.7	3.65	1.6
Unallocable.....	-		-		5.50	2.5	5.50	2.5	4.41	2.0	4.41	2.0
Total.....	215.94		25.13		232.62		33.14		236.31		31.91	
Elimination**	(12.12)	(5.9)	-	-	(14.84)	(6.8)	-	-	(13.10)	(5.9)	-	-
Total Income	203.82		25.13		217.78		33.14		223.21		31.91	

*Before considering inter-segment elimination.

** Represents inter-segment revenue.

Income and Expenditure

Our income and expenditure is reported in the following manner:

Total Income. Total revenue consisted of revenue from operations and other income.

Revenue From Operations. Revenue from operations consists of sale of services, less service tax, and other operating income. Revenue from operations accounted for 96.5%, 94.4% and 95.1% of our total income for the financial years 2012, 2013 and 2014, respectively. Revenue from sales of service comprises prepaid and postpaid wireless services, interconnect usage charges, international, national, ICR charges, broadband and lease lines, capacity lease services, IP transit services, IPLC services (private lines leased to customers), backup service for other network operators, IRUs of submarine cables, internet data centers, DTH services and passive infrastructure charges (telecommunication towers and OFC network).

Other Operating Income. Other operating income comprises refund from DoT, sale of communication equipment and sale of telecommunications terminals and accessories.

Other Income. Other income comprises net gain on sale of investments, profit on disposal of fixed assets or capital work in progress, interest income, dividend income and miscellaneous income. Other income accounted for 3.5%, 5.6% and 4.9% of our total income for the financial years 2012, 2013 and 2014, respectively.

Total Expenditure. Total expenditure consists of:

- access charges, licence fee and network expenses;
- employee benefit expenses;
- finance cost;
- depreciation, impairment and amortisation; and
- sales and general administration expenses.

Access Charges, License Fees and Network Expenses. This includes access charges, license fees (which includes spectrum charges), rent, rates and taxes, network repairs and maintenance charges, stores and spares consumed, power, fuel and utilities charges, cost of service contents and applications and other network operating expenses. Access charges, license fees and network expenses accounted for 47.4%, 47.6% and 47.3% of our total income for the financial years 2012, 2013 and 2014, respectively.

Access charges include the pass-through and termination charges payable to other operators, including long distance operators, for our subscribers accessing these operators' networks. Licence fees consist of payments made to the DoT. License fees payable is calculated as a percentage of our Adjusted Gross Revenue, at a pre-determined rate prescribed by the DoT. In connection with the interpretation of the definition of adjusted gross revenue, there is currently a dispute between the mobile telecommunications operators and the DoT. See "Legal Proceedings". It also includes spectrum usage charges, which relates to the payments made to the DoT for the use of allotted frequency of spectrum for operating our mobile network. Cost of service contents and applications related to content fees payable to content providers for our mobile and DTH businesses.

Our other network operating expenses include:

- access and bandwidth charges which are termination charges paid to other operators for our Global Operations;
- transponder charges with respect to our DTH business and content cost;
- content and VAS charges;
- insurance, security and rent for tower sites and PoIs; and
- leased line charges.

Our network repairs and maintenance costs include:

- network electronics and equipment maintenance and support expenses which relate to the annual maintenance contracts for our electronic equipments;
- managed service costs relate to the cost of outsourcing end to end maintenance of the network, which includes active and passive infrastructure assets;
- landing stations and costs relating to our undersea cable systems;
- Terrestrial Cable, Inland Amplifier and Regenerator Sites expenses;

- connectivity charges – local tails which relate to last mile connectivity obtained at different locations for our Global Operation; and
- other repairs and maintenance.

Employee Benefit Expenses. Employee benefit expenses consists of salaries, contributions to provident fund, gratuity and superannuation fund and employee welfare and other amenities. Employee benefit expenses accounted for 6.3%, 5.5% and 4.6% of our total income for the financial years 2012, 2013 and 2014, respectively.

Finance Cost. Finance cost consists of interest payments made in relation to our borrowings and other related expenses. Finance cost accounted for 8.0%, 11.5% and 13.5% of our total income for the financial years 2012, 2013 and 2014, respectively.

Sales and General Administration Expenses. Selling expenses include commissions, sales and marketing expenses, advertisement expenses, customer acquisition and customer care expenses and cost of sale of telecommunications terminals and accessories, which relate primarily to:

- cost of SIMs and recharge vouchers;
- commission and discount to dealers and distributors, including payments of commission to post-paid, and pre-paid distribution channel intermediaries for every new subscription and costs associated with pre-paid packs purchased by existing subscribers;
- subscriber verification expenses incurred for verifying subscriber details on application for our services;
- collection and telemarketing expenses incurred in respect of collection of bills, including costs associated with sending reminders and the charges of external collection and recovery agencies;
- subscriber retention and loyalty expenses incurred for the purposes of churn management and expenses incurred in respect of subscriber loyalty programs;
- advertising and business promotion expenses relating to brand and product advertising, corporate campaigns and business promotions expenses;
- cost of handsets, data cards and related accessories sold by us; and
- provision for doubtful debts, loans and advances.

General administration expenses consist primarily of expenses incurred on repairs and maintenance of non-network equipment and buildings, rates and taxes, non-network rentals, insurance for non-network equipment, travel expenses, professional charges and other general and administrative expenses.

Sales and general administration expenses accounted for 14.5%, 14.1% and 13.5% of our total income for the financial years 2012, 2013 and 2014, respectively.

Depreciation, Impairment and Amortisation. Depreciation, impairment and amortisation costs relate to the depreciation of our tangible fixed assets and amortisation of intangible assets. Depreciation, impairment and amortisation accounted for 19.5%, 17.7% and 20.3% of our total income for the financial years 2012, 2013 and 2014, respectively.

Our Results of Operations

Financial Years 2012, 2013 and 2014

The following table sets out select financial data from our audited consolidated statements of profit and loss for the financial years 2012, 2013 and 2014, the components of which are also expressed as a percentage of total income for such periods:

	Year Ended March 31,					
	2012		2013		2014	
	(Rs. in billions)	(%)	(Rs. in billions)	(%)	(Rs. in billions)	(%)
Income						
Revenue from Operations	196.77	96.5	205.61	94.4	212.38	95.1
Other Income	7.05	3.5	12.17	5.6	10.83	4.9
Total Income	203.82	100.0	217.78	100.0	223.21	100.0
Expenditure						
Access Charges, License Fees and Network Expenses	96.52	47.4	103.68	47.6	105.50	47.3
Employee Benefits Expenses	12.83	6.3	11.89	5.5	10.25	4.6
Finance Cost	16.30	8.0	24.99	11.5	30.19	13.5
Depreciation, Impairment and Amortisation as adjusted by / transfer from	39.78	19.5	38.45	17.7	45.35	20.3
Sales and General Administration Expenses	29.57	14.5	30.62	14.1	30.20	13.5
Total Expenses	195.00	95.7	209.63	96.3	221.49	99.2
Prior period Adjustments					0.56	0.3
Profit before Exceptional Items, Tax and Adjustment	8.82	4.3	8.15	3.7	1.16	0.5
Provision for Tax	(1.06)	(0.5)	0.71	0.3	(10.21)	(4.6)
Profit After Tax (before adjustment of Minority Interest/Associates)	9.88	4.8	7.44	3.4	11.37	5.1
Profit After Tax (after adjustment of Minority Interest/ Associates)	9.28	4.6	6.72	3.1	10.47	4.7

Financial Year 2014 Compared to Financial Year 2013

Total Income. Total income increased by 2.5% to Rs. 223.21 billion for the financial year 2014 from Rs. 217.78 billion for the financial year 2013, primarily due to an increase in revenue from our operations.

Revenue from Operations. Revenue from operations increased by 3.3% to Rs. 212.38 billion for the financial year 2014 from Rs. 205.61 billion for the financial year 2013 primarily due to an increase in sale of services by 8.5% to Rs. 209.40 billion for the financial year 2014 from Rs. 192.94 billion for the financial year 2013. Our sale of services increased for the financial year 2014, primarily as a result of an increase in income from our India operations by Rs. 17.54 billion which was partially offset by a decrease in revenue from our Global Operations by Rs. 1.08 billion. Our revenue from India operations for the financial year 2014 increased primarily as a result of an increase in tariffs, which led to higher realisation per minute. Our RPM for the quarter ended June 30, September 30 and December 31, 2013 and March 31, 2014 was 0.42, 0.43, 0.44 and 0.43, respectively. Revenue from our Global Operations for the financial year 2014 decreased primarily as a result of lower revenue on our IRU contracts and due to decreases in IP transit prices.

In addition to the above, our other operating income decreased to Rs. 2.98 billion for the financial year 2014 from Rs. 12.67 billion for the financial year 2013, primarily as a result of a decrease in revenue from sale of communication equipment and a one-time income relating to a pending claim from MTNL in respect of a dispute with MTNL pertaining to reconciliation of call detail records for home country direct calls for the financial year 2013 .

Other Income. Other income decreased by 11.0% to Rs. 10.83 billion for the financial year 2014 from Rs. 12.17 billion for the financial year 2013, primarily due to a decrease in the net gain on sale of investments and a decrease in interest income. In addition, during the financial year 2014, we wrote back Rs. 4.41 billion as compared to Rs. 5.50 billion in the financial year 2013 resulting in a reduction of Rs. 1.09 billion of provisions made for business restructuring. Pursuant to the schemes of amalgamation and arrangement under Sections 391 to 394 of the Companies Act, 1956 approved by the Bombay High Court through orders dated July 21, 2006 and August 10, 2006 and by the Gujarat High Court through order dated July 18, 2006, out of the excess of fair value of assets over liabilities, Rs. 30 billion was credited to and held as Provision for Business Restructuring (“PBR”) to meet increased depreciation cost, expenses and losses including on account of impairment or write down of assets which would be suffered by our Company, pursuant to the scheme or otherwise in course of business or in carrying out such restructuring of the our operations. We reassessed the requirement for maintaining such PBR and reversed such balance of Rs. 4.41 billion during the financial year 2014, as no longer required. This amount on reversal of PBR has been reflected as part of our Other Income. Further, write back of liabilities no longer required increased to Rs. 5.60 billion for the financial year 2014 from Rs. 4.17 billion for the financial year 2013.

Total Expenses. Total expenses increased by 5.7% to Rs. 221.49 billion for the financial year 2014 from Rs. 209.63 billion for the financial year 2013, primarily due to an increase in finance cost and depreciation, impairment and amortisation cost.

Access Charges, License Fees and Network Expenses. Access charges, license fees and network expenses increased by 1.8% to Rs. 105.50 billion for the financial year 2014 from Rs. 103.68 billion for the financial year 2013, primarily as a result of:

- an increase in access charges to Rs. 27.91 billion for the financial year 2014 from Rs. 26.76 billion for the financial year 2013, primarily due to the introduction of SMS termination charges during the financial year 2014 and an increase in ICR expenses and interconnect charges;
- an increase in license fees to Rs. 12.03 billion for the financial year 2014 from Rs. 11.15 billion for the financial year 2013, primarily due to an increase in our telecommunication revenue and also an increase in NLD and ILD rates and the rationalisation of UASL rates for various Circles to 8.0% from 6.0%; and
- an increase in power, fuel and utilities costs to Rs. 18.56 billion for the financial year 2014 from Rs. 16.97 billion for the financial year 2013, primarily as a result of an increase in tariffs.

Employee Benefits Expenses. Employee benefits and expenses decreased by 13.8% to Rs. 10.25 billion for the financial year 2014 from Rs. 11.89 billion for the financial year 2013, primarily as a result of a decrease in salaries to Rs. 8.75 billion for the financial year 2014 from Rs. 10.57 billion for the financial year 2013 due to rationalisation of employee base carried out by us and outsourcing of network operation and management services during the financial year 2014.

Finance Cost. Finance cost increased by 20.8% to Rs. 30.19 billion for the financial year 2014 from Rs. 24.99 billion for the financial year 2013, primarily as a result of an increase in interest and other charges on term loans to Rs. 15.40 billion for the financial year 2014 from Rs. 11.32 billion for the financial year 2013, due to an increase in our rupee denominated borrowings, which had a higher average rate of interest as compared to our foreign currency borrowings. As of March 31, 2014, our total borrowings aggregated to Rs. 419.78 billion with our rupee denominated and foreign currency denominated borrowings constituted 35.6% and 64.4% of our total borrowings, as compared to Rs. 415.47 billion and 29.9% and 70.1%, respectively as of March 31, 2013.

Depreciation, Impairment and Amortisation. Depreciation, impairment and amortisation increased by 11.4% to Rs. 59.39 billion for the financial year 2014 from Rs. 53.31 billion for the financial year 2013, primarily

as a result of a one-time depreciation of our OFC network in order to recognise the revenue from the grant of IRU on an upfront basis, in accordance with our accounting policy based on matching cost principle. In addition, for the financial year 2014, we also adjusted depreciation aggregating to Rs. 0.47 billion and Rs. 13.57 billion against the provision made for business restructuring and general reserve respectively, as compared to Rs. 0.99 billion and Rs. 13.87 billion, for the financial year 2013, in accordance with various schemes of arrangements sanctioned by the Bombay High Court. See “Significant Factors Affecting our Results of Operations and Financial Condition – Schemes of Amalgamation and Arrangements”.

Sales and General Administration Expenses. Our sales and general administration expenses decreased by 1.4% to Rs. 30.20 billion for the financial year 2014 from Rs. 30.62 billion for the financial year 2013, primarily as a result of a decrease in the cost of telecommunication terminals and accessories to Rs. 2.60 billion for the financial year 2014 from Rs. 4.22 billion for the financial year 2013 primarily due to a decrease in purchases of such telecommunication terminals made by us; a decrease in the customer acquisition and customer care to Rs. 0.94 billion for the financial year 2014 from Rs. 1.49 billion for the financial year 2013 and a decrease in selling and marketing costs to Rs. 4.56 billion for the financial year 2014 from Rs. 5.28 billion for the financial year 2013 primarily due to various cost optimisation measures such as controlling wastage in accessories and rationalisation of sales benefits and promotional plans.

Exceptional Items. In accordance with various schemes of arrangement sanctioned by the Bombay High Court, we identified and adjusted certain expenses and losses as exceptional against general reserves created under such schemes of arrangements. Had such write-off of expenses, losses and deferred tax not been met from our general reserve, the Financial Statements would have reflected a profit after tax of Rs. 0.66 billion for the financial year 2014 as compared to a loss of Rs. 11.85 billion for the financial year 2013 and the consequential effect of this on the consolidated profit after tax would have been of Rs. 9.80 billion for the financial year 2014 as compared to Rs. 18.57 billion for the financial year 2013. See “Significant Factors Affecting our Results of Operations and Financial Condition – Schemes of Amalgamation and Arrangements”.

Provision for Tax. We had a tax credit of Rs. 10.21 billion for the financial year 2014 consisting of deferred tax asset of Rs. 10.57 billion which was partially offset by provision for current tax of Rs. 0.46 billion, as compared to provision for tax of Rs. 0.71 billion for the financial year 2013.

Profit After Tax. Our profit after tax increased by 55.8% to Rs. 10.47 billion for the financial year 2014 from Rs. 6.72 billion for the financial year 2013.

Financial Year 2013 Compared to Financial Year 2012

Total Income. Total income increased by 6.8% to Rs. 217.78 billion for the financial year 2013 from Rs. 203.82 billion for the financial year 2012, primarily due to an increase in our revenue from operations.

Revenue from Operations. Revenue from operations increased by 4.5% to Rs. 205.61 billion for the financial year 2013 from Rs. 196.77 billion for the financial year 2012, primarily as a result of an increase in sale of services by 3.1% to Rs. 192.94 billion for the financial year 2013 from Rs. 187.16 billion for the financial year 2012, due to an increase in revenues from our India operations by Rs. 0.92 billion and our Global Operations by Rs. 4.86 billion. Our revenue from India operations for the financial year 2013 increased primarily as a result of increase in minutes of use to 424 billion for the financial year 2013 from 406 billion for the financial year 2012. Our revenue from our Global Operations for the financial year 2013 increased by Rs. 4.86 billion primarily as a result of higher revenue on IRU for the financial year 2013 and higher IP transit price yield for the financial year 2013 .

In addition to the above, our other operating income increased by 31.8% to Rs. 12.67 billion for the financial year 2013 from Rs. 9.61 billion for the financial year 2012, primarily as a result of an one time income

relating to a pending claim from DoT in respect of a dispute pertaining to home country direct calls during the financial year 2013.

Other Income. Other income increased by 72.6% to Rs. 12.17 billion for the financial year 2013 from Rs. 7.05 billion for the financial year 2012, primarily as a result of write back of provisions aggregating to Rs. 5.50 billion made in respect of business restructuring no longer required and an increase in interest income which related to interest received on refund due of Rs. 1.17 billion from the DoT which was partially offset by a decrease in write back of liabilities.

Total Expenses. Total expenses increased by 7.5% to Rs. 209.63 billion for the financial year 2013 from Rs. 195.00 billion for the financial year 2012, primarily as a result of increases in access charges, license fees and network expenses and finance costs.

Access Charges, License Fees and Network Expenses. Access charges, license fees and network expenses increased by 7.4% to Rs. 103.68 billion for the financial year 2013 from Rs. 96.52 billion for the financial year 2012, primarily as a result of:

- an increase in access charges to Rs. 26.76 billion for the financial year 2013 from Rs. 24.77 billion for the financial year 2012, primarily due to an increase in minutes of usage resulting from higher voice traffic;
- an increase in rental rates and leases to Rs. 9.65 billion for the financial year 2013 from Rs. 8.26 billion for the financial year 2012, primarily due to an increase in rents payable under our cell-site lease agreements; and
- an increase in network repair and maintenance charges to Rs. 15.95 billion for the financial year 2013 from Rs. 14.30 billion for the financial year 2012, primarily as a result of an increase in repair expense due to damages to our OFC network arising out of an increase in construction activities near our OFC network.

Employee Benefit Expenses. Employee benefits and expenses decreased by 7.3% to Rs. 11.89 billion for the financial year 2013 from Rs. 12.83 billion for the financial year 2012, primarily as a result of a decrease in salaries to Rs. 10.57 billion for the financial year 2013 from Rs. 11.48 billion for the financial year 2012 as a result of rationalisation of employee base.

Finance Cost. Finance cost increased by 53.3% to Rs. 24.99 billion for the financial year 2013 from Rs. 16.30 billion for the financial year 2012, primarily as a result of an increase in our rupee denominated borrowings, which had a higher average rate of interest as compared to foreign currency borrowings. As of March 31, 2013, our total borrowings aggregated to Rs. 415.47 billion with our rupee denominated and foreign currency denominated borrowings constituting 29.9% and 70.1%, respectively of our total borrowings, as compared to Rs. 383.03 billion and 23.9% and 76.1%, respectively as of March 31, 2012.

Depreciation, Impairment and Amortisation. Depreciation, impairment and amortisation decreased by 2.2% to Rs. 53.31 billion for the financial year 2013 from Rs. 54.50 billion for the financial year 2012, due to one time impairment of certain assets in 2012 and primarily as a result of reversal of excess depreciation pursuant to the implementation of an order of the Ministry of Corporate Affairs, Government of India, which increased the useful life of telecommunications towers from 18 years to 35 years. During the financial year 2012, pursuant to an approval by the Ministry of Corporate Affairs, Government of India under Section 205 (2)(d) of the Companies Act, 1956, Reliance Infratel depreciated telecommunication towers at 2.72% under the straight line method over the useful life of asset as compared to 5.5% for the financial year 2011. As a result, depreciation for the financial year 2012 was lower by Rs. 1.73 billion and consequently, profit for the financial year 2012 was higher by such amount. Further, Reliance Telecom aligned its policy of depreciation with our Company and accordingly, recorded depreciation based on the straight line method. As a result, excess depreciation of Rs. 3.06 billion accounted during the previous period up to September 30, 2011 was

reversed during the financial year 2012. As a result, the depreciation charge was lower and profit was higher by such amount for the financial year 2012. In addition, for the financial year 2013, we also adjusted depreciating aggregating to Rs. 0.99 billion and Rs. 13.87 billion against the provision made for business restructuring and general reserve, respectively, as compared to Rs. 1.02 billion and Rs. 13.70 billion, for the financial year 2012, in accordance with various schemes of arrangement sanctioned by the Bombay High Court. See “Significant Factors Affecting our Results of Operations and Financial Condition – Schemes of Amalgamation and Arrangements”.

Sales and General Administration Expenses. Our sales and general administration expenses increased by 3.6% to Rs. 30.62 billion for the financial year 2013 from Rs. 29.57 billion for the financial year 2012, primarily as a result of one time loss incurred in respect of sale or disposal of certain assets aggregating to Rs. 0.3 billion, to an increase in professional fees to Rs. 1.61 billion for the financial year 2013 from Rs. 1.36 billion for the financial year 2012 and an increase in provision of doubtful debts for the financial year 2013.

Exceptional Items. In accordance with various schemes of arrangement by the Bombay High Court, we identified and adjusted certain expenses and losses as exceptional have been adjusted against general reserves. Had such write off to expenses, losses and deferred tax not been met from our general reserve, the Financial Statements would have reflected a loss after tax of Rs. 11.85 billion as compared to a loss of Rs. 24.73 billion for the financial year 2012 and the consequential effect of this on the consolidated profit after tax would have been of Rs. 18.57 billion as compared to Rs. 34.01 billion for the financial year 2012. See “Significant Factors Affecting our Results of Operations and Financial Condition – Schemes of Amalgamation and Arrangements”.

Provision for Tax. We made a provision for tax of Rs. 0.71 billion for current tax for the financial year 2013 as compared to tax credit of Rs. 1.06 billion for the financial year 2012, which was recognised in the previous financial year in relation to certain disallowance of expenses. In addition, we had deferred tax liabilities of Rs. 3.54 billion and Rs. 6.51 billion for the financial years 2013 and 2012, respectively, which were adjusted against our general reserve in accordance with a scheme of arrangement between Reliance Infratel and one of its erstwhile subsidiaries sanctioned by the Bombay High Court.

Profit After Tax. Our profit after tax decreased by 27.6% to Rs. 6.72 billion for the financial year 2013 from Rs. 9.28 billion for the financial year 2012.

Financial Condition, Liquidity and Capital Resources

Cash Flows

The table below summarises our cash flows for the financial years 2012, 2013 and 2014:

	For the Year Ended March 31,		
	2012	2013	2014
	<i>(Rs. in billions)</i>		
Net cash generated from operating activities	57.51	38.25	68.39
Net cash (used in) investing activities.....	(45.71)	(20.69)	(21.00)
Net cash generated from / (used in) financing activities	(54.97)	(15.76)	(49.67)
Net increase / (decrease) in cash and cash equivalents.....	(43.17)	1.80	(2.28)

Operating Activities

Net cash generated from operating activities increased to Rs. 68.39 billion for the financial year 2014 from Rs. 38.25 billion for the financial year 2013, primarily due to a reduction in trade payables and other liabilities as a result of payment to creditors and settlement of other payables during the financial year 2013

as compared to an increase in trade payables and other liabilities by Rs. 5.59 billion during the financial year 2014.

Net cash generated from operating activities decreased to Rs. 38.25 billion for the financial year 2013 from Rs. 57.51 billion for the financial year 2012, primarily due to a reduction in trade payables and other liabilities as a result of payment to creditors and settlement of other payables during the financial year 2013.

Investing Activities

Net cash used in investing activities was Rs. 21.00 billion for the financial year 2014, consisting of purchase of investments of Rs. 115.88 billion for the financial year 2014 and addition of fixed assets of Rs. 21.65 billion which comprised capital expenditure incurred for upgradation and replacement of network assets in our ordinary course of business, which was partially offset by the sale of investments of Rs. 116.04 billion.

Net cash used in investing activities was Rs. 20.69 billion for the financial year 2013, consisting of purchase of investments of Rs. 128.76 billion for the financial year 2013 and addition of fixed assets of Rs. 21.14 billion which comprised capital expenditure incurred for upgradation and replacement of network assets in our ordinary course of business, which was partially offset by the sale of investments of Rs. 129.11 billion.

Net cash used in investing activities was Rs. 45.71 billion for the financial year 2012, consisting of purchase of investments of Rs. 269.41 billion for the financial year 2012 and addition of fixed assets of Rs. 48.50 billion which comprised capital expenditure incurred for upgradation and replacement of network assets in our ordinary course of business, which was partially offset by the sale of investments, fixed assets and capital work in progress of Rs. 271.80 billion.

Financing Activities

Net cash used in financing activities was Rs. 49.67 billion for the financial year 2014, consisting primarily of repayment of long-term borrowings of Rs. 39.95 billion and interest and other finance cost of Rs. 30.18 billion, partially offset by proceeds from long-term borrowings of Rs. 24.99 billion.

Net cash used in financing activities was Rs. 15.76 billion for the financial year 2013, consisting primarily of repayment of long-term borrowings of Rs. 25.29 billion and interest and other finance cost of Rs. 24.65 billion, partially offset by proceeds from long-term borrowings of Rs. 14.76 billion.

Net cash used in financing activities was Rs. 54.97 billion for the financial year 2012, consisting primarily of repayment of long-term borrowings of Rs. 88.61 billion and interest and other finance cost of Rs. 17.18 billion, partially offset by proceeds from long-term borrowings of Rs. 107.56 billion.

Indebtedness

As of March 31, 2014, our consolidated total indebtedness was Rs. 419.78 billion, as set out below:

As of March 31, 2014	
<i>(Rs. in billions)</i>	
Short-term Borrowings	
Secured	64.80
Unsecured	24.29
Total Short-term Borrowings	89.09
Long-term Borrowings	
Secured	275.65
Unsecured	3.48
Total Long-term Borrowings	279.13
Current Maturities of Long-Term Borrowings	51.56
Total	419.78

As of March 31, 2014

(Rs. in billions)

The financing agreements in respect of our indebtedness contain certain restrictive covenants, including restrictions on:

- borrowing additional funds or accepting deposits, issuing bonds, debentures or commercial papers (in some instances, only when an event of default is subsisting);
- affecting adverse changes in the capital structure or accessing capital markets for mobilising additional resources;
- changing management control or making substantial changes to the management set-up of our Company;
- declaring dividends when an event of default is subsisting;
- making substantial changes to the accounting policies;
- undertaking any guarantee, incurring additional liens or other obligations on behalf of entities belonging to the Reliance Group;
- making capital expenditures and investments;
- selling or disposing certain assets, including land;
- undertaking mergers, acquisitions and other corporate restructuring transactions;
- entering into any contractual obligations of long-term nature that are not in the ordinary course of our business;
- repaying deposits, loans, advances brought in by the promoters, directors, principal shareholders and other related parties of the Reliance Group.

We may need to obtain the consent of some or all of our lenders to undertake some or all of these activities.

In addition to the above, we are required to maintain certain financial ratios under our indebtedness agreements such as asset cover ratio, net debt to EBITDA ratio, EBITDA to interest expenses ratio, minimum net worth and debt service cover. In addition:-

- we have granted security in favour of our lenders over our movable fixed assets (whether existing or future);
- all of our telecommunications licenses are assigned to the lenders as security under certain long term financing agreements and we are also required to ensure that our license conditions are not adversely modified;
- our Company's entire shareholding in two of our Subsidiaries and some of the shares held by our Subsidiaries in 10 of our Subsidiaries have been pledged in favour of the lenders under certain long term financing arrangements; and
- there is a negative lien on assets other than those mentioned above, of our Company.

Our interest coverage ratio (as defined below) for the last three financial years is set out below:

	As of March 31,		
	2012	2013	2014
Interest Coverage Ratio	4.05	2.84	2.88

	As of March 31,		
	2012	2013	2014
(the sum of profit after tax, depreciation and interest divided by interest).....			

Capital and Other Commitments

As of March 31, 2014, our estimated amount contracts, remaining to be executed (net of advances) and not provided for was Rs. 7.08 billion. These contracts primarily related to network infrastructure management and purchase and installation of electronics equipments.

Operating and Financing Leases

As of March 31, 2014, estimated future minimum payments under our non-cancellable operating leases was Rs. 0.86 billion, as set out below:

Particulars	Not later than one year	Later than one year and not later than five years	Later than five years
		(Rs. in billions)	
Minimum lease payments	0.32	0.46	0.08

The details of minimum lease rentals outstanding as of March 31, 2014 in respect of our fixed assets acquired through finance leases is set out below`:

Particulars	Not later than one year	Later than one year and not later than five years	Later than five years
		(Rs. in billions)	
Lease rentals of fixed assets.....	0.37	1.48	2.09

Capital Expenditures

Our capital expenditure for the financial years 2012, 2013 and 2014 were Rs. 58.48 billion, Rs. 39.21 billion and Rs. 33.42 billion, respectively.

Our capital expenditure for the financial year 2014 primarily included Rs. 17 billion of foreign exchange variations which were capitalised and capital expenditure of Rs. 16.42 billion incurred in the ordinary course of our business such as expenses incurred for maintenance and repair of our network.

Our capital expenditure for the financial year 2013 primarily included Rs. 17.89 billion of foreign exchange variations which were capitalised, currency translation effects of Rs. 9.8 billion in our overseas companies and capital expenditure of Rs. 11.51 billion incurred in the ordinary course of our business such as expenses incurred for maintenance and repair of our network.

Our capital expenditure for the financial year 2012 primarily included Rs. 17.5 billion of foreign exchange variations which were capitalised, currency translation effects of Rs. 16.73 billion in our overseas companies and capital expenditure of Rs. 24.25 billion incurred in the ordinary course of our business such as expenses incurred for maintenance and repair of our network.

We estimate that our capital expenditure requirement for the financial year 2015 will be up to Rs. 20 billion.

Contingent Liabilities

Our contingent liabilities as of March 31, 2014 are set out below:

Particulars	As of March 31, 2014
	(Rs. in billions)
Disputed liabilities not provided for:	
- Sales Tax and VAT.....	0.61
- Customs, Excise and Service Tax.....	11.36
- Entry Tax and Octroi.....	0.67
- Income Tax.....	7.30
- Other Litigations.....	13.76
Claims against the Company not acknowledged as debts.....	7.94
Guarantees given including on behalf of other companies for business purposes.....	1.32

Consequent to the investigations by an investigative agency (Central Bureau of Investigation) in relation to the entire telecommunications sector in India, certain preliminary charges have been framed by a trial court against our Subsidiary, Reliance Telecom and three executives of the Reliance Group. A writ petition has been filed before the Supreme Court of India against such charges, which is pending for hearing. In addition, there are certain disputes pending with respect to licence fees, access deficit charges, spectrum charges and show cause notices issued pursuant to special audit of our Company by the DoT. See “Legal Proceedings”.

Related Party Transactions

We have in the past engaged, and in the future may engage, in transactions with related parties, including with our affiliates. Such transactions could be for, among other things, purchase and sale of services, rent or lease of certain properties, sale and purchase of fixed assets, dividends, remuneration, the purchase or sale of investments and deposits. We believe each of these arrangements has been entered into on arm’s lengths terms, or on terms that we believe are at least as favourable to us as similar transactions with unrelated parties. For additional details of our related party transactions in accordance with the requirements under AS 18 issued by the ICAI, see our audited Financial Statements as of and for the years ended March 31, 2012, 2013 and 2014, and the related notes.

Off-Balance Sheet Commitments and Arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements, except as set out below.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk and commodities risk. We are exposed to interest rate risk, commodity risk, credit risk and inflation risk in the normal course of our business.

Exchange Rate Risk

We face exchange rate risk because certain of our obligations and certain receivables pertaining to international in-roaming and ILD charges denominated in foreign currencies, repayment obligations under our US\$ denominated borrowings and equipment supply contracts. Further, our Financial Statements are presented in Rupees, which is our functional and reporting currency. We have several Subsidiaries that are incorporated in countries other than India and who use various reporting currencies other than the Rupees.

To manage our exchange rate risks, we enter into forward and swap contracts with various counterparties to protect against the volatility of the Rupee. As of March 31, 2014, foreign currency exposures that are not hedged by derivative instruments, or otherwise, included contracts aggregating to US\$ 4.04 billion, equivalent to Rs. 241.8 billion, and Euro 38,378, equivalent to Rs. 3.2 million and £4,000 equivalent to Rs. 0.17 million.

Also, see “Risk Factors – Risks relating to India – Currency exchange rate fluctuations could have an adverse effect on our results of operations.”

Interest Rate Risk

We are subject to interest rate risk, primarily because some of our borrowings and our deposits of cash and cash equivalents with banks and other financial institutions are at floating interest rates. As of March 31, 2014, 88.1% of our indebtedness consisted of floating rate indebtedness. The following table sets out the details of certain derivative instrument entered into by us in respect of interest rates:

Particulars	As of March 31, 2014	
	<i>(Amount in millions)</i>	
	US\$	Rs.
Principal Only Swap	20.00	1,270.00
Interest Rate Swaps (foreign currency)	160.00	9,470.00
Interest Rate Swaps (Rs.)	40.00	2,250.00

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 or losses, if any, are recognised on the settlement day or the reporting day, whichever is earlier, at the rate prevailing on such day.

Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. Upward fluctuations in interest rates increase the cost of servicing existing and new debts, which adversely affects our results of operations.

Credit Risk

We are exposed to credit risk on trade receivables from subscribers and other counterparties. We try to control our credit risk by assessing the credit quality of our subscribers, taking into account their financial position, past experience and other factors.

Inflation Risk

India has experienced high inflation for the last 12 to 18 months, which has contributed to an increase in interest rates, adversely affecting both sales and margins. See “Risk Factors – Risks relating to India –A decline in economic growth in India could adversely affect our business.”

INDUSTRY OVERVIEW

The information in this section has been extracted from several government publications and industry sources. None of us, the Lead Managers, or any other person connected with the Issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that the accuracy, completeness and underlying assumptions of these sources are not guaranteed and their reliability cannot be assured and, accordingly, your investment decision should not be based on such information.

India

The Indian economy is the fourth largest economy by purchasing power parity. (Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html>) For 2014, India's gross domestic product ("GDP") per capita on a purchasing power parity basis was approximately US\$4,306.94. The GDP growth rates, in terms of percentage, for certain developed and developing economies for each of the calendar years 2011, 2012, 2013 and 2014 are set out below:

Countries (in percentage)	2011	2012	2013	2014 (est.)
China.....	9.3	7.7	7.7*	7.5
India.....	6.6	4.7	4.3	5.4
Russia	4.3	3.4	1.3	1.3
Brazil	2.7	1.0	2.3	1.8
Korea	3.7	2.0	2.8*	3.7
South Africa.....	3.6	2.5	1.9*	2.3
United States.....	1.8	2.8	1.9	2.8
Japan	(0.5)	1.4	1.5	1.4
United Kingdom	1.1	0.3	1.8	2.9

* Figures are estimates

(Source: International Monetary Fund, World Economic Outlook Database)

India is also becoming increasingly urbanised and its per capita income has increased in recent years. In 2012, the urban population in India represented 32.0% of the total population. (Source: International Monetary Fund, available at: <http://wdi.worldbank.org/table/3.12>) For 2013, India's per capita GDP at current prices was Rs. 91,057.92. (Source: International Monetary Fund)

The Telecommunications Industry in India

In the financial year 2014, the telecommunications industry in India experienced an increase in the number of subscribers. As of March 31, 2014, the total telecommunications subscriber base numbered 933.00 million, as compared to 898.02 million as of March 31, 2013. This increase in the total number of telecommunications subscribers was due to an increase in the number of wireless subscribers, as the wireline subscriber base continued its decline from 30.21 million as of March 31, 2013 to 28.49 million as of March 31, 2014. (Source: Telecom Regulatory Authority of India ("TRAI")) Details of the subscriber base and teledensity as of March 31, 2014 are set out in the table below:

	Wireless	Wireline	Total
Total Subscribers (Million)	904.51	28.49	933.00
Urban Subscribers (Million)	532.73	22.53	555.26
Rural Subscribers (Million)	371.78	5.96	377.73
Overall Teledensity	72.94	2.30	75.23

	Wireless	Wireline	Total
Urban Teledensity	139.86	5.91	145.78
Rural Teledensity	43.27	0.69	43.96
Share of Urban Subscribers (%)	58.9	79.1	59.5
Share of Rural Subscribers (%)	41.1	20.9	40.5

(Source: TRAI)

The Indian telecommunications market can be divided into five key segments:

Wireless

As of March 31, 2014 India's wireless subscriber base consisted of approximately 904.51 million subscribers. The majority of these subscribers were prepaid subscribers. The urban wireless subscriber base increased to 532.73 million as of March 31, 2014 from 525.30 million subscribers as of March 31, 2013. The rural subscriber base increased to 371.78 million subscribers as of March 31, 2014 from 342.50 million subscribers as of March 31, 2013. (Source: TRAI) Wireless services can be divided into Global System for Mobile Communications ("GSM") and Code Division Multiple Access ("CDMA"). The GSM services dominate the wireless segment.

The Indian wireless telecommunications market is divided into distinct license areas called "Circles". These are based on geography and socio-economic factors. There are 22 Circles in total which are further classified into the following four categories:

Metro Circles. There are three Metro Circles which include the major metropolitan cities of Delhi, Kolkata and Mumbai. These Circles have the highest teledensity and average revenue per user ("ARPU") compared to the other Circles.

Category A Circles. There are five Category A Circles covering the states of Andhra Pradesh, Gujarat, Karnataka, Maharashtra and Tamil Nadu. These Circles form a large portion of the total subscriber base and have relatively high teledensities and ARPU.

Category B Circles. There are eight Category B Circles which include Haryana, Kerala, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh (East), Uttar Pradesh (West) and West Bengal including Sikkim and Andaman and Nicobar Islands. These Circles are the largest contributors to the total subscriber base and have relatively low teledensity and ARPU.

Category C Circles. There are six category C Circles and they cover the states or regions of Assam, Bihar, Himachal Pradesh, North East, Odisha and Jammu and Kashmir. These Circles have the lowest teledensity and ARPU levels.

GSM Technology and CDMA Technology

GSM technology is the second generation (2G) digital cellular network used by mobile phones. The GSM standard was developed as a replacement for first generation (1G) analog cellular networks. CDMA technology is a channel access method used by various radio communication technologies. CDMA technology permits several transmitters to send information simultaneously over a single communication channel, thereby allowing several users to share bandwidth.

As of December 31, 2013, the GSM subscriber base had 824.06 million subscribers, and GSM subscribers accounted for approximately 93.0% of the total wireless subscriber base in India. As of December 31, 2013, the CDMA subscriber base was 62.24 million subscribers, representing only 7.0% of the wireless market share. (Source: TRAI)

The table below sets out the subscriber base by technology for the periods indicated:

(Source: TRAI)

GSM technology has a larger subscriber base in India as compared to CDMA. It offers a wider range of handsets at lower prices and enjoys roaming benefits due to global coverage. The table below sets out the operators in India by technology as of March 31, 2014:

Operator	Technology	Wireless Subscribers (in million)	Market Share (%)
Bharti	GSM	205.39	22.7
Vodafone	GSM	166.56	18.4
Idea	GSM	135.79	15.0
Reliance	GSM + CDMA	110.89	12.3
BSNL	GSM + CDMA	94.65	10.5
Aircel	GSM	70.15	7.8
Tata	GSM + CDMA	63.00	7.0
Telewings	GSM	35.61	3.9
Sistema	CDMA	9.04	1.0
Videocon	GSM	4.99	0.6
MTNL	GSM + CDMA	3.37	0.4
Loop	GSM	2.90	0.3
Quadrant	GSM + CDMA	2.18	0.2
Total		904.51	100.0

(Source: TRAI)

Wireline

Historically, the wireline (fixed-line) business in India was controlled solely by the Government, with MTNL providing services in Mumbai and Delhi and BSNL providing services to the rest of the country. Subsequently, new regulations were introduced to allow for private basic telecommunication operations in the wireline segment. Several other operators started to provide wireline services since 2001.

The wireline subscriber base has been declining over the last few years. As of March 31, 2014, the number of wireline subscribers was 28.49 million, as compared to 30.21 million as of March 31, 2013. Urban subscribers accounted for the majority of the wireline subscriber base as of December 31, 2013, although the number of both urban and rural wireline subscribers have decreased. Government-run BSNL and MTNL held 77.9% of the wireline market share as of December 31, 2013, whereas private operators held 88.7% of the wireless subscriber market share. (Source: TRAI)

International Long Distance Service

The International Long Distance (“ILD”) service is a network carriage service, providing international connectivity to networks operated by foreign carriers. In April 2002, the Government opened up the ILD segment to the private sector. There is no restriction on the number of operators and Indian companies with a net worth of at least Rs. 25 million and paid-up equity capital of Rs. 25 million are eligible to apply. As of December 31, 2012, 27 companies had signed license agreements for the ILD service. (Source: Department of Telecommunications Annual Report 2012-2013)

National Long Distance Service

The National Long Distance (“NLD”) service was made available to the private sector in August 2000. Similar to the ILD Service, there is no restriction on the number of operators and Indian companies with a

net worth of at least Rs. 25 million and paid-up equity capital of Rs. 25 million are eligible to apply. As of December 31, 2012, 32 companies in addition to BSNL had signed license agreements for the NLD service. (Source: *Department of Telecommunications Annual Report 2012-2013*)

Data Services

Data services include both internet services (including broadband and narrowband) and wireless data services (provision of data services including Internet through mobile handsets). As of December 31, 2013, India had 238.71 million Internet subscribers, of which 18.33 million were wired Internet subscribers and 220.38 million were wireless Internet subscribers. Further, subscribers who accessed the Internet through mobile wireless accounted for 92.1% of total internet subscribers. In addition, the total number of broadband subscribers was 55.20 million as of December 31, 2013, and wireless (dongle and phone) was the most preferred technology used by service providers to provide such internet services and constituted 73.0% of total broadband subscribers. (Source: *TRAI*)

The Development of the Telecommunications Industry in India

In 1990s

The telecommunications industry in India was a Government-managed monopoly until the National Telecommunications Policy, 1994 (“**NTP 1994**”), in which the Government set targets for expanding service provision (including improving quality) and privatising the sector.

In 1997, the TRAI was established by an act of Parliament called the Telecom Regulatory Authority of India Act, 1997. The aim of TRAI is to regulate telecommunications services, including fixation and revision of tariffs for telecommunications services which were earlier vested with the Government and to create and nurture an environment that enables the growth of the telecommunications sector in India.

By 1999, the Government, recognizing that the objectives set by NTP 1994 were unattainable without further privatization, announced the New Telecommunications Policy, 1999 (“**NTP 1999**”). The aim of NTP 1999 was to ensure the rapid expansion of teledensity and to transform the competitive landscape of the telecommunications sector for both rural and urban areas. NTP 1999 changed the pricing of license fees from a fixed annual license fee to one based on a percentage of revenues earned by the operator and extended the terms of the initial licenses from 10 years to 20 years. NTP 1999 also bifurcated the Department of Telecommunications (the “**DoT**”) into BSNL, the Government-managed telecommunications service provider, and DoT, the policy maker and licensor. BSNL, which initially provided fixed-line and domestic long distance service, was allowed to co-exist alongside two other Government-owned telecommunication service providers: MTNL, which initially provided fixed-line local service in the metropolitan cities of Mumbai and Delhi, and VSNL, which provided international long distance service.

In 2000s

In January 2001, the Government published guidelines relating to the issue of a fourth license for each of the 22 Circles. The guidelines provided for a non-exclusive license for a period of 20 years (thereafter extendable by 10 years). In addition, based on the recommendations of TRAI, the Government issued guidelines to permit fixed-line telecommunications service providers to provide limited mobility services using wireless local loop (“**WLL**”) technology within specified short distance calling areas in which the relevant subscriber is registered.

Initially, service providers were required to obtain different licenses depending on the service and technology used. In 2003, the Government created guidelines for a unified licensing regime which produced three key measures:

- the country was divided into Circles for providing unified access services;

- service providers could provide both fixed-line and mobile telecommunications services in a given circle by obtaining just one UASL; and
- with UASL, service providers were free to use any technology to provide the licensed service.

Following the introduction of the unified licensing regime, existing basic operators that were providing limited mobility services using WLL technology migrated to the UASL and started providing full mobility services after payment of the difference between the entry fee paid by the fourth cellular operator and the entry fee paid by the basic licensee. The year 2003 also witnessed a change in pricing policy called the calling party pays (“**CPP**”) regime which assisted in the growth of the mobile telecommunications industry in India. Through introduction of the CPP regime, all incoming calls could be received free of charge.

In 2008, DoT allotted four to seven licenses in each circle along with start-up spectrum and also permitted CDMA operators to offer GSM services and vice versa, increasing the number of operators in the industry to between nine to 13 per circle by December 2011. Licenses and spectrum were allotted on a first-come-first-serve basis and granted at 2001 prices. A number of foreign companies entered the Indian mobile telecommunications market in partnership with Indian entrepreneurs during 2008 as a result of new licenses being offered and also due to the 2005 relaxation in the foreign direct investment (“**FDI**”) limit in the industry from 49.0% to 74.0%. The launch of mobile telecommunications services by new licensees in partnership with foreign partners led to a phase of hyper competition and, as a result, subscriber additions increased significantly.

From 2010

Auctions for 3G (2100 MHz) and BWA (2300 MHz) spectrum were held in 2010 with a pan India winning price of 3G spectrum of Rs. 167,505.80 million for 5 MHz block of paired spectrum and pan India price of BWA spectrum of Rs. 128,477.70 million for 20 MHz block of unpaired spectrum.

On February 2, 2012, the Supreme Court of India directed that all licenses and spectrum allocated pursuant to the press releases of January 2008 were to be cancelled as the method of allocation of these licenses followed by the Government was flawed. DoT issued a press release on February 15, 2012, where it directed that going forward, licenses and spectrum were to be delinked. Also, allocation of spectrum is now carried out through a competitive bidding process in accordance with rules announced by the DoT. During the last round of auction, each circle was designated a particular reserve price which was revised based on demand by the bidders. The auction price continued until demand was satisfied within each circle. Following TRAI recommendations, the Government conducted a spectrum auction for the 1800 MHz band in November 2012 with a pan India reserve price of Rs. 140.00 billion for 5 MHz block of paired 1800 MHz spectrum. Though the quantum of the spectrum put to auction was less than the spectrum vacated due to cancelling of licenses, the auction concluded in two days and only 102 blocks were sold against 236 blocks put up for auction. There were no bids received for the Circles of Delhi, Mumbai, Karnataka and Rajasthan. There were no applicants for the 800 MHz band as well. Subsequently, the Government reduced the price of the 1800 MHz band by 30.0% in these four Circles and by 50.0% for the 800 MHz band for all Circles. The Government then issued a notice inviting applications on January 30, 2013 for the auction of 900 MHz, 1800 MHz and 800 MHz bands. The auction for the 1800 MHz band was limited to the four Circles which did not receive any bids in the November 2012 auction, while the auction for the 900 MHz band was for the Circles of Delhi, Mumbai and Kolkata, where some of the old licenses are due for extension in 2014. However, the Government was forced to cancel the auction for the 900 MHz and 1800 MHz bands as no applications were received for each of these bands. For the 800 MHz band, there was only one participant who bid and won spectrum in eight Circles.

Meanwhile, the Supreme Court directed the Government to put the entire spectrum vacated due to cancelling of licenses up for auction. Subsequently, in February 2014, auctions for spectrum in 900 MHz and 1800 MHz bands were held over ten days of bidding, in which, eight companies participated. In the 1800 MHz

band segment, bids were made for 307.2 MHz out of 385.2 MHz of spectrum available for auction, which were sold for an aggregate price of Rs. 375,726 million. The entire 46 MHz spectrum available for auction in the 900 MHz band was sold for an aggregate price of Rs. 235,896 million.

In August 2013, the Government increased the maximum FDI limit in the telecommunications sector to 100.0%. The Telecom Commission will allow up to 49.0% FDI through the automatic route, with further investments subject to approval by the Foreign Investment Promotion Board.

In August 2013, DoT announced the Unified License guidelines which aim to unify all licenses (except broadcasting and Direct to Home) under the ambit of TRAI under one license. According to these guidelines, national level unified licensees are permitted to provide services under a single license. Operators can convert their existing licenses into a unified license by paying a fee to the Government. According to the new guidelines, spectrum has been de-linked from licensing.

In February 2014, guidelines for the transfer/merger of certain categories of telecommunication service licenses were announced by the DoT. The key highlights of the guidelines were as follows:

- Transfer/merger of licenses is allowed when the market share of the resultant entity in a circle does not exceed 50.0%. The market share is determined by the subscriber base (which includes wireline subscribers as per Exchange Data Records and wireless subscribers as per visitor location register (“VLR”)) and adjusted gross revenue (“AGR”). If at any time after approval of the transfer/merger, the market share of the target entity in a circle exceeds 50.0%, it must be accordingly reduced to below that threshold within one year from the date of approval of the transfer/merger.
- The validity period of certain licenses will be the longest of the license periods of the merging entities, subject to pro-rata payments, if any, for an extension of the license. However, the validity period of the spectrum will remain unchanged.
- The total spectrum held by the resultant entity must not exceed 25.0% of the total spectrum assigned in the circle and 50.0% of the spectrum assigned in each band.
 - The ceiling for the 800 MHz band is 10MHz.
 - The resultant entity can have two blocks of 3G spectrum subject to the 50.0% cap if the transferor and the transferee are allotted 3G spectrum through the 3G / BWA auction.
 - Surrender of excess spectrum to be done within one year of merger approval.
- If a transferor (acquired) company holds part of a 4.4 MHz / 2.5 MHz spectrum that has been assigned against the entry fee paid, the transferee (acquiring company), at the time of the merger, must pay the Government the difference between the entry fee and the market price determined of the spectrum on a pro-rata basis for the remaining valid period of the license.
- There is no separate charge for spectrum acquired through auctions conducted from 2010 onward.
- In the event of judicial intervention regarding demands raised for one time spectrum charges before the merger, a bank guarantee must be submitted.

Competition

The top five telecommunications operators in India accounted for approximately 84.3% of TRAI revenue market share for the quarter ended March 31, 2014. The TRAI reported revenue market share of the top five telecommunications operators was 84.6% for the quarter ended March 31, 2013. (*Source: TRAI*)

Since the quashing of licenses by the Supreme Court, competitive intensity has declined and the industry has seen several operators exit or reduce their presence. The number of operators has therefore decreased to 6 to 10 mobile operators per Circle. The chart below illustrates the number of operators in all Circles:

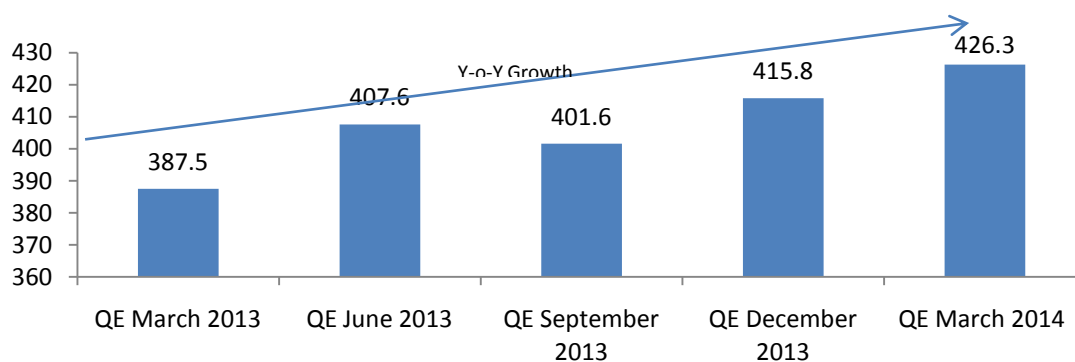
Circles	Number of Operators		
	December 2008	December 2011	March 31, 2014
Andhra Pradesh	6	11	8
Assam	5	11	6
Bihar	7	13	8
Delhi	6	9	8
Gujarat	6	12	10
Himachal Pradesh	7	11	7
Haryana	6	12	8
Jammu and Kashmir	3	9	6
Karnataka	6	12	8
Kerala	6	11	8
Kolkata	7	11	8
Madhya Pradesh	6	12	8
Maharashtra	6	12	8
Mumbai	7	12	8
North East	5	11	6
Orissa	7	12	7
Punjab	7	12	8
Rajasthan	7	12	8
Tamil Nadu (including Chennai)	6	11	8
Uttar Pradesh (East)	6	11	8
Uttar Pradesh (West)	6	12	9
West Bengal	7	10	8
Total	135	249	171

(Source: TRAI; Number of operators in a circle was calculated on the basis of whether a licensee reported subscribers in that particular circle as of the respective month end)

Key Trends in India's Wireless Telecommunications Industry

Revenue Growth

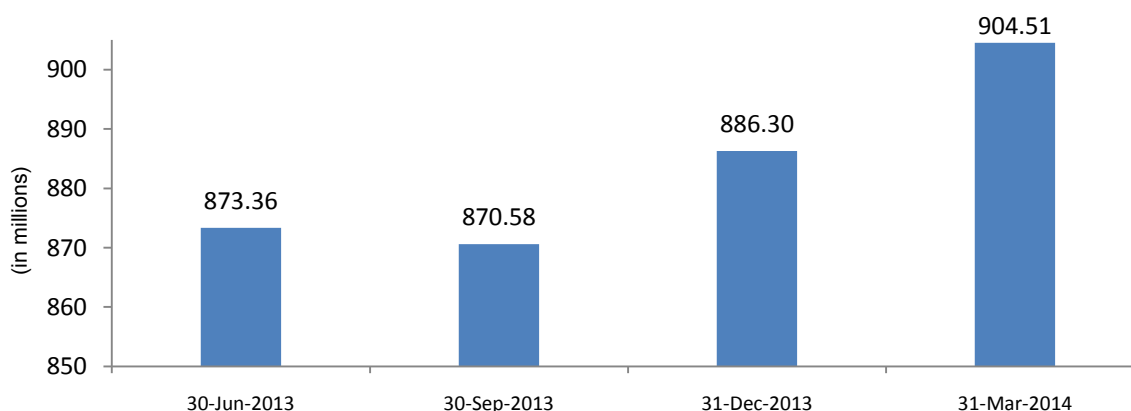
Gross revenues for the Indian wireless telecommunications industry have experienced an overall increase, with a growth of 10.0% from Rs. 388 billion to Rs. 426 billion for the quarters ended March 31, 2013 and March 31, 2014, respectively. The chart below illustrates adjusted gross revenues for the Indian wireless telecommunications sector (in Rs. billion):



(Source: TRAI)

Wireless Subscriber Growth

The Indian wireless mobile telecommunications industry had approximately seven million monthly subscriber additions during 2007. In 2008, the Government awarded several new licenses as well as allowed CDMA operators to offer GSM services. After the launch of services by new licensees, subscriber additions increased significantly. The competitive intensity has decreased since the quashing of the licenses and the associated spectrum granted in January 2008 by the Supreme Court of India in February 2012. Some operators have also deactivated inactive connections as a result of which, the reported subscriber base which was 934.09 million as of June 30, 2012, decreased to 867.80 million as of March 31, 2013. Thereafter, the subscriber base has been increasing and was 904.51 million as of March 31, 2014. However, the VLR subscriber base has been increasing during this period and was 790.87 million as of March 31, 2014 as compared to 723.00 million as of March 31, 2013. The total number of VLR subscribers increased by 40.0 million during the financial year 2013 as compared to 67.9 million during the financial year 2014. (Source:



TRAI). The chart below illustrates the total number of wireless subscribers for the periods specified:

(Source: TRAI)

ARPU

ARPU levels for both GSM and CDMA services have decreased in recent years before recovering slightly in 2013. The main reasons for such decline are increased competition driving down local and long distance tariffs and the addition of less affluent prepaid subscribers to the total subscriber base as teledensity increases. ARPU per month for GSM services was Rs. 112 for the quarter ended December 31, 2013, as compared to Rs. 98 for the same period in 2012. For CDMA services, ARPU per month remained at Rs. 80.00 for the quarter ended December 31, 2013 and the same quarter in 2012.

Minutes of Use

The average minutes of use (“MoU”) for GSM decreased steadily between 2009 and 2012. In 2013, TRAI statistics indicated that MoU per subscriber per month started to recover, increasing from 360 minutes for the quarter ended December 31, 2012, to 383 minutes for the quarter ended March 31, 2013, and subsequently to 388 minutes for the quarter ended June 30, 2013. However, a marginal decrease occurred for the next quarter ended September 30, 2013, with MoU per subscriber per month at 375 minutes. The MoU per subscriber per month saw an increase for the quarter ended December 31, 2013 to 379 minutes. Overall, MoU per subscriber for GSM services increased by 10.7% from March 31, 2012 to March 31, 2013. Between March 31, 2009 and March 31, 2012, CDMA MoU decreased from 357 minutes to 229 minutes. Similar to the trend observed for GSM services, CDMA MoU increased during the first two quarters of 2013 to 278 minutes, followed by a marginal decline in the third quarter to 262 minutes before a recovery to 272

minutes for the quarter ended December 31, 2013. (Source: TRAI) CDMA MoU per subscriber also increased on the whole by 10.0% in 2013.

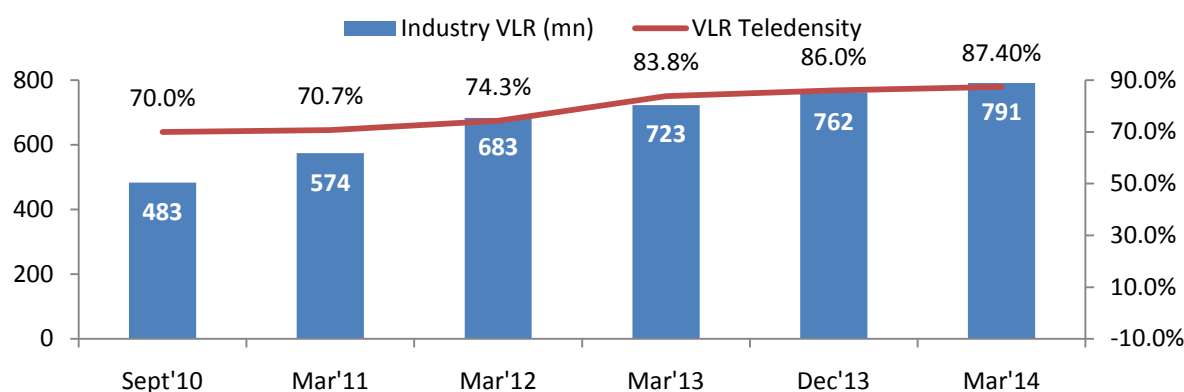
The table below sets out the total MoU for GSM and CDMA:

Quarter Ending		March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	December 31, 2013
GSM	MoU	484	410	349	346	383	379
CDMA	MoU	357	307	263	229	275	272

(Source: TRAI)

Key Drivers of Industry Growth

The growth of the telecommunications industry in India has been affected by several factors which are expected, along with innovations, to drive future growth as well. Sustained economic growth has been a factor as has subscriber ability to use the technology as a result of network expansion. The chart below sets



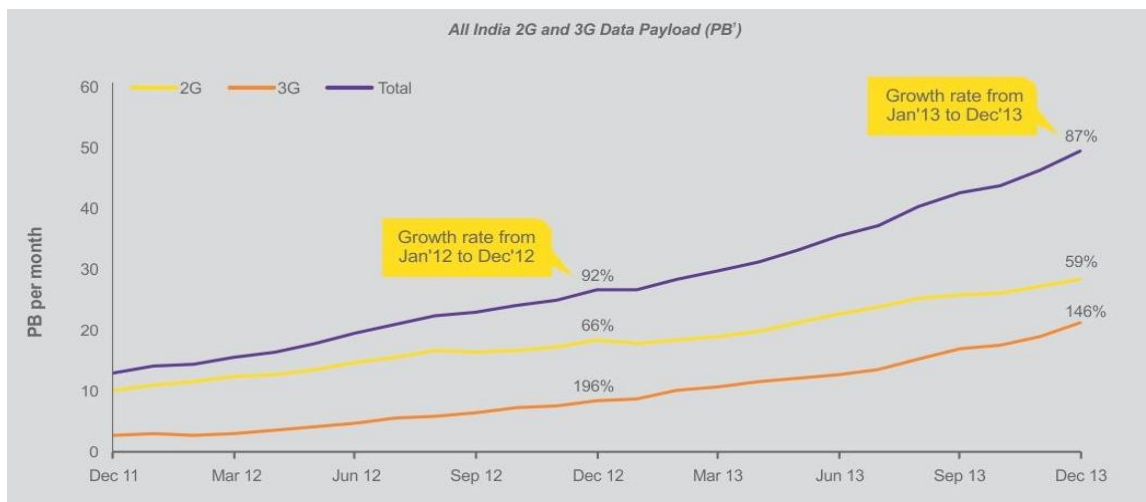
out the industry subscriber trends:

(Source: TRAI)

Growth in Data Market

The demand for data services is expected to increase as the telecommunication needs of subscribers become more sophisticated. The number of subscribers who accessed Internet by wireless phones had increased to 143.2 million as of March 31, 2013, representing approximately 16.5% of total wireless subscribers. (Source: TRAI)

Mobile data traffic in India has been increasing with the rise in internet connectivity and use of smart phones in India. Between December 2011 and December 2012, mobile data usage almost doubled, growing at a rate of 92.0%. (Source: Nokia MBit Index Report, 2013) This growth was largely driven by 3G data services with its share in total mobile data increasing from 33.0% in 2012 to 43.0% in 2013. (Source: Nokia MBit Index Report, 2014) In 2013, 3G services in India increased by 146.0%, exceeding the world average of mobile broadband data growth. (Source: Nokia MBit Index Report, 2014) The chart below illustrates pan India mobile broadband usage for the periods indicated:



(Source: Nokia MBiT Index Report, 2014)

Between 2013 and 2018, mobile data traffic is expected to grow at a CAGR of approximately 61.0%. (Source: Cisco Visual Networking Index: Global Mobile Data Traffic Forecast, 2013-2018, February 2014, available at http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white_paper_c11-520862.html) In 2013, the number of mobile connected tablets increased to 92 million and each tablet generated 2.6 times more traffic than the average smartphone. In 2013, there were 149 million laptops on the mobile network and each laptop generated 4.6 times more traffic than the average smartphone. By 2018, mobile data traffic is expected to increase to 15.9 exabytes per month, an eleven fold increase from 2013. Mobile data traffic will grow at a CAGR of 61.0% from 2013 to 2018. (Source: Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2013-2018, February 2014, available at http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white_paper_c11-520862.html)

Decrease in incremental capital expenditures per subscriber driven by infrastructure sharing and economies of scale

Wireless service providers use a wide network of infrastructure elements including backhauled, tower masts, power sources, antennas, physical sites and transmission and radio equipment. Infrastructure sharing between wireless service providers enable the leveraging of existing infrastructure to cater to additional coverage with reduced capital expenditure, lower operating expenses and faster implementation. It also encourages the growth of wireless subscribers and helps improve coverage in rural and remote areas. Given the benefits of infrastructure sharing, the DoT has allowed passive infrastructure sharing between service providers. Active infrastructure sharing has been recently implemented but is limited due to certain complexities in sharing electronic equipment between operators with different configurations.

Telecommunication operators have demerged their passive infrastructure assets into separate subsidiaries to identify, unlock and maximize value from renting infrastructure to other operators. As a result, incremental capital expenditure per subscriber has decreased.

Increased Wireless Penetration

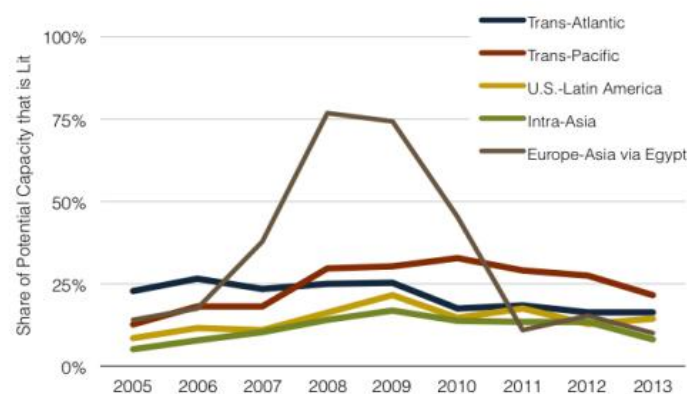
The Government and certain regulatory authorities aim to improve teledensity across India and have established subscriber targets to achieve this. In the NTP 2012, the DoT set a target to provide affordable and reliable broadband-on-demand by 2015. It also aimed to have 175 million broadband connections by 2017 and 600 million by 2020. The policy also aimed to provide high speed and high quality broadband access to all village panchayats by 2014 and to all villages and habitations by 2020. Provision of rural telecommunication services is also one of the policy objectives and is expected to be a key growth driver. Factors such as favourable demographics and stable economic growth will continue to be key drivers of the Indian telecommunication market. (Source: NTP 2012)

Growth in technology products

By the end of 2014, the number of mobile-connected devices will exceed the number of people on earth, and by 2018 there will be approximately 1.4 mobile devices per capita. There will be over 10 billion mobile connected devices by 2018, including machine-to-machine modules. By 2018, over half of all devices connected to the mobile network will be smart devices. Globally, 54.0% of mobile devices will be smart devices by 2018. The vast majority of mobile data traffic (96.1%) will originate from these smart devices by 2018, an increase from 88% in 2013. (Source: Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2013-2018, February 2014 available at http://www.cisco.com/c/en/us/solutions/collateral/service-provider/visual-networking-index-vni/white_paper_c11-520862.html)

Global Business

Submarine cables are the primary means of intercontinental communications. Recent technological advancements, particularly the commercial adoption of 100 Gbps transceivers, continue to expand the potential operating capacity of submarine cables worldwide. (Source: TeleGeography, *Global Bandwidth Research Service Report - 2014*) To meet demand, subsea cable operators have increased the lit capacity (the actual traffic-carrying capacity of the existing system, based on what has been equipped to date of existing systems) and have started to construct new undersea cables. Upgrades to existing systems are important with regard to capacity expansion. Advances in optical technologies allow cables to be upgraded beyond original estimates. The chart below illustrates the percentage of potential capacity that is lit on major submarine cable routes for the years 2005 to 2013:



Note: Data reflects the percentage of potential capacity that was lit at the end of the respective year. Potential capacity figures are based on operators' view of theoretical maximum capacity as of year-end and do not uniformly assume 100 Gbps wavelengths on all systems. Intra-Asia capacity only includes cables with landings in both Hong Kong and Japan. Trans-Pacific capacity excludes Southern Cross and Telstra Endeavour. Trans-Atlantic capacity excludes Atlantis-2.

(Source: TeleGeography, *Global Bandwidth Research Service Report - 2014*)

There are high entry barriers to the industry, including:

- High cost and long lead time needed to build subsea cable systems;
- Limited availability of rights of way; and
- Complex and lengthy regulatory and commercial processes.

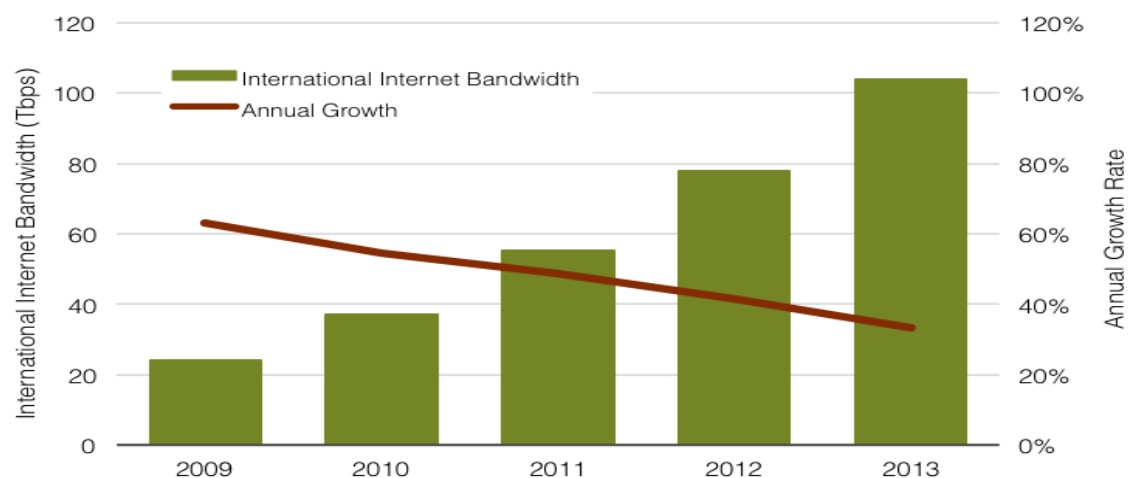
International Voice

Between 2003 and 2013, a mature international wholesale voice market has emerged. Traffic terminated by wholesale carriers grew 11.0% in 2012 to 330 million minutes. The share of global traffic transported by

wholesale carriers had increased from 45.0% in 2003 to 65.0% in 2012. (Source: TeleGeography Report 2013)

International Internet Market

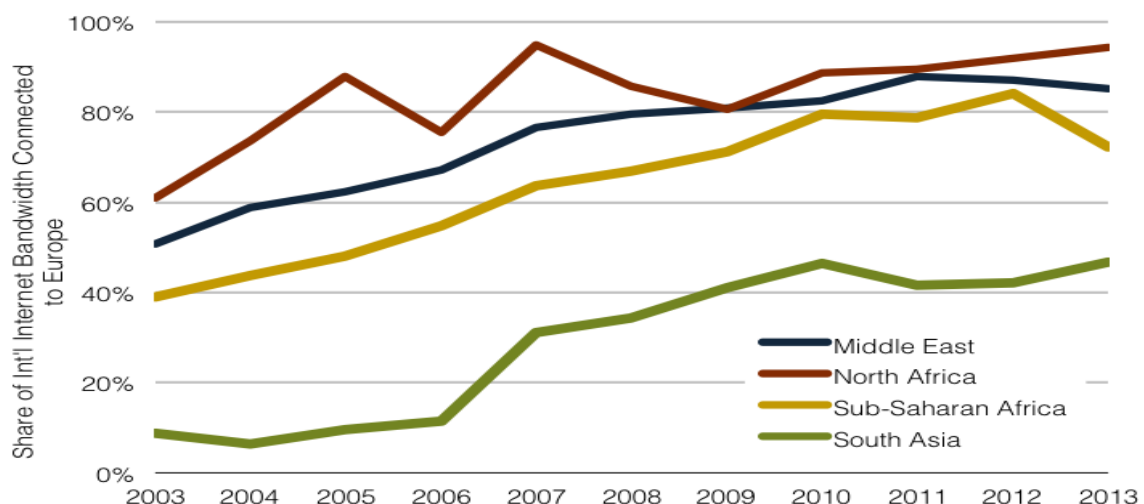
International internet bandwidth and traffic growth remain stable and increased at a CAGR of more than 40.0% between 2009 and 2013. This strong demand growth was frequently offset by declines in wholesale IP transit prices. Growth remained stable in 2013 as international internet traffic increased by 35.0%. However, after years of continuous descent, IP transit prices also declined modestly in many markets. International internet capacity growth has been slowing gradually, declining from 63.0% in 2009 to 33.0% in 2013, the slowest rate of increase recorded in ten years. International internet capacity nearly doubled to 104 Tbps in 2013 from 55 Tbps in 2011. The chart below illustrates certain data pertaining the growth of international internet bandwidth 2009 and 2013:



Note: Data represents Internet bandwidth connected across international borders as of the middle of the respective year. Domestic routes are excluded.

(Source: TeleGeography – Global Internet Geography Report 2013)

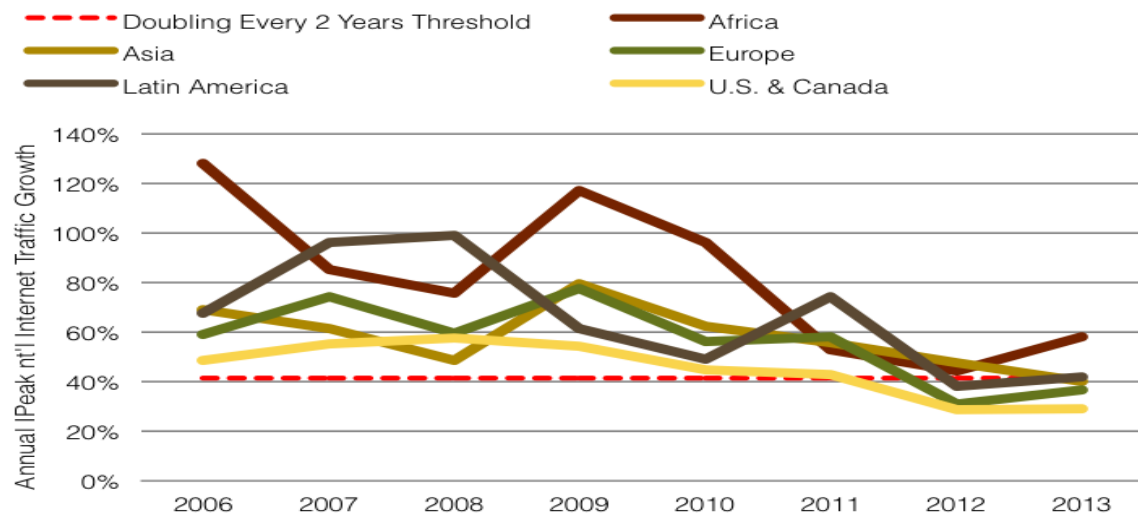
The three highest capacity international routes are connected to the United States and Canada. However, the share of total interregional capacity connecting to this region is declining. The share of interregional capacity from Middle East, South Asia, North Africa and Sub-Saharan Africa to Europe had increased between 2003 and 2013. (Source: TeleGeography – Global Internet Geography Report 2013) Europe had become the primary internet hub for Middle East, North Africa and Sub-Saharan Africa due to low IP transit prices, numerous opportunities, geographic proximity and a multitude of submarine cable landings. (Source: TeleGeography – Global Internet Geography Report 2013) The chart below illustrates changes in sub-regional capacity connected to Europe between 2003 and 2013:



Note: Data is as of the middle of the respective year.

(Source: TeleGeography – Global Internet Geography Report 2013)

In 2013, peak international internet traffic increased by 38.0%. While internet traffic growth rates vary between regions, growth rates for most regions have historically exceeded 41.0% annually. However, growth has slowed globally and in 2013, only Africa and Latin America experienced traffic growth rates of more than 41.0%. The chart below illustrates peak international traffic growth rates by region between 2006 and 2013:



Note: Data is as of the middle of the respective year.

(Source: TeleGeography – Global Internet Geography Report 2013)

OVERVIEW OF THE TELECOM REGULATORY REGIME IN INDIA

The following is an overview of the important laws, regulations and policies which are relevant to our business in India. The information provided below has been obtained from sources available in the public domain. The description of laws, regulations and policies set out below are not exhaustive, and are only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of Indian law and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. In addition to the regulations and policies already specified in this Placement Document, taxation statutes such as the IT Act, various labour laws, environmental laws and other miscellaneous laws apply to us as they do to any other Indian company.

Overview

The telecommunications industry in India is subject to extensive government regulation. The Government holds the exclusive power to provide telecommunication services and issue licenses for the same. In the initial stages, the Government had monopoly in the industry, and the services were provided by the Department of Telegraphs and Posts. In 1991, the Government began privatizing the sector with de-licensing telecommunication equipment manufacture.

The DoT established under the Ministry of Communication and Information Technology, Government of India is the primary regulator for the telecommunications sector. The DoT, together with the Telecom Commission, is responsible for formulating development policies for the accelerated growth of telecommunication services, licensing, wireless spectrum management, promotion of private investment in telecommunications, research and development as well as standardizing and validating equipment. In 1997, the Government set up the TRAI, an independent statutory regulator, with extensive powers to regulate the telecommunications sector in India. Subsequently, a separate dispute resolution body namely the TDSAT was set up in 2000, to settle disputes between a licensor and a licensee, between two or more service providers, between a service provider and a group of consumers pertaining to the telecommunications sector. The WPC wing of the Ministry of Communication and Information Technology, created in 1952, is responsible for frequency spectrum management. The WPC issues licenses to establish, maintain and operate wireless stations. The wireless license is an independent license and any UASL holder intending to offer mobile services is required to obtain a separate wireless license from the WPC wing. The WPC is divided into (i) licensing and regulations, (ii) new technology group, and (iii) the Standing Advisory Committee for Frequency Allocation (the “SACFA”). The SACFA, a high level committee, issues approvals for the use of radio frequency (spectrum) by telecom service providers, which involves a detailed technical evaluation of certain factors, including possible aviation hazards and interference (electro-magnetic interference/electro magnetic compatibility) to existing and proposed networks.

Key regulations in the telecommunications sector

Indian Telegraph Act, 1885 and Indian Wireless Telegraphy Act, 1933

The Indian Telegraph Act, 1885 is the principal legislation regulating telegraphs, which include any appliance, instrument, material or apparatus used or capable of use for transmission or reception of signs, signals, writing, images and sounds or intelligence of any nature by wire, visual or other electro-magnetic emissions, radio waves or hertzian waves, galvanic, electric or magnetic means. Under this legislation, the Government has the power to grant licenses and make rules applicable to persons licensed under the Act. Under the Indian Wireless Act, 1933 no person is permitted to possess a wireless telegraphy apparatus without obtaining a license.

Pre-National Telecom Policy Regulation

In 1991, India adopted the new economic policy of liberalisation. The Government initiated the process of liberalizing the telecommunications industry by inviting bids from private service providers to provide cellular services in the four metropolitan cities of Chennai, Delhi, Kolkata and Mumbai. Foreign participation was limited to 49% ownership and such participants had to be an entity with prior experience in the telecommunications sector.

In 1992, the Government deregulated the telecommunications sector by unbundling the domestic basic services and value-added services and allowing private sector participation in the provision of value added services such as cellular and paging services.

National Telecom Policy 1994

In 1994, the Government announced the National Telecommunications Policy, 1994 (“**NTP 1994**”) formulated for further liberalisation and deregulation of the Indian telecommunications sector. The objectives sought to be achieved by the year 1997 under NTP 1994 included:

- Telephones were to be available on demand;
- All villages in India were to have access to basic telephone services;
- In urban areas, a public call office (“**PCO**”) was to be provided for every 500 persons; and
- To make available value added services and to raise telecommunications services in India to international standard within the 8th Five Year Plan (1992-1997), preferably by 1996.

In order to implement the NTP 1994, licenses were granted to eight cellular mobile telephone service (“**CMTS**”) operators. Two licenses were granted in each of the four metropolitan cities. In the second phase of implementation of the policy in December 1995 through a competitive bidding process 14 CMTS licenses were issued in 18 State Circles and 6 basic telephone service licenses were issued in 6 State Circles and paging licences were awarded in 27 cities and 18 State Circles. The Circles were classified into three categories (‘A’ to ‘C’) based principally on their revenue generating potential with the Category ‘A’ Circle having the highest revenue potential. The Government also invited bids from Indian companies for providing basic (fixed-line) services in 21 Circles.

New Telecom Policy 1999

In March 1999, the Government announced the New Telecommunications Policy 1999 (“**NTP 1999**”). NTP 1999 laid down a clear roadmap for future reforms, contemplating the opening up of various segments of the telecommunications sector for private sector participation. It clearly recognized the need for strengthening the telecommunications regulatory regime and for restructuring the Department of Telecommunication Services (“**DTS**”) into a corporate organisation, in order to separate the licensing and policy-making functions of the Government from that of being an operator. It also recognized the need for resolving the prevailing problems faced by the operators so as to restore their confidence and improve the investment climate.

Key features of the NTP 1999 include the following:

- Opening up of national long distance (“**NLD**”) services and international long distance (“**ILD**”) services to private operators;
- Licensing of private telecommunications operators on a revenue sharing basis in addition to a one-time entry fee;
- Direct interconnectivity and network sharing with other operators within the service area permitted; and

- Spectrum management made transparent and more efficient.

From 2000, DTS operated as telecommunications service provider through Bharat Sanchar Nigam Limited (“**BSNL**”) and Mahanagar Telephone Nigam Limited (“**MTNL**”). BSNL was to provide telecommunications services in the entire country except in Delhi and Mumbai where MTNL was to be the service provider. BSNL and MTNL were permitted to provide mobile services in those service areas where each was already providing fixed-line services. Accordingly, BSNL and MTNL became the third cellular services operators in such service areas.

In January 2001, based on the TRAI’s recommendations, the Government issued guidelines to permit fixed-line services providers to provide limited mobility services using wireless in local loop (“**WLL**”) technology, within the specified short distance charging area, in which the relevant subscriber was registered. It also published guidelines concerning the fourth license to be awarded for each service area.

In October 2003, the TRAI recommended to the Government that basic services (i.e. fixed line service) providers providing limited mobility services using WLL technology pay a specified amount as an additional entry fee.

In November 2003, an addendum to NTP 1999 was issued to include the following categories of licenses for telecommunications services:

- A unified license for telecommunication services, permitting the licensee to provide all telecommunication/telegraph services covering various geographical areas using any technology; and
- A license for unified access (fixed-line and cellular) services, or a UASL, permitting the licensee to provide basic and/or wireless services using any technology in a defined service area.

There was to be no limitation on the number of UASL that could be granted in any Circle although availability of spectrum would limit the number of service providers who propose to provide wireless services. The salient features of the unified access licensing regime were as follows:

- The country was divided into 23 service areas for providing unified access services. This comprised 19 Circles (comprising the States) and 4 metro service areas.
- A licensee under the UASL could provide wireline and wireless services in a service area. Wireless services include full mobile, limited mobile and fixed wireless services. The licensee could also provide various value added services such as voicemail, audiotex services, video conferencing, email, etc. on a non-discriminatory basis.
- No additional entry fee was charged from the fourth cellular mobile service providers for migrating to the UASL. Existing basic service operators would pay the difference between (a) the entry fee paid by the fourth cellular mobile service providers for that service area and (b) the entry fee already paid by the basic service operators (“**BSOs**”). In service areas where there was no fourth cellular operator, the migrating BSO would not be charged any extra entry fee.
- The license fee was 10% of adjusted gross revenue (“**AGR**”) for metros and category A, 8% for category B and 6% for category C service areas, with effect from April 1, 2004. Spectrum charges are to be levied separately.
- Existing operators had the option of continuing under the existing licensing regime (with existing terms and conditions) or migrating to the UASL regime in existing service areas, with the existing allocated/ contracted spectrum.
- The license fee, service area, rollout-obligations and performance bank guarantee under the UASL would be the same as for the fourth cellular mobile service providers.

- Service providers migrating to UASL would continue to provide wireless services in already allocated/contracted spectrum and no additional spectrum would be allotted under the migration to the UASL regime.
- UASL service providers were free to use any technology without any restriction.

As part of the second stage of unified licensing for all services, the TRAI released two consultation papers in November 2003 and March 2004 and subsequently, draft recommendations on unified licensing in August 2004. After getting the views of all stakeholders, the TRAI released its final recommendations on unified licensing for all telecommunications services in January 2005.

According to the TRAI, the key objective behind the recommendations for UASL was to encourage free growth of new applications and services, leveraging on technological developments. The recommendations aimed at enabling interested parties to provide any telecommunications service in the service area of their choice by obtaining a single license. The other objectives of the draft recommendations are to simplify the procedure of licensing in the telecommunications sector, ensure ease of entry, ensure flexibility and efficient utilisation of resources keeping in mind technological developments and increase the penetration of telecommunications services in rural/remote/less developed areas. The salient features of the TRAI's recommendations were as follows:

- The TRAI recommended a four tier hierarchical licensing regime consisting of (i) UASL, (ii) class license, (iii) licensing through authorization and (iv) standalone broadcasting and cable TV license. The UASL regime except for stand-alone broadcasting and cable TV licenses will be at the highest level of hierarchy.
- The UASL regime will enable a licensee to provide any or all telecommunications services by acquiring a single license. All public networks irrespective of media and technology capable of offering voice and non-voice data services, including internet telephony, cable TV, direct to home, TV and radio broadcasting would be covered under the UASL. Therefore, a customer could receive all the above mentioned types of telecommunications services from a single licensee who could operate using a wireline or wireless media.
- The class license would cover services such as satellite services which do not have two-way connectivity to public networks. Licensing through authorisation would cover services for provision of passive infrastructure and bandwidth services to service providers, radio paging, voicemail, audiotex, video conferencing, videotext, e-mail, e-commerce, unified messaging services, tele-banking, tele-medicine, tele-education, restricted internet telephony.
- To increase penetration of telecommunications services, niche operators would be allowed to provide fixed wireline or wireless telecommunications services in areas where the fixed rural tele-density was lower than 1% without paying any entry fee.
- For UASL, class license and niche operators, the annual license fee was decreased to 6% of AGR. In addition, it has proposed changing the definition of AGR to exclude all non-telecommunications revenues such as revenues earned from the sale of handsets and capital goods, income from interest and dividends, etc.
- For class license, niche operators and licensing through authorisation, there would be no registration charge. For UASL service providers, registration charge would be levied.
- For a period of 5 years it would not be mandatory for existing telecommunication service providers to obtain a UASL, after which it would become mandatory to switch to the UASL regime.

- Internet service providers (“**ISP**”) could not offer unrestricted internet telephony. ISPs offering restricted internet telephony would require a license through authorization only.

In October 2007, the DoT announced the following:

- There would be no cap on the number of access providers in any service area.
- The UASL was to be technology neutral and the licensees were required to provide access services and meet the stipulated rollout obligations using wireline and / or wireless technologies by utilizing network equipment that met the prescribed standards. The allocation of radio-spectrum and grant of wireless license would be subject to availability. In case a UASL licensee was not allocated spectrum due to non-availability, the licensee must endeavor to roll-out services using wire line technologies. It was also decided that the roll-out for wireless services would be reckoned from the date of spectrum allocation. This would also apply to those licensees who are awaiting initial spectrum allotment.
- In order to further enhance the penetration of access services for rapid expansion of tele-density, it was also decided that the existing private UASL licensees would be permitted to expand their existing networks by using alternate wireless technology i.e. an existing licensee using GSM technology for wireless access may be permitted to use CDMA technology and vice-versa. The spectrum for the alternate technology, CDMA or GSM (as the case may be) would be allocated in the applicable frequency band subject to availability after payment of prescribed fee. Spectrum may be allocated for alternate technology in favour of private UASL licensees on the payment of the prescribed fee, which would equal the entry fee for getting a new UASL in the same service area. Existing UASL licensees, who had already applied for allocation of spectrum for alternate technology would also be considered for allocation of spectrum for alternate technology from the date of payment of prescribed fee. BSNL and MTNL, being incumbent operators, would be permitted usage of alternative technology and allocated spectrum for alternate technology without paying the prescribed fee. For the purpose of payment of license fee and spectrum charges, the stream-wise revenue of different technologies would be considered.
- At the time of further allotment of spectrum in any technology, if the licensee’s eligibility for allocated spectrum in the other technology fell below the criterion set for spectrum allotment for the last consecutive six months, then a corresponding chunk of spectrum in that technology will be surrendered by the licensee before any further allotment of spectrum was to be considered.
- For failure to meet roll-out obligation within the prescribed time schedule, the existing stipulation of termination of license under the UASL agreement would continue. In addition, performance bank guarantee (“**PBG**”) could also be forfeited and the service provider may be asked to resubmit PBG of the same amount. No additional spectrum would be allocated to the licensees without fulfilling the roll-out obligations. In case of spectrum auction, a licensee who had not met his roll-out obligation against an existing licence would not be eligible to participate in any spectrum auction till the roll-out obligation was met. Any proposal for permission for merger would not be entertained till the roll-out obligation is met; however, a request for permission for acquisition would be entertained. Roll-out for each licensed service area was to be dealt separately. In case of violation of roll-out conditions, the Government could consider termination of license.

3G and BWA Spectrum Auction

In 2010, the Government decided to auction the 3G and BWA spectrum. The DoT had floated a notice inviting applications dated February 25, 2010. After finalisation of eligible bidders, e-auction started on April 9, 2010 and the BWA e-auction started after the 3G auction was completed. The 3G spectrum was made available for commercial use from September 1, 2010. Accordingly, operators launched the 3G services across the country.

Mobile Number Portability

On November 25, 2008, the DoT issued tenders for mobile number portability (“MNP”) services and in 2009, the DoT issued the Telecommunication Mobile Number Portability Regulations. Intra Circle MNP was implemented across the country in January 2011. Subsequently, the TRAI held a consultation on the issue of inter Circle MNP and released a pre-consultation paper on pan India MNP on February 20, 2013 and subsequently issued recommendations on September 25, 2013.

Auction of Spectrum

- In November 2012, the Government conducted an auction for the 800 MHz and 1800 MHz spectrum band. The auction allowed operators whose license has been cancelled by the Supreme Court of India to participate and acquire spectrum. There were no bidders for 1800 MHz spectrum in Delhi, Mumbai, Rajasthan and Karnataka. There were no bidders for 800 MHz spectrum in any of the Circles.
- In March 2013, auctions were held for spectrum in 800 MHz, 900 MHz and 1800 MHz. Whilst there were no bidders for 900 MHz and 1800 MHz, only one bidder put in a bid for 800 MHz which was accepted for eight Circles.
- In February 2014, the DoT auctioned 2G telecommunications spectrum for 900 and 1800 MHz. The successful bidders were awarded spectrum in February 2014. There were seven bidders who were awarded the 1800 MHz spectrum and three bidders who were awarded the 900 MHz spectrum.

National Telecom Policy 2012

The NTP 2012 envisions providing secure, reliable, affordable, and high quality converged telecommunication services for an accelerated and inclusive socio-economic development. The main areas of thrust of the NTP 2012 include:

- Increase rural tele-density from approximately 39 to 70 by the year 2017 and 100 by the year 2020.
- Reposition the mobile phone as an instrument of empowerment that combines communication with proof of identity, fully secure financial and other transaction capability, multilingual services and other services that transcend the literacy barrier.
- Provide affordable and reliable broadband-on-demand by the year 2015 and to achieve 175 million broadband connections by the year 2017 and 600 million by the year 2020 at minimum 2 Mbps download speed and making available higher speeds of at least 100 Mbps on demand.
- Make India a global hub for telecommunications equipment manufacturing and a centre for converged communications services.
- Deliver high quality services in voice, data, multimedia and broadcasting services on converged networks.
- Liberalize usage of spectrum to enable use of spectrum in any band to provide any service in any technology through spectrum pool, sharing and trading.
- Put in place a simplified mergers and acquisition regime for the telecommunications sector that ensures adequate competition.
- Simplify the licensing regime by extending further converged high quality services across India including rural and remote areas.
- Achieve “One Nation - Full Mobile Number Portability” and work towards “One Nation - Free Roaming”

- Recognize futuristic roles of cloud computing and new internet protocol version 6 (i.e. IPv6) and its applications in different sectors of the Indian economy.

TRAI's Guidelines for Unified License/Class license and Migration of Existing Licenses

The DoT had sought the TRAI's recommendations on modalities for enabling existing UAS/CMTS/ISP/NLD/ILD/Global Mobile Personal Communications by Satellite (“**GMPCS**”) licensees to migrate to national/service area level unified licence. On April 6, 2012, the TRAI released recommendations which included:

- There will be three levels of unified licenses; national level, service area level and district level. An applicant can either apply for national level unified license or service area level unified license or district level unified license.
- Subject to satisfaction of eligibility conditions, licenses will be issued on a non-exclusive basis without any restriction on the number of licenses.
- At the time of applying for the unified license, no access spectrum will be given. A holder of unified license other than district level unified license may separately obtain spectrum as per the prevailing policy.

Unified License

Based on the recommendations received from the TRAI, the Government decided to move to the unified license regime. The spectrum will be delinked from the license and the license will cover all the services, such as mobile, fixed line, NLD, ILD, ISP, etc. The operator may opt for the full unified license covering all telecommunication services or select the telecommunication services they would like to offer and, accordingly, the authorization will be provided in the license. On August 19, 2013, the DoT issued the guidelines for the unified license (the “**UL Guidelines**”) and also the migration path for existing operators to move to the unified license. ISPs with BWA spectrum would also be allowed to migrate to the unified license after paying an additional fee equal to the difference between the entry fee for UASL and entry fee paid for ISP license in addition to entry fee as applicable for the new unified license.

In June 2012, the DoT decided to move to uniform license fees for UASL, NLD, ILD and ISP licenses. In the event of holding or obtaining access spectrum, no licensee or its promoters may directly or indirectly have any beneficial interest in any other licensee holding access spectrum in the same service area. Further, the minimum capital requirements have been prescribed under the UL Guidelines. The license fee has been prescribed as 8% of the AGR. However, from the second year of the effective date of respective authorization, the license fee shall be subject to a minimum of 10% of entry fee of the respective authorized service and service area. Further, no other license for any of the services covered under the unified license shall be issued/extended/renewed. In addition, the UL Guidelines impose certain restrictive conditions in relation to equity holding in other companies and security conditions. Pursuant to an amendment to the UL Guidelines dated December 2013, the existing telecommunication service providers are now required to migrate only their relevant license to unified license at the time of renewal/extension of license. On January 8, 2014, the DoT issued consolidated guidelines for grant of unified license.

Service	July 1, 2012 to March 31, 2013	April 1, 2013 onwards
UASL		
Metro & A category	9%	8%
B category	8%	8%
C category	7%	8%

NLD	7%	8%
ILD	7%	8%
ISP		
Under 1998 ¹ guidelines (without internet telephony)	4%	8%
Under 2002 guidelines (with internet telephony) and the August 24, 2007 guidelines	7%	8%

¹ The TRAI has held a consultation exercise on this and is yet to submit its recommendations to the DoT.

One Time Spectrum Charge

- On December 28, 2013, the DoT has issued an order for levying a one-time spectrum charge on GSM operators holding spectrum beyond 6.2 MHz between July 1, 2008 and December 31, 2012 and beyond 4.4 MHz from January 1, 2013 and accordingly demands have been issued to the operators.
- On March 15, 2013, the DoT has also issued an order for levying a one-time spectrum charge on CDMA operators holding spectrum beyond 2.5 MHz from January 1, 2013 and accordingly demands have been issued to the operators.
- The orders and the demands have been challenged by the operators and the matter is currently being heard by the Supreme Court. See “Legal Proceedings”.

EMF Norms

In 2008, the DoT adopted the international electromagnetic field (“**EMF**”) norms in respect of mobile towers prescribed by the International Commission on Non-Ionizing Radiation Protection (“**ICNIRP**”). The DoT required operators to meet the ICNIRP norms. The operators were required to submit self certification for meeting the ICNIRP norms. The DoT has now revised the EMF norms to one-tenth of the limit prescribed by ICNIRP norms. Operators are required to comply with the new norms with effect from September 1, 2012. Now telecommunications enforcement resource and monitoring cells have been entrusted with auditing the self certification issued by the operators.

Preferential Market Access for Domestic Products

- The DoT has issued a notification dealing with a Government procurement policy for purchasing domestically manufactured electronic products for its own use and for products that have security implications and do not involve resale. The DoT has prescribed a list of products as well as the minimum value addition required from manufacturers each year for each item.
- The Government has decided to defer the extension of the preferential market access policy to private operators.

TRAI Recommendations on Exit Policy for Various Telecommunications Licenses

The DoT had sought the TRAI's recommendations on exit policy for all types of licenses. Based on analysis of the comments received on the draft response paper from the stakeholders and its own analysis, on April 18, 2012, the TRAI decided that there was presently no need for a separate exit policy for telecommunications licenses and the present conditions in various licenses for surrender of license, whereby a licensee can surrender the license by giving a notice of at least 60 calendar days (30 calendar days in case of ISP license) in advance, will continue to be applicable.

Enforcement of Regulations and Orders issued by TRAI - Prescription of Financial Disincentives

For better enforcement of various regulations and orders issued by the TRAI, financial disincentives for infringements have been prescribed by the TRAI, *inter alia*, in the following cases:

- Telecommunications service provider's poor quality standards in case of basic telephone services (wireline), cellular mobile telephone services and broadband services for non-compliance with the prescribed service quality parameters and customer service quality parameters;
- Wrong rejection of porting requests by telecommunications service providers;
- Telecommunications service providers who fail to comply with tariff reporting requirements or levy excess charges on consumers;
- Telecommunications service providers' delay in submission of, or for submission of false information in, accounting separation reports.

Merger and Acquisition

Pursuant to the National Telecommunications Policy, 2002 and the Companies Act, 2013, the DoT, the Ministry of Communications and Information Technology on February 20, 2014 issued guidelines for transfer/merger of various categories of telecommunication service licenses/authorisation under unified license on compromises, arrangements and amalgamation of telecommunications service providers. Some of the significant guidelines are set out below:

- The DoT has to be notified of any proposal filed for compromise, arrangement and amalgamation of the licensees and any representation/objection has to be made by the DoT within 30 days of the receipt of the notice.
- Following the approval of the scheme under the Companies Act, 2013, a period of one year is available for transfer/merger of different licenses in different service areas subsequent to the appropriate approval by the National Company Law Tribunal or company judge.
- Following a merger or a particular scheme under the Companies Act, 2013, licenses/authorisations of the transferor company will be subsumed into the resultant entity. The validity of the various licenses/authorisations will be equal to the higher of the validity of licenses/authorisations of the merging entities on the date of the merger. Pro-rata payment may be needed to made for the extended period of the license/authorisation.
- The transfer/merger of licenses will be allowed only if the market share of the resultant entity for access services in respective service areas does not exceed 50%. In case the market share exceeds 50%, the resultant entity is required to reduce its market share to the limit of 50% within one year from the date of approval of the merger or acquisition or amalgamation by the competent authority. The DoT is empowered to initiate suitable action for failure to limit the resultant entity's market share to 50% within one year.

The market share of the subscriber base and the AGR of the licensee in the relevant market (i.e., the entire access market including wireline and wireless customers) will be considered for determining market share.

- If the transferor holds a part of the spectrum pursuant to payment of entry fee, the transferee company at the time of the merger is required to pay the Government the differential between the entry fee and the market determined price of spectrum from the date of approval of such arrangement on a pro rata basis for the remaining period of validity of the license.

- The DoT has assigned certain thresholds for the resultant entity formed pursuant to compromise, arrangement or amalgamation and merger of licenses in specified service areas. The total spectrum held by the resultant entity must not exceed 25% of the total spectrum assigned for access areas and 50% of the spectrum assigned in a given band, by way of auction or otherwise for a specific service area.
- If the total spectrum held by the resultant entity is beyond the prescribed thresholds, the excess spectrum needs to be surrendered within one year of the permission being granted.
- All demands raised by the Government/the DoT in relation to the licenses of the merging entities will have to be cleared by either of the two licensees before issue of permission for merger or transfer of licenses /authorisations.
- Pursuant to transfer/merger of licenses in a service area, if the resultant entity becomes a significant market power (“SMP”) as defined in the Telecommunications Interconnect (Reference Interconnect Offer) Regulations, 2012, it has to comply with the rules and regulations applicable for SMPs.
- Dispute resolution will be handled by the Telecommunications Dispute Settlement and Appellate Tribunal in terms of the Telecommunications Regulatory Authority of India Act, 1997.

Interconnection Usage Charges

The TRAI has issued the Interconnection Usage Charges Regulations, 2003 regulating arrangements amongst service providers for telecommunication services and payment of interconnection usage charges such as termination charges, carriage charges and access deficit charges.

National Frequency Allocation Plan, 2011

The National Frequency Allocation Plan, 2011 (“NFAP”) was developed by the WPC in line with the policies of the World Radiocommunication Conference, 2007 of the International Telecommunication Union (“ITU”). The NFAP was developed with a view to (i) cater to emerging technologies, (ii) ensure equitable and optimum utilization of scarce natural resources of radio frequency spectrum and (iii) encourage or promote indigenous technologies/manufacturing by provisioning of small chunk of spectrum in certain frequency band/sub-bands in limited geographical area. The ITU formulates the international frequency table based on which the member countries can formulate their own frequency allocation plan. Accordingly, the WPC formulates the national frequency allocation plan for the allocation of spectrum frequencies in India.

Installation of Mobile Towers

The DoT issued a letter dated December 11, 2012, to all telecommunication service providers requiring all telecommunication towers erected or used by telecommunication service providers to conform to the generic requirements of towers issued by Telecommunications Engineering Centre, with effect from April 1, 2014. Further, the DoT has issued Advisory Guidelines for State Government for Issue of Clearance for Installation of Mobile Towers. These guidelines provide for, *inter alia*, procedure for obtaining clearance from local bodies and/or State Governments for installation of mobile towers and the power accorded to the State Government and/or local body in this regard. In addition to the above, permission from various authorities such as the municipal authorities, zilla parishad, gram panchayat or any other local authority would be required for setting up towers and other infrastructure. Further, permission from State pollution control boards would be also required for the operating DG sets.

Quality of Service of Broadband Service

The Broadband Policy, 2004, was issued by the Government for fixing the service quality standards for broadband services. Pursuant to the Broadband Policy, 2004, the TRAI on October 6, 2006 issued the Quality of Service of Broadband Service Regulations, 2006 (the “**Broadband Regulations**”) for all ISPs, UAS providers, basic service providers and CMTS providers providing broadband services including MTNL and BSNL.

The Broadband Regulations seek to achieve the following objectives:

- creating transparent and monitorable standards for broadband services to be provided by service providers;
- measuring and assessing the quality of broadband service provided; and
- protecting the interests of consumers and enhancing consumer satisfaction.

Some of the key obligations of service providers include, *inter-alia*,:

- meeting the benchmarks for the prescribed quality of service in relation to broadband services. The parameters include service provisioning, fault repair, billing performance and bandwidth utilization;
- submitting quarterly performance monitoring reports on the prescribed benchmarks for measuring the quality of service;
- registering all demands for broadband connections and providing registration numbers to prospective customers;
- maintaining complete and accurate records which are to be audited/inspected by the TRAI; and
- making available a facility for measuring broadband connection speed at the ISP node.

Telecommunication Tariff Order, 1999

The TRAI does not fix tariffs for various telecommunications services and permits the telecommunications service providers themselves to fix the tariffs for such services, except for rural fixed line services, national roaming services, leased circuits and use of unstructured supplementary data (“**USSD**”) for USSD based mobile banking services, where a ceiling has been fixed by the TRAI. Tariff regulation for telecommunication services was initiated with the Telecommunication Tariff Order, 1999. The TRAI has since, through subsequent amendments, introduced various regulatory measures for protection of subscribers. Service providers must provide a standard package to all subscribers. Where there is no tariff fixed by the TRAI, either as a floor or a ceiling, the service provider may provide, in addition to the standard package, alternative combinations of tariffs to different classes of subscribers in a non-discriminatory manner and such classification shall not be done in an arbitrary manner. Other protective measures stipulated by the TRAI include a prohibition on increase in tariffs of a tariff plan, *inter alia*, during the validity period of a tariff plan which has a validity period of more than six months or which requires the subscriber to make an upfront payment for such validity period, prohibition on termination of existing tariff plans without notice and reporting to the TRAI in case of alteration of tariffs, etc.

Guidelines for Internet Services Providers

According to the guidelines for unified license issued on August 19, 2013, the authorization for provision of internet services is now granted under the unified license. The ISP authorised licensees may provide internet service by using cable network of an authorised cable operator, as last mile linkage, subject to the Cable Television Networks (Regulation) Act, 1995. The service provider may install and operate an international internet gateway in the service area using satellite or submarine cable after obtaining a security clearance from the DoT. The ISP authorised licensees must update online internet lease line customers’ data, set up lawful interception and monitoring systems of requisite capacities and inform the DoT of any change in their

topology/configuration. The licensees must provide periodic reports on the details of ISP nodes and give prior intimation of installation of new nodes. Under the unified license, the scope of internet telephony that can be provided by a licensee with ISP authorization is limited and the licensee must regularly provide the DoT data on the volume of internet telephony traffic flowing through its network and details of subscribers using internet telephony services.

Directions on Implementation of Green Technologies in Telecom Sector, 2012

The DoT in January 2012 directed all NLD service providers to adopt energy efficient network planning and technology, infrastructure sharing and adopt renewable energy technology. Some of the key directions to the service providers are to, *inter-alia*, (i) ensure that at least 50% of all towers are powered by hybrid power in rural areas and 20% in urban areas by 2015 and 75% of all towers in rural areas and 33% in urban areas by 2020; (ii) develop a carbon credit policy for achievement of certain targets by 2020; (iii) submit carbon footprints of their network operations on a bi-annual basis; (iv) ensure that all telecommunication products, services and equipment in the telecommunication network are assessed for their energy consumption and performance and certified to be 'green' by 2015; and (v) evolve, through their industry associations, a voluntary code of practice in relation to adoption of green technologies.

Registration as Infrastructure Provider Category – I

Telecommunications infrastructure service providers are required to be registered with the DoT as IP-I providers and obtain a certificate in this regard from the DoT ("**IP-I Registration Certificate**"). An IP-I provider can provide infrastructure such as dark fiber, right of way, duct space and towers on lease/rent/sale basis to licensed telecommunication services providers on mutually agreed terms only in accordance with the terms and conditions set out in the IP-I Registration Certificate and the Guidelines for Registration of Infrastructure Providers Category-I issued by the DoT. An IP-I provider must provide its infrastructure in a non-discriminatory manner to telecommunications service providers. An IP-I provider is required to protect the privacy of all communications and prevent unwarranted interception of messages. In addition, an IP-I provider must ensure that any telecommunication installation should not create a safety hazard or contravene any statute, rule, regulation or public policy. Under the provisions of the IP-I Registration Certificate, the DoT may either take over the equipment and networks of the IP-I provider or revoke, suspend or terminate the IP-Registration Certificate either in part or in whole as it deems fit, in public interest, in case of emergency or war or low intensity conflict or in any other eventuality.

Infrastructure Sharing Guidelines

The DoT issued Guidelines for Infrastructure Sharing on April 1, 2008 (the "**Infrastructure Sharing Guidelines**") which are applicable to telecommunication service providers and telecommunication infrastructure providers. The Infrastructure Sharing Guidelines are intended to reduce input costs of telecommunication service providers which would facilitate reduced tariffs and increased tele-density in rural areas. Under the Infrastructure Sharing Guidelines, IP – I providers are required to seek siting clearance from the SACFA to erect towers. Infrastructure providers are permitted to share passive infrastructure in accordance with the provisions in the licenses of BSOs, cellular mobile service providers and the UASL. To incentivize infrastructure providers to provide services to more telecommunications service providers in urban areas, State Governments have been asked to ensure that fees charged to infrastructure providers are at a flat rate, irrespective of the number of telecommunications service providers they provide infrastructure services to.

Universal Service Obligation Fund

The Indian Telegraph Act, 1885 was amended in 2003 through the Indian Telegraph (Amendment) Act, 2003 to establish the Universal Service Obligation Fund (the "**USOF**"). The USOF was initially instituted with the idea of establishing telegraph services, which was later expanded to include including mobile

services, broadband connectivity and creation of infrastructure for people in rural and remote areas at a reasonable price. The different schemes established include, provision of public telecom and information services, provision of household telephones in rural and remote areas, creation of infrastructure for provision of mobile services in rural and remote areas, provision of broadband connectivity to villages in a phased manner, creation of general infrastructure in rural and remote areas for development of telecommunication facilities and induction of new technological developments in the telecom sector in rural and remote areas. A key scheme launched under the USOF is to connect 250,000 gram panchayats in India by utilizing the existing fiber network of public sector telecommunications service providers (such as BSNL, Railtel Corporation of India Limited and Power Grid Corporation of India Limited) and laying incremental fiber to connect to villages wherever necessary, i.e. the National Optical Fibre Network (the “NOFN”). Non-discriminatory access to the NOFN will be provided to various types of service providers such as telecommunications service providers, ISPs, cable television operators and content providers to launch various services in rural areas such as e-health, e-education and e-governance, etc.

Instructions for New Mobile Subscribers

The DoT issued detailed instructions on August 9, 2012 regulating activation and disconnection of new mobile connections to improve customer verification compliance. A customer acquisition form (“CAF”) along with documentary proof of identity and address is required to be provided at the time of activation of a new mobile connection. Certain procedures required to be followed include tele-verification post acquisition of SIM card by the telecommunication service provider and filing of a first information report (“FIR”) by the distributor/franchisee of SIM cards against the subscriber in case the latter submits false documentation. In case the franchisee/distributor fails to lodge an FIR against the subscriber, the telecommunication service provider must lodge an FIR against the subscriber and franchisee/distributor.

Guidelines for Obtaining License for Providing Direct-to-Home Broadcasting Service in India

The Ministry of Information and Broadcasting issued guidelines for obtaining a license to provide DTH services in January 2001. The guidelines prescribe certain eligibility criteria and procedures for obtaining DTH licenses in India. The guidelines restrict broadcasting and cable network companies from collectively owning more than 20% of a DTH licensee’s total paid up equity share capital. The guidelines also restrict the licensee from holding more than 20% in any other broadcasting and/or cable network company. Licensee’s must obtain SACFA clearance and clearance for usage of satellites from the Department of Space and also a clearance from the Ministry of Home Affairs. The DTH license is valid for a period of 10 years. There are no restrictions as to the total number of DTH licensees. The Ministry reserves the right to prohibit the transmission or reception of programmes in the interest of national security, in the event of emergency/war or a similar type of situation. Licensees must cease transmission of television channels or any content as directed by the Ministry or any other designated lawful authority.

Telecommunication (Broadcasting and Cable Services) Interconnection Regulation, 2004

The Telecommunication (Broadcasting and Cable Services) Interconnection Regulation, 2004 govern arrangements among broadcasting and cable service providers for interconnection and revenue share. Under these regulations, broadcasters of television channels are not permitted to enter into arrangements with any distributor of television channels that prevent any other distributor from obtaining such television channels for distribution. Broadcasters are required to provide on request signals of its television channels on non-discriminatory terms to all distributors of television channels (including cable operators, DTH operators, multi-system operators, head ends in the sky operators) on a non-discriminatory basis. Moreover, no broadcaster, multi system operator is permitted to disconnect the television channel signals to a distributor of television channels unless prior notice is served through newspapers. Information must also be given to consumers to enable them to protect their interests.

BUSINESS

Overview

We are a fully integrated and converged telecommunications service provider operating across the full spectrum of wireless, wireline, voice, data, video, internet and IT infrastructure services in India. We believe we are the only telecommunications service provider offering CDMA and GSM mobile services in all 22 Circles in India. We also have a substantial international presence through the provision of long distance voice, data and internet network and services using our widespread submarine cable infrastructure and owned and leased metropolitan city networks.

As of March 31, 2014, we have a customer base of 119.4 million customers, including 110.9 million wireless customers, 1.2 million wireline customers, over 2.6 million overseas retail customers and 4.8 million DTH customers. Our enterprise clientele includes approximately 39,000 Indian and multinational corporations including small and medium enterprises and over 290 global, regional and domestic carriers. Our enterprise customers include 880 prominent enterprises in India.

In India, we provide mobile and fixed wireless voice, data, video and internet services to retail customers. We also provide long distance business services to enterprise customers including wholesale voice, bandwidth and infrastructure services, national and international private leased circuits, broadband internet access, audio and video conferencing, MPLS-VPN, remote access VPN, Centrex, toll-free services, voice services for offices, voice VPN for enterprises and managed IDC services. We offer value-added products and services to large, medium and small enterprises for their communications, networking, and IT infrastructure needs across India.

We have established a pan-India, integrated (wireless and wireline) and convergent (voice, data and video) digital network capable of supporting services spanning the entire telecommunications value chain, and covering over 21,000 cities and towns and over 400,000 villages. We provide 3G services across 13 Circles covering 334 cities including the metropolitan Circles of Mumbai, Delhi and Kolkata. Recently, we launched 3G services in five additional Circles, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Uttar Pradesh (East), through ICR arrangements, thus increasing our 3G coverage to 18 Circles. We provide wireless broadband services on our own network in 1,624 cities and towns and offer internet connectivity in over 19,000 towns across India. Our 43,379 telecommunication towers are used for both CDMA and GSM mobile networks and service multiple mobile service providers, including us and are located in all 22 Circles in India and are supported by over 190,000 Rkm OFC network. We hold UASL and 3G spectrum licenses as well as licenses for the provision of NLD and ILD services.

In India, we also offer nationwide DTH services through our wholly owned subsidiary, Reliance Big TV, in 8,350 cities and towns. Using the MPEG 4 technology, we offer 250 channels in HD like quality. We also offer Standard Definition, High Definition and High Definition-DVR set top boxes.

Our Global Operations comprises the provision of voice, data and internet network and services and the lease of submarine cable infrastructure and metropolitan city networks. We have 650 enterprise customers spread over developed markets such as the United States, the United Kingdom, the Netherlands and Singapore. We own and operate a widespread submarine fibre optic cable network spanning 68,400 Rkm and connecting North America, Europe, Middle-East and Asia through landing points in 27 countries. The total installed capacity of our five subsea cable systems is over 21 Tbps. We also own and lease data and internet networks in 57 cities across 21 countries. We are one of the leading managed Ethernet service providers in the United States and have an established position in the global enterprise data market.

We are a part of the Reliance Group, one of India's largest business groups by market capitalisation (Rs.662.70 billion as of March 31, 2014) with business interests in, among others, telecommunications, power, infrastructure, financial services and entertainment industries. The Reliance Group had over 75,000

employees and its four listed companies in India had over eight million shareholders as of March 31, 2014. The Reliance Group is headed by Mr. Anil D. Ambani, one of India's prominent business leaders.

From an operational perspective, our business is organised into two strategic segments: the India operations and the Global Operations. We conduct a substantial portion of our business through our Subsidiaries, particularly, Reliance Globalcom, Reliance Telecom, RCIL, Reliance Infratel and Reliance Big TV.

For the financial years 2014 and 2013, our total revenue was Rs. 223.21 billion and Rs. 217.78 billion, respectively while profit after tax was Rs. 10.47 billion and Rs. 6.72 billion, respectively.

For the financial years 2014 and 2013, our India operations and Global Operations generated total revenues of Rs. 185.69 billion and Rs. 177.84 billion and Rs. 46.21 billion and Rs. 49.28 billion, respectively.

Our Competitive Strengths

Integrated and Converged Telecommunication Service Provider

We are a fully integrated and converged telecommunications service provider operating across the full spectrum of wireless, wireline, voice, data, video, internet and IT infrastructure services in India. We are currently the only company that provides both CDMA and GSM based mobile services pan-India. While our network covers over 21,000 cities and towns and over 400,000 villages in India, we provide 2G services (both CDMA and GSM based) in all 22 Circles. We provide 3G services in 13 Circles covering 334 cities. Recently, we launched 3G services in five additional Circles through ICR arrangements, thus increasing our 3G coverage to 18 Circles. We hold UASL in all 22 Circles, including NLD and ILD licenses. Our earliest licenses due for renewal in the financial year 2016 relate to the Category 'C' Circles of Assam, Bihar, Himachal Pradesh, North East, Odisha and Category 'B' Circles of Madhya Pradesh and West Bengal. Providing each of CDMA, GSM and 3G based services enables us to maintain subscribers across a diverse range of usage requirements in both voice and data while leveraging our existing infrastructure and service platform. We provide nationwide wireless broadband on our own network in 1,624 cities and towns and offer internet connectivity in over 19,000 towns across India. In addition to the 800 MHz and 900 MHz bands, we also hold spectrum in the 1800 MHz and 2100 MHz bands, which gives us the ability to provide LTE services.

Our Global Operations comprises the provision of voice, data and internet network and services and the lease of submarine cable infrastructure and metropolitan city networks. We offer a variety of voice, data, video, internet and IT infrastructure services to 650 enterprise customers and a web-based international calling card service to over 2.6 million retail customers and over 550 enterprise customers.

Leading Presence in the Wireless Voice, Data and Internet businesses in India

Based on TRAI data, we are among the five largest wireless operators in India and had a 12.3% market share of the wireless services industry based on total number of subscribers as of March 31, 2014. As of the same date, we had a customer base of 119.4 million customers, including 110.9 million wireless customers. For the quarter ended March 31, 2014, we had wireless ARPU of Rs. 128, 102.3 billion total minutes of use and average realized revenue per minute of 43 paise. Based on TRAI data, as of March 31, 2014, we were ranked among the top three wireless operators in India in eight Circles, including metropolitan circles of Mumbai, Delhi and Kolkata based on total number of subscribers. Data services is one of our key focus areas and as of March 31, 2014, we had 37.4 million data customers, including 12.9 million 3G customers. For the quarter ended March 31, 2014, our total data traffic and data traffic per user was 50,251 million MB and 455 MB, respectively.

Extensive Distribution and Service Network in India

We maintain an extensive distribution and service network covering all Circles in India. The key elements of our distribution network are our exclusive Reliance World and Reliance Mobile stores, which are

complemented by a widespread third party retailer presence. While both Reliance World and Reliance Mobile stores offer customer activation and after sales service, Reliance World stores also operate as broadband experience centres offering video conferencing. We have over 750 Reliance World and Reliance Mobile stores spread across 180 cities and towns in India, and work with over 680,000 retail outlets. Our stores and retail outlets are spread across all 22 Circles. As a result of our extensive distribution network, we are able to grow our product offerings, target most cities and towns in India and strengthen relationships with our subscribers. We believe that our widespread and well staffed service network enhances the overall subscriber experience.

Recognised and Trusted Telecommunication Brand

We are a part of the Reliance Group, one of India's leading business houses. We believe the Reliance Group has a strong and recognized brand in India which enables us to enjoy its brand recall among consumers in India. We believe our own brands are also recognized as the leading national brands for telecommunication services. Our brands include Reliance Mobile for the mobile portfolio of services, Reliance Hello for the fixed wireless portfolio of services, Reliance Pro and Reliance Pro3 for CDMA wireless data services and Reliance 3G for 3G Services, and assist in promoting us as an integrated telecommunications service provider country-wide. Our recognized and stable brand assists us in attracting subscribers, particularly in an industry affected by exits and consolidation.

Extensive Telecommunication Infrastructure in India and Overseas

We have established a pan-India integrated and convergent digital network capable of supporting services spanning the entire telecommunications value chain, covering over 21,000 cities and towns and over 400,000 villages. In addition, our OFC network is one of the largest networks in India. We provide wireless broadband on our own network in 1,624 cities and towns. Our 43,379 telecommunication towers are used for providing both CDMA and GSM based mobile services. Our towers portfolio is spread across all Circles and includes towers with more than four tenants. Our towers are supported by over 190,000 Rkm wide fibre optic cable network. Outside of India, we own and operate a widespread submarine fibre optic cable networks by length in the world, spanning 68,400 Rkm and connecting North America, Europe, the Middle-East and Asia through landing points in 27 countries. The total installed capacity of our five subsea cable systems is over 21 Tbps. We also own and lease data and internet networks in 57 cities across 21 countries.

The spread and strength of our network enables us to increase our product offerings and subscriber base without significant infrastructure investment or limitations. It also enables us to increase our revenues by leasing our network to other telecommunication services providers, both in India and overseas.

Reliance Parentage and Professional and Experienced Management Team

We are promoted by Mr. Anil D. Ambani, one of India's leading entrepreneurs. The Reliance Group is one of India's largest business houses by market capitalisation (Rs. 662.70 billion as of March 31, 2014) with business interests in, among others, telecommunications, power, infrastructure, financial services and entertainment industries. We believe being part of one of India's largest business groups, enhances our credibility and growth prospects.

Our management team, including Mr. Vinod Sawhny, President and Chief Executive Officer, Mr. Gurdeep Singh, President and Chief Executive Officer (Consumer Business), Mr. Punit Garg, President and Chief Executive Officer (NLD, ILD and Global Voice Business), Mr. William Barney, Chief Executive Officer (Global Cloud Xchange) and Mr. Deepak Khanna, Joint President and Chief Executive Officer (India Enterprise) have in-depth industry knowledge and extensive managerial experience in the telecommunications, DTH and related businesses. We believe our management team is well equipped to respond to and leverage the advancements and other changes in the telecommunications industry in general and to execute our strategy.

Our Strategy

Spectrum based “Go To Market” strategy

We intend to continue to focus on offering 2G services in all 22 Circles covered by our network, and 3G services in the 13 Circles in which we have been allocated 3G spectrum and the five Circles, where we recently launched 3G services through ICR arrangements. We believe our integrated business model brings about significant group synergies and economies of scale of operations, advantages that we will continue to utilize. We have adopted a “Circle as a Country” growth strategy, whereby we intend to customize our expansion strategies according to peculiar characteristics of each Circle and various micro-markets and subscriber class within each Circle. For example, we have adopted specific strategies for the metropolitan Circles of Delhi, Mumbai and Kolkata, our other 3G and non-3G Circles to gain market share through focused handheld devices, dongle, voice and data offerings.

We also intend to selectively leverage existing infrastructure and our internal resources, to increase our market share in an effective manner in each category of Circle. We have specialised marketing teams for our GSM and CDMA based services, which we believe, will allow us to offer customers more specialized and customized service and leverage revenues from each technology platform’s offerings effectively. We will continue to seek partnerships with leading telecommunications handset manufacturers, to bundle our offerings with handsets to attract new subscribers in the micro markets we focus on.

Focus on Data-based Services

We aim to continue to increase our data subscriber base, including mobile and broadband subscribers, and revenues by focusing on improving our data service offerings such as introducing more affordable price plans that provide customers 3G data access speeds at 2G rates. In particular, we believe that the CDMA technology is well-suited for data-based services. We intend to focus on increasing our market-share in the large screen (computers) connectivity market through our CDMA offerings and the small screen device market through 3G services in the 18 Circles where we provide such services. We also intend to continue to partner with leading smart phone brands and enter into device collaborations such as our “Zero Plan”, which combines the offering of a handset with voice and data service plans. This, we believe, will increase data usage by our existing customers and attract data customers. With respect to our Global enterprise data business, we intend to focus on increasing our market share in the finance, legal and healthcare sectors in the United States and also grow our revenues from our existing multinational customers. We have rebranded Reliance Globalcom as Global Cloud Xchange (GCX) with the objective of focusing on development of network infrastructure, data center and managed services space and deliver an integrated cloud ecosystem. We intend to integrate our key international assets with a focus on internet protocol and cloud services.

Continue to Focus on Offering New Products and Services

We aim to expand our revenue streams through the expansion of our portfolio of service offerings and launching specific sales and marketing initiatives aimed at increasing our customer base. Such efforts include (i) offering a wider range of wireless and wireline services such as video on demand, online gaming and video chat and conferencing; (ii) further expanding our distribution network of retail stores and developing them into one-stop shops for retail customers; and (iii) providing wireless broadband data services through both our CDMA and 3G mobile networks. In addition, we intend to focus on cross-selling and bundling of products and services through our various partnerships with device manufacturers and application developers. This enables us to introduce more attractive categories of tariffs and product combinations that can cater to different markets, demographics and customer needs, and in turn, benefit our customers from the greater value presented by our product offerings. Recently, we launched ‘One India, One Rate Plan’, a free national roaming plan for our post-paid and pre-paid GSM subscribers. Under this offer, the local, STD and roaming charges are the same and we charge our customers their home plan tariffs, while roaming anywhere in India.

Focus on Reduction of Operating Costs

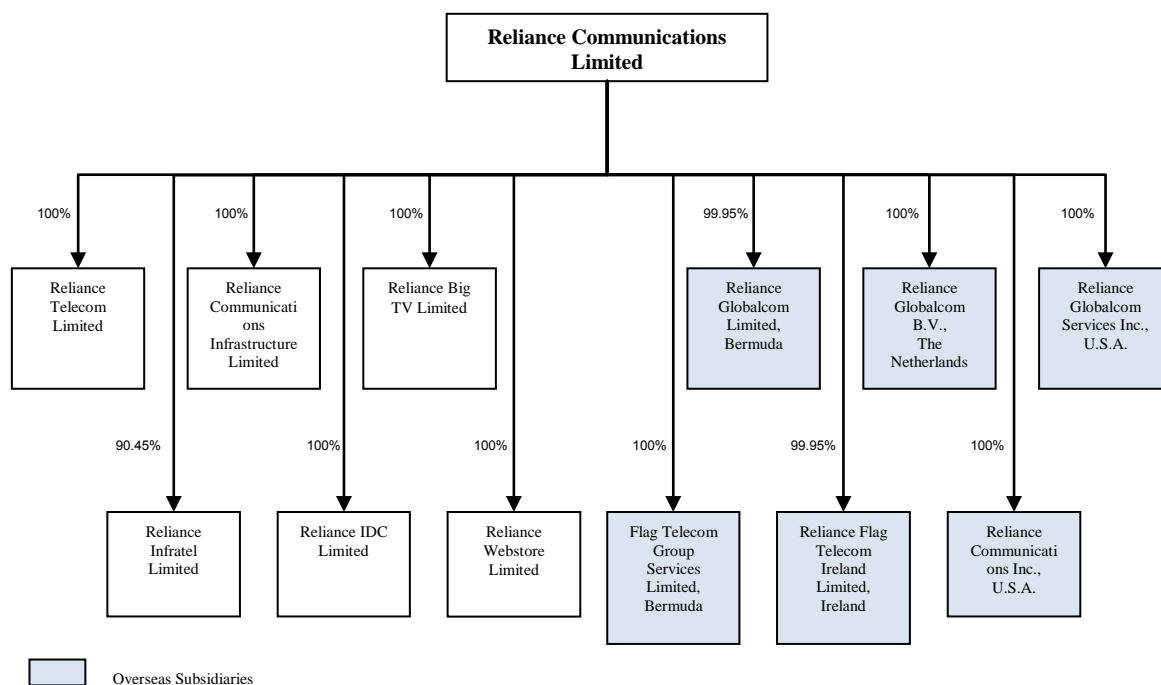
In line with our growth, we will also focus on cost management and margin expansion through various measures to reduce our operating costs and achieve cost optimization. We have entered into long term agreements with end-to-end network managed service providers aimed at reducing our own capital costs, benefitting from economies of scale and delivering superior customer experience. We believe that our agreements with such service providers will enable us to improve network performance and increase customer satisfaction. Our other cost reduction measures include cutting down on consumable costs, outsourcing call centre operations to third party business process outsourcing companies for optimal efficiency and focusing on decreasing the channel commission for distribution of our prepaid subscription packs. In addition, we have entered into ICR arrangements with other telecommunications operators to share telecommunications infrastructure in select areas, which offer our existing customers wider coverage and facilitates the expansion of our network with minimum capital investments. We believe such arrangements will allow us to lower our capital expenditures and operational costs as we are not required to invest in establishing and maintaining network infrastructure, which would typically be required as part of geographic expansion efforts.

Manage our Assets Effectively

We aim to achieve better and more profitable management of our portfolio of assets, including the passive infrastructure that we build and use and also make available on a shared basis to other wireless and communications service providers. In this regard, we have entered into various long-term agreements for sharing of telecommunication towers, inter-city and intra-city OFC network which also give us the right to use such infrastructure developed by our counter-party. We intend to explore further opportunities for such infrastructure sharing arrangements and grow the revenue stream from this business segment. We recently completed the construction of a new data centre in Navi Mumbai and intend to use it to expand our IDC customer-base. We are also exploring divestment of our non-core assets to reduce our debt levels and increase profitability, thereby achieving greater returns and value for our shareholders.

Corporate Structure

The following chart sets forth the current corporate structure of our Company and certain of our key Subsidiaries and our direct or indirect shareholding in such Subsidiaries:



Our Business Segments

With effect from July 1, 2013, our business is organised into two customer-facing geographical business segments, India operations and Global Operations. Set out below is a summary description of these business segments:

- a. Our India operations segment comprises the following businesses: (i) wireless telecommunication services to retail customers through CDMA and GSM technology-based networks across India, including 3G services in 18 Circles which also includes the metropolitan Circles of Delhi, Mumbai and Kolkata. We provide a diverse array of mobile and fixed wireless voice, data, and value added services in our wireless telecommunication business; (ii) voice, long distance services and broadband access to enterprise customers; (iii) managed internet data centre services; and (iv) DTH business.
- b. Our Global Operations segment comprises the following businesses: (i) carrier bandwidth and enterprise data, where we offer our global submarine cable network infrastructure on an IRU and leased circuit basis, internet bandwidth and international private leased circuits (“**IPLC**”) to carriers, ISPs, content providers and enterprises; (ii) consumer voice, where we offer virtual international calling services to retail customers for calls to 230 international destinations, including India under the brand “Reliance Global Call”; and (iii) carrier voice, where we offer ILD carriage and termination, on an inter segment basis, to our other business units and other operators.

The following table sets forth the contribution of our India and Global Operations segments to our revenues for each of the financial years 2012, 2013 and 2014:

Segment	Financial Year
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	2012		2013		2014	
	(Rs. in billions)	% of Total	(Rs. in billions)	% of Total	(Rs. in billions)	% of Total
India Operations	173.87	85.3	177.84	81.7	185.69	83.2
Global Operations	42.07	20.6	49.28	22.6	46.21	20.7
Unallocable	-	-	5.50	2.5	4.41	2.0
Total.....	215.94		232.62		236.31	
Elimination	(12.12)	(5.9)	(14.84)	(6.8)	(13.10)	(5.9)
Total Income	203.82		217.78		223.21	

India Operations

Wireless Telecommunications Business

We provide a range of services through CDMA and GSM based wireless networks. Our services include mobile and fixed wireless voice, data and value-added services. Our customers in this segment include retail customers, small, medium and large enterprises, small office and home office customers in India.

Products and Services

Our wireless telecommunication products and services include:

- 3G mobile telecommunication services in 18 Circles and 2G mobile services in all 22 Circles for retail and enterprise customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia and value added services. Our services are offered through pre-paid and post paid subscriptions. Our 3G mobile telecommunication services offer a variety of data applications such as live mobile TV, video-on-demand, video-calling, video and music streaming, video-conferencing and personalised RSS feeds. We also have partnerships with video and music content providers, social networking and messaging platforms;
- fixed wireless and terminal services primarily for residential and SME customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia and value added services. These services are offered through pre-paid and post paid subscriptions;
- public calling offices for local and long distance voice using fixed wireless phones and terminals. We provide these services to independent retail operators through pre-paid subscriptions;
- NLD carriage services for voice, data, and internet; and
- NLD bandwidth and infrastructure services for other telecommunication service providers.

In order to increase our subscriber base in India, we pursue a marketing strategy that is based on making wireless services affordable, including lowering the entry cost of acquiring a mobile phone. We offer handsets bundled with a variety of service offerings such as talk time, incoming validity, long distance calling and data plans. We have entered into arrangements with various handset manufacturers to offer select models of certain handsets to our subscribers for a fixed monthly payment for specified periods. The monthly payment includes the handset cost, unlimited local and STD calls, SMS, national roaming and 3G data services. We also offer data cards and USB modems for laptops and personal computers to our subscribers.

We provide nationwide and global roaming services under agreements with several international CDMA and GSM operators and offer NLD carriage and termination to other carriers as well as, on an inter segment basis, to our other business units.

The following table sets forth certain operational metrics for our service offerings:

Metric	Unit	As of and for the quarter ended			
		March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Total Telecom Customers	Millions	112.1	118.50	117.5	127.0
VLR Customers	%	99.4	93.5	93.7	86.9
Wireless Net Adds	Millions	(6.4)	1.0	(9.5)	2.8
Pre-paid % of total wireless customers	%	95.3	95.4	95.3	95.6
ARPU*	Rs./Sub	128.0	125.0	120.0	119.0
Revenue per minute* (RPM)	Rs./Min	0.43	0.44	0.43	0.42
Wireless Churn	%	5.5	3.4	5.9	4.6
3G customers	Millions	12.9	11.1	9.1	7.7
Non voice as % of telecom revenue	%	23.5	23.0	23.1	24.0
Voice					
Total minutes of use (MoU)*	Billion Minutes	102.3	101.9	101.5	106.3
MoU per customer per month*	Min/Sub	296.0	288.0	277.0	282.0
Data					
Total data customers	Millions	37.4	36.2	34.0	31.1
Total data traffic	Million MBs	50,251.0	41,702.0	37,570.0	31,050.0
Data usage per customer	MBs	455.0	396.0	385.0	342.0
Total ILD minutes	Million Mins	4,995.0	4,941.0	4,879.0	4,797.0
Total NLD minutes	Million Mins	14,886.0	14,795.0	14,724.0	14,739.0

*Also, includes 1.2 million wireline customers.

Our Circles and Subscriber Base

We provide CDMA and GSM technology based wireless services in all 22 Circles in India. We launched our GSM technology-based wireless network in December 2008. In addition, we launched 3G wireless services in 13 Circles in 2011, namely Delhi, Mumbai, Kolkata, Punjab, Rajasthan, Madhya Pradesh, West Bengal, Himachal Pradesh, Bihar, North East, Jammu & Kashmir, Orissa and Assam. We recently launched 3G services in Karnataka, Andhra Pradesh, Tamil Nadu, Kerala and Uttar Pradesh (East) through ICR arrangements.

The following table sets out select Circle-wise information of our subscribers and our market share based on total number of subscribers, as of March 31, 2014 (all information provided in the table below is taken from information disclosed by TRAI):

Circle	GSM (in millions)	CDMA (in millions)	Total (in millions)	Market Share %	VLR %
Andhra Pradesh	3.3	2.2	5.5	8.2	99.8
Assam*	2.3	0.0	2.3	14.9	99.8
Bihar*	6.5	2.6	9.1	14.7	99.7
Delhi	4.6	3.0	7.7	18.0	99.9
Gujarat	4.9	1.3	6.2	11.4	99.8
Haryana	1.7	0.5	2.2	10.2	99.7
Himachal Pradesh*	1.2	0.2	1.4	20.2	98.6
Jammu & Kashmir	0.8	0.0	0.8	9.7	67.4

Circle	GSM (in millions)	CDMA (in millions)	Total (in millions)	Market Share %	VLR %
Karnataka	4.3	1.4	5.7	10.5	99.7
Kerala	1.0	1.0	2.0	6.3	99.7
Kolkata*	2.6	1.1	3.7	17.5	99.7
Madhya Pradesh*	9.3	2.3	11.6	20.9	99.7
Maharashtra	5.2	1.9	7.1	9.8	99.8
Mumbai	3.1	3.0	6.1	19.7	99.8
North East*	0.9	0.0	0.9	9.2	99.7
Odisha*	3.3	0.3	3.6	14.3	99.8
Punjab	2.5	0.3	2.9	9.2	99.7
Rajasthan	4.8	1.0	5.8	11.1	99.8
Tamil Nadu (including Chennai) ...	3.7	1.9	5.7	7.5	96.6
Uttar Pradesh (East)	5.6	2.6	8.2	10.6	99.7
Uttar Pradesh (West)	4.3	1.4	5.7	11.6	99.7
West Bengal*	6.1	0.9	7.0	16.7	99.8
Total	81.9	29.0	110.9	12.3	99.4

* Services offered by our subsidiary, Reliance Telecom, in these Circles.

Tariffs

The telecommunications industry in India is highly competitive and tariffs are determined by competitive forces. The TRAI currently has a tariff forbearance policy, except for (i) national roaming services (ii) rural fixed line services, (iii) leased circuits and (iv) use of unstructured supplementary data (“USSD”) for USSD-based mobile banking services, where a ceiling is provided by them. Moreover, termination charges for services including voice and SMS are fixed and reviewed by TRAI periodically. Subject to these regulatory requirements, we have flexibility in setting our tariff plans and they differ across Circles. We structure our tariffs so that subscribers can choose their preferred package based on their requirements. We regularly revise our tariff plans to take advantage of new opportunities and our competitors’ existing tariffs and product offerings. We believe that our tariff plans are simple and transparent. Our aim is to ensure that we acquire and retain subscribers, achieve superior realisations and optimise our network utilisation.

Enterprise Business

We launched our enterprise broadband service in May 2005 under the brand name “Reliance Broadband”. In 2012, we rebranded this business and now offer enterprise solutions in India under the brand name “Reliance Business Services”. Our enterprise clientele includes approximately 39,000 Indian and multinational corporations including small and medium enterprises and 880 prominent enterprises in India. We have a terrestrial network in 44 cities and towns in India with approximately more than one million buildings connected directly to our broadband network which services approximately 1.2 million access lines.

Products and Services

We offer a wide range of products and services spanning voice, data, collaboration, data centre services and managed services.

Some of our key offerings include:

- voice products such as E1 DID, Centrex, One Office Duo (which offers close user group benefits across all wireline and wireless voice products), toll free services and intelligent telephony services.
- data products such as MPLS-VPN, leased lines, IPLCs, Ethernet, Connect Prime, remote-access VPN services and broadband internet. Our MPLS product, ‘Connect Prime’, has won an international innovation award, the 2013 Leading Lights Award for the most innovative Enterprise service.

- collaboration services such as video conferencing, audio conferencing and web conferencing.

Internet Data Centres

We are one of the leading IDC service providers in India with nine operational data centres in Navi Mumbai, Bengaluru, Chennai and Hyderabad. Our IDCs have a total capacity of 1,100,000 sq ft (including IDC V, a new data centre in Navi Mumbai which is currently under construction). We offer a wide range of services through our data centres including co-location, managed hosting, IT infrastructure, managed security, system integration, storage and back-up solutions. We have introduced a pay-per-use model for co-location services. We also offer cloud based services such as storage for archival purposes and data protection and business application services such as CRM, ERP and HRMS to the customers on a pay-per-use model.

Licenses and Spectrums

We hold UASL in all 22 Circles along with a NLD license and ILD license. Our NLD and ILD licenses are due for renewal in 2022. The details of the spectrum held and the validity of the UASLs and spectrums held by us is as set out below:

S. No.	CIRCLE	CDMA Spectrum Allocated (800 MHz)	CDMA Spectrum Valid Till	GSM Spectrum Allocated (900 MHz)	GSM Spectrum Allocated (1800 MHz)	GSM Spectrum Valid Till	3G Spectrum Allocated (2100 MHz)	3G Spectrum Valid Till
1.	Andhra Pradesh.....	5	July 19, 2021	-	4.4	July 19, 2021	-	-
2.	Assam*	2.5	December 11, 2015	6.2	-	December 11, 2015	5	August 31, 2030
3.	Bihar**	5	July 19, 2021	6.2	-	December 11, 2015	5	August 31, 2030
4.	Delhi	5	July 19, 2021	-	4.4	July 19, 2021	5	August 31, 2030
5.	Gujarat	3.75	September 29, 2017	-	4.4	September 29, 2017	-	-
6.	Haryana	3.75	July 19, 2021	-	4.4	July 19, 2021	-	-
7.	Himachal Pradesh**	2.5	July 19, 2021	6.2	-	December 11, 2015	5	August 31, 2030
8.	Jammu & Kashmir	2.5	September 5, 2024	-	4.4	September 5, 2024	5	August 31, 2030
9.	Karnataka	5	July 19, 2021	-	4.4	July 19, 2021	-	-
10.	Kerala.....	5	July 19, 2021	-	4.4	July 19, 2021	-	-
11.	Kolkata**	5	July 19, 2021	-	6.2	September 26, 2021	5	August 31, 2030
12.	Madhya Pradesh**	5	July 19, 2021	6.2	-	December 11, 2015	5	August 31, 2030
13.	Maharashtra.....	5	July 19, 2021	-	4.4	July 19, 2021	-	-
14.	Mumbai.....	5	July 19, 2021	-	5 [#]	July 19, 2021	5	August 31, 2030
15.	North East*	2.5	December 11, 2015	4.4	1.8	December 11, 2015	5	August 31, 2030
16.	Odisha**	3.75	July 19, 2021	6.2	-	December 11, 2015	5	August 31, 2030
17.	Punjab	3.75	July 19, 2021	-	4.4	July 19, 2021	5	August 31, 2030
18.	Rajasthan.....	3.75	July 19, 2021	-	4.4	July 19, 2021	5	August 31, 2030
19.	Tamil Nadu (including Chennai)....	5	September 25, 2021	-	4.4	September 25, 2021	-	-
20.	Uttar Pradesh (East) ...	5	July 19, 2021	-	4.4	July 19, 2021	-	-
21.	Uttar Pradesh (West) ..	5	July 19, 2021	-	4.4	July 19, 2021	-	-

S. No.	CIRCLE	CDMA Spectrum Allocated (800 MHz)	CDMA Spectrum Valid Till	GSM Spectrum Allocated (900 MHz)	GSM Spectrum Allocated (1800 MHz)	GSM Spectrum Valid Till	3G Spectrum Allocated (2100 MHz)	3G Spectrum Valid Till
22.	West Bengal**	3.75	July 19, 2021	4.4	1.8	December 11, 2015	5	August 31, 2030

* Held by Reliance Telecom.

** GSM Spectrum held by Reliance Telecom.

This includes the 0.6 MHz spectrum in the 1800 MHz band, which we acquired in the recent auction in February 2014, and is valid till 2034. This spectrum is yet to be allocated to us.

Our subsidiary, Reliance Infratel was registered as an infrastructure provide (Category-1) on January 12, 2007. RCIL has entered into a license agreement dated November 4, 1998 with the DoT for provision of internet services, which was valid for 15 years. RCIL has made an application for renewal and the license agreement is in the process of being renewed. The DoT has issued a letter of intent dated February 26, 2014 for migration on renewal of the license to unified license with ISP authorization upon the satisfaction of certain terms and conditions. Further, Reliance Big TV has entered into a license agreement dated May 24, 2007 with the Ministry of Information and Broadcasting to establish, maintain and operate the DTH platform, which is valid for a period of 10 years. For further details on the terms of such licenses and registrations, see “Overview of the Telecom Regulatory Regime in India”.

Telecommunication Infrastructure

Our telecommunications network consists of:

- mobile switch centres for switching calls and interconnecting with the public switched telephone networks and other mobile and fixed-line networks;
- receiving stations and other equipment used to communicate through radio channels with subscribers’ mobile devices within the range of a cell phone;
- station controllers, which connect to and control a number of receiving stations deployed within a certain area;
- packet core elements to handle the data traffic;
- intelligent network for offering pre-paid services; and
- transmission links, consisting of microwave and optical fibre media to link various elements of the network.

We build, own and operate telecommunication towers and other related assets at designated cell-sites (together called, “**passive infrastructure**”), and use such passive infrastructure for our networks as well as make available such passive infrastructure on a shared basis to wireless and other telecommunication service providers under long term contracts. This business is carried out by Reliance Infratel, a subsidiary of our Company. As of March 31, 2014, our wireless towers portfolio comprised 43,379 towers, which are spread across all 22 Circles in the country. Our towers in the urban areas are connected to our OFC network. Our portfolio of towers is suitable for use by CDMA, GSM 900 MHz, GSM 1800 MHz, 3G and BWA networks. We provide passive infrastructure services to various wireless telecommunications operators. The average age of telecommunication towers owned by us is six years. Certain operational metrics of our passive infrastructure portfolio as of March 31, 2014 are set out below:

Roof-Top Towers	10,907
Ground-based Towers.....	32,472
Total	43,379

Current Tenancy Ratio.....	2.12x
Total Tenancy on Towers.....	91,994
- External Tenants on Towers.....	<u>19,722</u>
Total Cell Sites on Network	86,792
3G Cell Sites on Network	11,659

In June 2013, our Company and Reliance Infratel entered into an agreement with Reliance Jio Infocomm Limited (“**Reliance Jio**”) for sharing of our passive tower infrastructure and services. Under the terms of the agreement, Reliance Jio is required to issue service orders with respect to at least 35,000 sites on or by September 30, 2014 and it has issued such service orders for 41,398 sites, as of May 16, 2014. The agreement is valid until August 16, 2030. Reliance Jio has agreed to pay the specified monthly infrastructure and service charges for the use of our telecommunication towers. In addition, Reliance Jio has also agreed to make available passive tower infrastructure developed by Reliance Jio at locations as mutually agreed between the parties, to Reliance Infratel on identical terms and conditions as contained in the passive tower infrastructure and services agreement.

Our OFC network, also owned and operated by Reliance Infratel, consists of a series of ducts and dark fibre throughout India, which is used for bandwidth to provide voice and data services. Our network encompassed over 190,000 Rkm of OFC in India. Our network covers over 21,000 cities and towns. Our network also covers over 400,000 villages and connects approximately 237 media coverage nodes, which are traffic aggregation points and 1.1 million buildings.

Our Company and Reliance Infratel also entered into definitive agreements with Infotel Telecom Limited, a subsidiary of Reliance Jio and Reliance Jio in April 2013 and 2014, respectively for sharing of our inter-city optic fibre and intra-city fibre networks, respectively on an IRU basis. Under the intra-city and inter-city fibre agreements with Reliance Jio and Infotel Telecom Limited, we have granted an IRU over a portion of our respective OFC network and co-location of associated properties for a term of 20 years and five years, respectively. Under the inter-city fibre agreement with Infotel Telecom Limited, we have granted an IRU over an approximate length of 90,000 (four pairs) and 30,000 (two pairs) Rkm and co-location of associated properties. Infotel Telecom Limited and Reliance Jio have agreed to pay monthly fee and co-location of support infrastructure fees in accordance with the terms of these agreements. Under the intra-city fibre network agreement, the parties have agreed that if, after mutual discussions between the parties, Reliance Jio offers any of its intra-city fibre network to us for use for our telecommunication services, then it will offer such intra-city fibre network on the same terms and conditions as contained in the intra-city fibre network agreement. Under the inter-city fibre network agreement, if Infotel Telecom Limited proposes to set up OFC network, it is required to inform Reliance Infratel the routes on which such fibre infrastructure is proposed to be set up and Reliance Infratel may confirm the number of pairs of fibre (not exceeding four) that it proposes to take on an IRU basis and such fibre network shall be provided to Reliance Infratel on the same terms and conditions as contained in the inter-city fibre network agreement.

We have also expanded our network coverage through strategic 2G GSM ICR agreements with existing operators in India, offering our subscribers wider coverage and uninterrupted service. Under these arrangements, for a usage based fee, an ICR partner permits roaming for subscribers from other service providers in the same Circle. We believe these arrangements help us to expand our GSM network footprint at reduced costs, improve both outdoor and in-building coverage and allow our subscribers a seamless roaming experience on partner networks. Using the ICR model also allows us to lower our capital expenditures and operational costs as we are not required to invest in establishing and maintaining network infrastructure. We have ICR arrangements with four other telecommunication companies in India.

All the key components of our telecommunications networks have been supplied by leading telecommunications equipment manufacturers. We have entered into contracts with these vendors for the

supply of equipment and for maintenance support of our core and radio access networks. These contracts generally have a term ranging from three to ten years and purchases under such contracts are made pursuant to individual purchase orders governing price and quantity of equipment purchased. Our information technology systems play an important role in enhancing customer experience, improving operational efficiency and ensuring compliance in a stringent regulatory environment.

We have outsourced most of our network and infrastructure management, including operations and maintenance to third-party vendors for the various regions of India for a term of five years, beginning January 25, 2013 and December 31, 2012. These outsourcing arrangements cover functions such as network management and maintenance services, field operations, service delivery and compliance with benchmark key performance indicators and service level assurances. These agreements will automatically renew for another period of three years, unless terminated earlier for cause or extended under the terms of the agreement.

DTH Business

We launched our satellite TV services in the DTH format in 2008 and operate under the Reliance Digital TV brand across India. We distribute multiple television channels and allied video and audio services to subscribers as part of our DTH services. We bring to our subscribers digital quality television viewing and, as of April 30, 2014, carried 250 national and international channels and services, in HD like quality and four exclusive movie channels and five interactive services. As of March 31, 2014, we had more than 4.8 million subscribers.

Our distribution of multiple television channels and services is enabled through consumer premises equipment installed at the end consumers' premises which allows a subscriber to directly receive programming from our leased satellite through a mini-dish which is then decoded by a digital receiver called a set-top box ("STB"). We offer a full combination of standard definition, high definition and high definition-DVR STBs. We have also introduced a new technology advancement, which allows us to offer all our channels in HD-like quality. We use the MPEG-4 technology, which permits high compression for video.

Reliance Digital TV is available at more than 37,000 outlets across 8,350 cities and towns in the country. We leverage the retail and distribution reach, as well as our infrastructure established for our telecommunication business to expand our DTH presence. We also offer a 'consumer loyalty program' to our DTH customers. For every Rupee spent on Reliance Digital TV subscription, the consumer earns reward points, which can be redeemed against various Reliance Digital TV services.

We offer several subscription packages to our customers, as well as the option of choosing add-ons and à la carte channels and receiving certain discounts through long-term recharge offers. From time to time, we launch various subscription packages to cater to the varied needs of customers. We do not own any satellites and have entered into a lease agreement for transponder capacity dated valid until 2017 with the Department of Space, Government of India for the leasing of transponder capacity on the MEASAT 3 satellite. We currently lease nine transponder of 36 MHz each on this satellite.

Content procurement by DTH operators in India, including us, generally takes place through channel distributors or owners. Under Indian interconnection regulations, all broadcasters and distributors are required to offer their content to all platforms and operators. We enter into content agreements with channel distributors and owners to license channels for viewing by our subscribers and we pay them content and programming cost as stipulated under the agreements.

Sales, Marketing and Distribution

We believe we enjoy strong recognition among consumers in India as a leading national brand for telecommunication services. Our brands include Reliance Mobile for the mobile portfolio of services,

Reliance Hello for the fixed wireless portfolio of services, Reliance Pro and Reliance Pro3 for CDMA wireless data services and Reliance 3G for 3G Services. We pursue a marketing strategy to promote ourselves as an integrated telecommunications service provider. Our marketing strategy is customised to meet the needs of individual customers and different customer segments. We offer bundled plans and selective promotional campaigns based on usage patterns of specific customer groups. We also offer flexible international and national telephone service plans that distinguish between peak and off-peak call periods. To promote our data and voice services, we target high usage customers, such as financial institutions, large domestic and multinational corporations and government entities as well as the fast growing sector of internet service providers, internet content providers and licensed operators in India.

We believe that data based services will be the core growth area for the Indian telecommunication sector in the near future. Our branding and marketing objective is to continue to transform ourselves from a hardware network provider offering data plans to a software experience manager that focuses on content and consumer experiences through telecommunication services. We target younger customers and young professionals who are considered key consumers for such services. Our key marketing strategies include:

- based on network utilisation, consumer usage pattern and existing customer ARPU, focus on attracting subscriber from the low income group through our GSM prepaid packages;
- use handset bundled plans offering device and usage plans to subscribers on our nationwide network to attract first time workers, housewives and the self-employed subscribers.
- customise our solutions on devices and platforms to appeal to corporate businesses and SMEs.
- offer dongles and data cards through our CDMA based services for large screen (computers) internet access and provide a combination option of phone and dongle connection in a single billing account to subscribers.
- attract executives and local businesses through smart solutions based on markets and usage plans with fixed monthly rentals through our CDMA EVDO network.
- leverage mobile number portability and offer deals bundled with the latest smart phones from premium range devices to attract the business of high affluent users.
- use a customer lifecycle management approach for our GSM based services, centred on customer behaviour. Our offers are based on customer profiles and how they have previously used our products.

Our extensive distribution and service networks consist of over 750 exclusive Reliance World and Reliance Mobile stores. We also have customer service centres with multi-lingual capabilities and over 680,000 retail outlets selling Reliance Mobile connections or recharges of prepaid mobile and fixed wireless connections.

Our pre-paid starter packs and vouchers are sold to distributors upfront, who in turn supply them to retail outlets. The Indian retail sector is not organised on a national scale and comprises a very large number of small retail shops throughout the country. Our pre-paid distribution network comprises wide categories of retail outlets, ranging from neighbourhood department stores and pharmacies to exclusive telecommunications outlets and branded stores. We offer incentives to distributors and retailers who are successful in meeting specified targets. We believe this promotes distributor and retailer loyalty and, as a result, continuity and availability of our products to our subscribers. Our post-paid services are marketed by our marketing team, dealers and direct sales agents. Our enterprise business unit provides products and services as a complete package to meet the telecommunications needs of the businesses, including after sales-services and support with respect to billing queries and complaints.

We seek to develop strong customer relationships for sustained business performance. We identify the value segments among our customer base and develop customised service solutions for them. Our customers in the corporate segment are serviced through a dedicated team of key account managers and relationship managers. For high value retail customers, a dedicated team extends express resolution including priority access. In addition, we have also created a customer delight program giving customers additional privileges brought together by tie-ups with leading brands.

We also use digital technology to provide our customers with their service and product requirements using our digital self-care applications.

Customer Service and Billing

We believe that the quality of our customer service is critical to attracting and retaining customers. We focus on the following key processes for effective delivery of our services:

- the initial and continued provision of services;
- receiving and resolving customer queries; and
- efficient billing and collection.

We have a business process outsourcing ("BPO") unit with 8,000 seats, which in addition to handling our customers servicing requirements also provides support to telecom, entertainment, BFSI and utility companies of the Reliance Group. Our BPO unit provides both voice (Inbound, Outbound and Self-Service) and non-voice (Back Office, Email and Web-Chat) support in 12 regional languages and four foreign languages. Our call centres and our Reliance World outlets are also equipped with online customer relationship management systems. To provide prompt and cost-effective customer care, we have also established an automatic customer care service, available by telephone or via the internet, through which the customers may activate new subscriptions, order new value-added services and check account balances. Online customer service is also available for customers to modify their service class or change or migrate their service plans.

Typically, we require individual post-paid subscribers to settle their accounts on a monthly basis. Subscribers pay in the following ways: (i) in person at outlets owned and operated by us; (ii) in person or by direct debit at banks or post offices designated by us; (iii) online payment through our website; or (iv) in person at offices of our sales agents. We charge a late payment fee on subscriber accounts that are not paid by the monthly due date.

Global Operations

Carrier Bandwidth and Enterprise Data Business

We own and operate a widespread submarine cable system, which is used by our customers to move, store and deliver data and internet traffic between locations. We also offer a portfolio of enterprise voice, data, video, internet and IT infrastructure services.

Our primary carrier bandwidth and enterprise data services are the following:

Capacity Services. Our capacity services entail the lease of capacity on our network to customers under long-term contracts ranging from 10 to 15 years, as well as associated operations and maintenance services. We provide point-to-point, full or half-channel circuit connectivity to landing stations and PoPs throughout Asia, Europe, the Middle East and North America for all types of telecommunications traffic and requirements, including voice, data, video and internet traffic. We provide services across various capacity levels on several routes. Our various capacity products and services include the following:

Rights Of Use. ROUs are sold to our customers as point-to-point connections with a fixed amount of bandwidth between any two landing stations or PoPs on our global network. These connections are provided for an extended period of time, ranging from 10 to 15 years, and at varying capacities. Customers pay a one-time fee to purchase the ROU and an annual operations and maintenance fee, which typically ranges from 3.0% to 4.0% of the purchase fee.

Operations and Maintenance Services. Operations and maintenance (“O&M”) services are provided to customers that have purchased ROUs from us. Customers are invoiced for these services based on the capacity activated for use and a fixed percentage of the ROU sales price, subject to a minimum O&M charge. Our O&M services revenue depends on the volume and pricing of ROU contracts signed in a given period.

Restoration Services. We provide restoration services to other telecommunications carriers to re-establish communications circuits between two end-users when the carrier’s primary route or capacity has failed. Customers are required to pay a fee to enter into a restoration capacity lease agreement and are then charged for the days that they utilise the service.

Lease Capacity Services. We provide lease capacity services to customers that require significant amounts of bandwidth and seek to exercise more direct control over their network and, in the case of customers who avail leased capacity, develop their own network management framework. We have developed our own IP infrastructure to enable the provision of IP network services and value added services to our customers. Customers can lease capacity for shorter periods of time, typically up to one year, on our global network. Customers that lease capacity pay in a single, monthly or quarterly instalment and do not pay maintenance fees. Our lease capacity products and services also include managed bandwidth services which entail protected and unprotected point-to-point transmission circuits between any two of our PoPs and IPLCs, which are point-to-point connections of dedicated bandwidth that run between two customer specific locations rather than between two points on our global network for the conveyance of voice, data and/or information services.

Global Ethernet. Our global Ethernet service enables customers to extend their local area networks, wide area networks or internet backbone to major global business centres. Our global Ethernet network employs a virtual private local area network service over a multi-protocol label switching platform (“MPLS”). These services extend the benefits of Ethernet technology to wide area network (“WAN”) technology and eliminate the need for separate inflexible networks. Our service also offers a variety of physical interfaces, port speeds, bandwidth options, point-to-point and multi-point variants, performance reporting and SLAs based on customer requirements. We typically offer our global Ethernet service in annual contracts with an upfront fee and monthly payments. Our global Ethernet business is primarily concentrated across four industry segments - financial, legal, Government and healthcare - which currently account for a substantial portion of global Ethernet market.

IP Transit. Our IP transit service enables customers to access the internet depending on customer requirements from any city on our global network. This service is facilitated by sharing arrangements that we have developed with major local content providers, carriers and internet service providers at major internet traffic exchanges. We typically enter into 12 month contracts where we buy capacity in bulk. Our service contracts entail an upfront fee and monthly payments thereafter.

IP VPN. Our IP VPN services provide international multi-service IP WAN connectivity to customer sites in an ‘any-to-any’ configuration. These services permit businesses to replace multiple networks with a single solution that simplifies the converged transmission of voice, video and data. We contract with local carriers that provide regional termination and market the service to prospective customers. We typically enter into 12 month contracts where we buy capacity in bulk. We typically offer annual IP VPN services contracts providing for an up-front fee and monthly payments.

VAS – Enterprises. Our VAS for enterprises, which we also refer to as managed services, entails customised solutions for specific requirements of customers across various areas, including:

- *Security.* We provide security solutions such as intrusions prevention, policy design and email security.
- *Project Management.* We monitor the overall implementation of access as well other customer premises equipments including ordering, coordination and installation. We operate as a virtual network operator and offer managed services by leasing circuits from telecommunications service providers within that country. Our virtual network currently extends to over 26,300 sites across 161 countries. We typically enter into three-five year contracts which involve an upfront payment and monthly charges. We also provide high-margin hosting and other value added services that complement our offering of traditional capacity and network services, including the following:
 - *Edge Hosting.* Edge hosting services entail co-location, managed storage and back-up services, performance reporting, security solutions, such as spam blockers and anti-virus protection and other services. Edge hosting services are provided at our PoPs close to the end-user.
 - *Co-location.* We offer data centre space for an agreed fee where customers can install and operate their own servers, content storage devices and communications network equipment in a safe and secure technical operating environment. At such co-location sites, customers enjoy high-speed, reliable connectivity to our global network and other networks. Customers can also purchase reliable AC or DC power, access to PSTN lines, GPS and clock synchronisation services, emergency back-up generator power, equipment cooling and fire protection. These sites are monitored and maintained 24 hours a day and incorporate advanced security access. Co-location is available at our data centres.

Consumer Voice Business

Through Reliance Global Call, which is a web-based international calling card service, we offer international calling at affordable rates with the convenience of online service and billing facilities. This service has a customised platform for enterprise customers through which global enterprises can view their usage, credit control and billing. The various features offered under this product include ‘PIN-less’ dialling, 4-digit PIN dialling, two digit dialling, express dial, smart calling, simultaneous calling, fax and electronic receipt facilities.

We have more than 550 enterprise customers of Reliance Global Call across 11 countries including the United States, United Kingdom, Canada, Australia, New Zealand, Singapore, Spain, Belgium, France, the Netherlands and India. We also offer SIP Trunk calling along with Blackberry and Windows App.

We offer virtual international calling services to retail customers for calls to 230 international destinations. Our retail services are available to customers in the following 14 countries: Australia, Austria, Belgium, Canada, France, Hong Kong, India, Ireland, the Netherlands, New Zealand, Singapore, Spain, the United Kingdom and the United States. We have over 2.6 million customers for our Reliance Global Call service.

Network Infrastructure

Our global network infrastructure comprises the following:

- (a) Five wholly-owned subsea cable systems with a total installed capacity of over 21 Tbps. These subsea cable systems operate on six of the eight major global data traffic routes, namely the Trans-Atlantic route, the Intra-Asia route, the Middle East-West route, the Middle East-East route, the India-West route and the India-East route. According to TeleGeography, these six routes collectively accounted for 63.0% of the global data demand as measured by Lit capacity for the calendar year

2013 and our market share on these routes based on utilised Lit capacity was 19% for the calendar year 2013. As of April 30, 2014, these subsea cable systems had a total length of 68,400 Rkm and 46 landing points in 27 countries. Our subsea cable systems are built on a non-linear basis, which allows us to service local as well as express routes. We provide connectivity over long distances with express routes ensuring low latency and local routes providing access to intermediate markets. We provide single end-to-end solution and a single point of contact for connectivity across various regions. The remaining useful life of our subsea cable system extends up to 2031. The table below sets forth certain details about our five operational fibre-optic cable networks:

	Commissioning Date	Rkm	Countries connected	Landing Points	Key Countries
Flag Europe Asia	November 1997	27,706	14	16	UK, Spain, Italy, Egypt, Jordan, UAE, India, China, Japan, Malaysia
Flag Atlantic-1	June 2001	14,500	3	4	USA, UK
Flag North Asia Loop	July 2002	9,504	4	4	Hong Kong, Korea, Japan, Taiwan
FALCON	September 2006	12,357	14	19	Egypt, Yemen, UAE, Saudi Arabia, Qatar, Bahrain, Iran, Oman, Maldives and Sri Lanka
HAWK ⁽¹⁾	March 2011	4,334	3	3	France, Egypt, Cyprus
Total		68,401	27⁽¹⁾	46⁽¹⁾	

(1) Total represents unique landing points or countries, to avoid double counting across all fibre-optic networks.

We also purchase long-term capacity on third party subsea cable systems to provide resiliency and complete sections of some routes which we do not service.

- (b) Owned and leased metropolitan networks in 57 cities across 21 countries covering major business centres including New York, London, Paris, Frankfurt, Hong Kong, Mumbai and Tokyo. These metropolitan networks carry data and internet traffic over land and provide terrestrial connectivity from subsea cable landing stations to various customer locations including data centres, major inter-connection points for peering of data traffic and other landing stations on our network; and
- (c) Nine locations with over 85,000 square feet of space for data centres and telecommunications facilities in the United States, United Kingdom, France, Hong Kong and Taiwan, where some of our customers co-locate their telecommunications and data storage equipment.

Marketing, Sales and Distribution

For our Global Operations, our sales and marketing strategy is focused on promoting our brand and maintaining and enhancing customer loyalty. We have separate marketing and sales teams for wholesale data, enterprise data and our voice business. However, certain functions are shared to enhance efficiency. We also maintain regional in-country sales teams. We have 25 regional sales offices worldwide.

Competition

The telecommunications industry is extremely competitive. Our future success depends on our ability to compete with other telecommunications services providers. We compete on the basis of price, network performance, network reliability and service quality. We have competitors in the various segments in which we operate.

Competition in the Indian telecommunications industry increased primarily as a result of deregulation which led to the privatisation of the industry and permitted foreign direct investment. However, the Supreme Court of India by its order dated February 2, 2012 cancelled 122 telecommunications licenses, as a result of which a number of mobile telecommunications services providers ceased operations and the competitive scenario

in India eased. Nevertheless, six to 10 mobile operators still operate in most Circles. We face significant competition from a number of companies, including from those with pan-India footprints such as Bharti Airtel Limited, Vodafone India Limited, Idea Cellular Limited and Tata DoCoMo Limited. For our DTH business, we compete directly with other pay TV DTH operators, as well as indirectly with cable operators, IPTV operators and free-to-air television.

For our Global Operations, we face competition from existing, newly developed and planned cable systems along certain of our existing and planned network routes and from satellite companies.

Intellectual Property

We rely on a combination of patent, copyright, trademark, confidentiality procedures and contractual provisions to protect our intellectual property rights.

In May 2006, our Company entered into a brand licensing agreement with Anil Dhirubhai Ambani Ventures Private Limited which allows our Company to use the “Reliance” trademarks, names and logos for its services and products on a non-exclusive basis, for a period of 10 years, including the right to sub-license such trademark to its Subsidiaries. Our Company has agreed to incur expenditure up to Rs. 800.00 million for the development of the “Reliance” brand for these rights and the time and amount of such expenditure (subject to such limit) would be determined by Anil Dhirubhai Ambani Ventures Private Limited.

Human Resources

As of March 31, 2014, we had 14,169 employees across all business areas. We have outsourced our network management functions. To motivate our employees, we offer various monthly and quarterly incentive schemes. We also have a performance linked incentive policy which encourages our employees to achieve their targets. We endeavour to make our policies, processes and procedures more transparent and employee friendly, in line with the best industry practices.

Properties

Our Company’s registered and corporate office is located at H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai, which is owned by Reliance Infocomm Infrastructure Private Limited, one of our Subsidiaries and leased by our Company until March 31, 2017.

Our Board, through a resolution dated July 7, 2013, gave in-principle approval for a demerger of 139 acres of real estate owned by our Company into a separate listed company.

Most of our telecommunication towers and cell-sites are located on leased properties. These lease agreements are generally for a period of 10 to 15 years and grant Reliance Infratel the right to use the leased premises for the purpose of carrying on our telecommunications business. We also own or lease land and buildings for our administrative and customer service centres and technical facilities.

For our Global Operations, our offices, which are generally leased, are located in 17 countries, with floor space aggregating more than 200,000 square feet. Our other principal properties consist of nine hosting centres, aggregating more than 85,000 square feet leased for a period ranging from five to 10 years and are located in five countries.

Insurance

We currently maintain a comprehensive Cellular Network All Risk Insurance Policy for covering inland transits, operational risks, business interruption, erection and installation and third party liability in India. We also have marine cargo policy (both inland and import) to cover transit risks. We also maintain a directors and officers liability policy.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

The general supervision, direction and management of our operations and business are vested in the Board, which exercises its powers subject to the Memorandum and Articles and the requirements of Indian law. The Articles set out that the number of Directors shall not be less than three and not more than such number as may be stipulated by the Companies Act.

Currently, our Company has five Directors. The composition of the Board is governed by the provisions of the Companies Act and the Listing Agreement. The Articles require that Mr. Anil D. Ambani be the non-retiring Chairman as long as he is willing to be a Director and the Chairman. The Chairman shall preside over all meetings of the Board and the general meetings of the Shareholders and will have a casting vote in the event of a tie. Of the five Directors, four are independent Directors and one, Mr. Anil D. Ambani, is a non-executive, non-independent Director.

The following table sets forth details regarding the Board as at the date of this Placement Document:

Name	Age	Position	Director Identification Number	Address	Director Since
Mr. Anil Dhirubhai Ambani	55	Chairman and Non-Executive Director	00004878	39, 'Sea Wind', Cuffe Parade, Colaba, Mumbai - 400 005	February 7, 2006
Prof. J. Ramachandran	57	Independent Director	0004593	417, Faculty Quarters, Indian Institute of Management, Bannerghatta, Bangalore – 56076	February 7, 2006
Mr. Deepak Shourie	65	Independent Director	00101610	A – 31, West End, New Delhi - 110 021	April 30, 2006
Mr. A. K. Purwar	68	Independent Director	00026383	Ashok Towers, Flat No. 2303, C Block, 63/7-4, Dr. S S Rao Road, Near ITC Hotel, Parel, Mumbai - 400 039	July 17, 2007
Mr. R. N. Bhardwaj	69	Independent Director	01571764	402, Moksh Apartments, Upper Govind Nagar, Malad (East), Mumbai- 400097	August 29, 2013

The Directors may be appointed by the Board or by a general meeting of the Shareholders. The Board may appoint any person as an additional Director, but such a Director must retire at the next AGM or on the last date when the AGM should have been held, whichever is earlier, unless re-elected by the Shareholders after complying with the provisions of the Companies Act. A person who fails to get appointed as a Director in a general meeting cannot be appointed as an additional Director. A casual vacancy caused in the Board due to death or resignation of a Director, can be filled by the Board, but such a person can remain in office only for the unexpired term of the person in whose place he was appointed and on the expiry of the term he will retire unless re-elected by the Shareholders. The Board may appoint an alternate Director in accordance with the provisions of the Companies Act to act for a Director during his absence from India, which period of absence shall not be less than three months (subject to such person being acceptable to the Chairman).

Two-thirds of the total number of Directors are subject to retirement by rotation, and of such Directors, one-third, or if their number is not three or multiples of three, then the number nearest to one-third, must retire every year. The Directors to retire are those who have been the longest in office. A retiring Director is eligible for re-appointment. The Directors are not required to hold any qualification Equity Shares. Our Company must have at least one Director who has stayed in India for at least 182 days in the previous calendar year (i.e. is an Indian resident). Our Company is required to have at least one-half of its Directors as independent Directors.

The quorum for meetings of the Board is one-third of the total number of Directors (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher. The participation of the Directors by video conferencing or by other visual means will be counted towards quorum. However, where the number of interested Directors is equal to or exceeds two-thirds of total strength, the remaining number of Directors (i.e. Directors who are not interested) present at the meeting, being not less than two shall be the quorum during such time. In case there is no quorum for a Board meeting, the remaining Directors may act only for the purpose of increasing the number of Directors to meet the quorum requirements or to summon a general meeting.

Brief Biographies of the Directors:

Mr. Anil Dhirubhai Ambani – Chairman, Non-Executive and Non-Independent Director

Mr. Anil D. Ambani, aged 55 years, is the chairman of our Company, Reliance Capital Limited, Reliance Infrastructure Limited and Reliance Power Limited. He is also on the board of directors 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 the Stakeholders Relationship Committee, the Nomination and Remuneration Committee, the Employee Stock Option Scheme Compensation Committee (“**ESOS Compensation Committee**”) and the Corporate Social Responsibility (“**CSR**”) Committee of our Company.

With a master’s degree from the Wharton School of the University of Pennsylvania, Mr. Ambani is credited with having spearheaded the Reliance Group’s first forays into the overseas capital markets with international public offerings of global depository receipts, convertibles and bonds.

Mr. 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, U.S.A.
- Executive Board, Indian School of Business (ISB), Hyderabad.

The Prime Minister of India nominated Mr. Ambani as the Co-Chair from the Indian side of the India-China CEO Forum in 2011.

Prof. J. Ramachandran – Independent Director

Prof. J. Ramachandran, Director, aged 57 years, is a Professor of Corporate Strategy and Policy at the Indian Institute of Management, Bengaluru. He is a Chartered Accountant and Cost Accountant and is a fellow of the Indian Institute of Management, Ahmedabad. He is also a director of Reliance Infratel Limited, Sasken Communication Technologies Limited, Redington (India) Limited, All Cargo Logistics Limited, Indofil Industries Limited and Antrix Corporation Limited.

Prof. Ramachandran is a member of the Stakeholders Relationship Committee, the Nomination/Remuneration Committee and ESOS Compensation Committee and the chairman of the Audit Committee and the CSR Committee of our Company. He is a member of the Audit Committee of Redington (India) Limited.

Mr. Deepak Shourie – Independent Director

Mr. Deepak Shourie, Director, aged 65 years, holds a bachelor's degree in economics and has more than 39 years' experience in general management with an emphasis on media, consumer goods and corporate affairs. He was the executive vice president and managing director of Discovery Communications of India and director in South Asia for BBC Worldwide Media Private Limited (formerly, BBCW Channels Private Limited).

Mr. Shourie is a member of the Audit Committee, the Nomination/ Remuneration Committee, the Stakeholders Relationship Committee and the CSR Committee and the chairman of the ESOS Compensation Committee of our Company.

Mr. A. K. Purwar – Independent Director

Mr. A. K. Purwar, Director, aged 68 years, was the former chairman of State Bank of India (“SBI”) and also former Managing Director of State Bank of Patiala. He holds a master's degree in commerce and a diploma in business administration. He is also a director of Vardhman Textiles Limited, Jindal Steel and Power Limited, Jindal Power Limited, Apollo Tyres Limited, IL&FS Renewable Energy Limited, C & C Constructions Limited, Vardhman Chemtech Limited and Sri Kavery Medical Care (Trichy) Limited.

Mr. Purwar has served on the board of governors of the Indian Institute of Management, Lucknow, XLRI and Jamshedpur and as a member of the advisory board for the Institute of Indian Economic Studies, Waseda University, Tokyo, Japan. He is the chairman of the Stakeholders Relationship Committee and member of the Audit Committee, Nomination and Remuneration Committee, the CSR Committee and the ESOS Compensation Committee of our Company. He is a member of the Audit Committee of Jindal Power Limited.

Mr. R. N. Bhardwaj – Independent Director

Mr. R. N. Bhardwaj, Director, aged 69 years, is a non-executive and independent Director of our Company. He holds a master's degree in economics from the Delhi School of Economics and a diploma in industrial relations and personnel management from the Punjabi University, Patiala. He has over 38 years of experience in various sectors such as economics, finance, investment and portfolio management. He was the managing director and chairman of Life Insurance Corporation of India. Mr. R. N. Bhardwaj has also served as a member of the Securities Appellate Tribunal (“SAT”).

Mr. Bhardwaj is also a director in Reliance Infratel Limited, Jaiprakash Associates Limited, Jaiprakash Power Ventures Limited, Microsec Financial Services Limited, Jaypee Infratech Limited, Dhunseri Petrochem & Tea Limited, Milestone Capital Advisors Limited, Amtek Auto Limited, Rupa and Company Limited and SBI Life Insurance Company Limited. He was a former director of SREI Ventures Capital Limited and Religare Enterprises Limited.

Mr. Bhardwaj is a member of the Audit Committee, Stakeholders Relationship Committee, the CSR Committee and the ESOS Compensation Committee and the chairman of the Nomination and Remuneration Committee of our Company.

Compensation of Directors

The Nomination/Remuneration Committee determines and recommends to the Board, the compensation of the Directors.

The table below sets forth the details of the remuneration (including sitting fees, salaries and perquisites) paid to the Directors during the current financial year and the last three financial years:

(In Rs. million)

Name	2014-2015	2013-2014	2012-2013	2011-2012
Mr. Anil Dhirubhai Ambani	0.04	0.20	0.22	0.26
Mr. S.P.Talwar ¹	-	0.06	0.30	0.34
Mr. A. K. Purwar	0.08	0.18	0.30	0.30
Prof. J. Ramachandran	0.08	0.24	0.28	0.30
Mr. Deepak Shourie	0.02	0.20	0.24	0.28
Mr. R.N. Bhardwaj ²	0.08	0.12	Nil	Nil

¹ Mr. S. P. Talwar ceased to be a Director with effect from August 9, 2013 due to his demise.

² Mr. R. N. Bhardwaj was appointed as an additional Director with effect from August 29, 2013.

Notes:

- At its meeting dated May 15, 2010, the Board has approved the payment of commission to non-executive directors of up to three percent of the net profits of our Company per annum for the financial year 2012 to the financial year 2016. Our Company has not paid any amount to the Directors by way of commission for the financial year 2014.
- There were no other pecuniary relationships or transactions of non-executive Directors vis-à-vis our Company.

Interested Directors

All Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof and reimbursement of expenses payable to them. The Directors, including independent Directors, may also be regarded as interested in the Equity Shares, if any, held by them and also to the extent of any dividend payable to them and other distributions in respect of the Equity Shares. The Directors, including independent Directors, may also be regarded as interested in the Equity Shares held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as directors, members, partners or trustees.

The Directors may be deemed to be interested in the contracts, agreements or arrangements entered into or to be entered into by our Company with any partnership firm in which they are partners or a body corporate in which a Director along with any other Director holds more than two percent shareholding or is a promoter, manager or Chief Executive Officer. Except as otherwise stated in this Placement Document and statutory registers maintained by our Company in this regard, we have not entered into any contracts, agreements, arrangements during the preceding two years from the date of this Placement Document in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements, arrangements which are proposed to be made with them.

As on the date of this Placement Document, none of the Directors have availed of any loan from our Company. None of the Directors are related to any other Director.

Shareholding of the Directors

The Articles do not require the Directors to hold any qualification Equity Shares in our Company. The table below sets forth the number of Equity Shares held by the Directors, as of March 31, 2014:

Name	Position	Number of Equity Shares	Percentage of Equity Shares
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Name	Position	Number of Equity Shares	Percentage of Equity Shares
Mr. Anil D. Ambani	Chairman and Non-Executive Director	1,859,171	0.09

Corporate Governance

Our Company believes that it is in compliance with the requirements of applicable corporate governance regulations, including the Listing Agreement in respect of the constitution of the Board and the Committees of the Board. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of the Board from the executive management team and constitution of the committees of the Board, as required under applicable law.

Our Company believes that its Board is constituted in compliance with the Companies Act and the Listing Agreement which are currently in force. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our Company's management provides the Board with detailed reports on a periodic basis.

Committees of the Board of Directors

There are five Board level committees of our Company which have been constituted and function in accordance with the relevant provisions of the Companies Act, the Listing Agreement and/or the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (the “**ESOP Guidelines**”). These are (i) Audit Committee, (ii) Nomination/Remuneration Committee, (iii) Stakeholders Relationship Committee, (iv) CSR Committee and (v) ESOS Compensation Committee. The composition of each Committee is given below:

Audit Committee

The Audit Committee consists of four members, namely, Mr. A. K. Purwar (independent Director), Prof. J. Ramachandran (independent Director), Mr. R. N. Bhardwaj (independent Director) and Mr. Deepak Shourie (independent Director). Prof. J. Ramachandran is the chairman of the Audit Committee.

Nomination/Remuneration Committee

The Nomination/Remuneration Committee consists of five members, namely, Mr. Anil D. Ambani (non executive and non independent Director), Mr. A. K. Purwar (independent Director), Prof. J. Ramachandran (independent Director), Mr. R. N. Bhardwaj (independent Director) and Mr. Deepak Shourie (independent Director). Mr. R. N. Bhardwaj is the chairman of the Nomination/Remuneration Committee.

Stakeholders Relationship Committee

The Stakeholders Relationship Committee consists of five members, namely, Mr. Anil D. Ambani (non executive and non independent Director), Mr. R. N. Bhardwaj (independent Director), Mr. A. K. Purwar (independent Director), Prof. J. Ramachandran (independent Director) and Mr. Deepak Shourie (independent Director). Mr. A. K. Purwar is the chairman of the Stakeholders Relationship Committee.

CSR Committee

The CSR Committee consists of five members, namely, Mr. Anil D. Ambani (non executive and non independent Director), Mr. R. N. Bhardwaj (independent Director), Mr. A. K. Purwar (independent Director), Prof. J. Ramachandran (independent Director) and Mr. Deepak Shourie (independent Director). Prof. J. Ramachandran is the chairman of the CSR Committee.

ESOS Compensation Committee

The ESOS Compensation Committee comprises of five members, namely, Mr. Anil D. Ambani (non executive and non independent Director), Mr. R. N. Bhardwaj (independent Director), Mr. A. K. Purwar (independent Director), Prof. J. Ramachandran (independent Director) and Mr. Deepak Shourie (independent Director). Mr. Deepak Shourie is the chairman of the ESOS Compensation Committee.

Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

Regulation 12(1) of the Insider Trading Regulations applies to the Directors and designated employees and requires us to implement a code of internal procedures and conduct for the prevention of insider trading. We have implemented an employee code of conduct in line with the Insider Trading Regulations. In terms of the Companies Act, 2013, the directors and the key managerial personnel are prohibited from (a) acquiring an option over, or entering into forward dealings in, securities of our Company, its Subsidiaries or associated companies; and (b) engaging in insider trading.

Borrowing Powers of the Board of Directors

Pursuant to the approval of the Shareholders dated July 17, 2007, the Board is authorized to borrow up to an aggregate amount not exceeding three times of the aggregate of the paid up capital of our Company and its free reserves. The Company will need to renew the Shareholders' resolution in the future as per the Companies Act.

Key Employees of our Company

Our operations are overseen by a professional management team. Our senior management team has the requisite experience and the qualification for their respective responsibilities. In addition to the Board as set forth above, the following are our senior management personnel:

Vinod Sawhny – President and Chief Executive Officer

Mr. Vinod Sawhny, aged 55 years, is the Chief Executive Officer of our Company. He is an alumnus of Birla Institute of Technology and Science, Pilani and XLRI, Jamshedpur.

Prior to joining our Company, Mr. Sawhny worked with the Bharti group for more than 10 years in various roles, including, *inter alia*, on the management board of Bharti Airtel Limited, Joint President, Airtel enterprise business, Executive Director and Chief Executive Officer, Airtel Mobility and President and Chief Operating Officer of Bharti Retail Limited.

Gurdeep Singh – President and Chief Executive Officer, Consumer Business

Mr. Gurdeep Singh, aged 54 years, is the President and Chief Executive Officer of the Consumer Business, which includes the Wireless, Home and Infratel Businesses. Before joining us, he was associated with Aircel Limited, Vodafone Essar Digilink Limited, National Panasonic India Private Limited, BPL Limited, Whirlpool of India Limited, Expo Machinery Limited and Fusebase India Private Limited. He holds a master's degree in business administration from the Birla Institute of Technology and Science, Pilani.

Punit Garg – President and Chief Executive Officer, NLD, ILD and Global Voice Business

Mr. Punit Garg, aged 49 years, is the President and Chief Executive Officer of the NLD, ILD and Global Voice Business. He has spent over 13 years with our Company. He led the planning and launching of our Company's wireless, broadband and international business.

Prior to joining our Company, Mr. Garg was the managing director for Lockheed Martin Global Telecom and responsible for joint ventures and business management for the South Asia region. He had also held several senior positions in organizations including COMSAT Max Limited, Jet Airways India Limited and Equant N.V. He holds a bachelor's degree in engineering.

William Barney – Chief Executive Officer, Global Cloud Xchange

Mr. William Barney, aged 48 years, is the Chief Executive Officer of Global Cloud Xchange comprising three offshore businesses namely, Reliance Globalcom, Yipes Holdings Inc. USA and Reliance Vanco Group Limited UK. Mr. Barney has over 15 years of experience in the telecommunications industry in Asia.

Prior to joining Reliance Globalcom, Mr. Barney was the Chief Executive Officer of Pacnet for over 10 years and led our company's successful acquisition of a regional ISP, Pacific Internet, which operationally merged with Asia Netcom and was re-launched as Pacnet in January 2008. Prior to Pacnet, Mr. Barney served as Asia Pacific President and Chief Executive Officer for MCI Worldcom (Verizon) where he led our company through a significant growth phase. He holds a master's degree in business administration from Columbia University.

Deepak Khanna – Joint President and Chief Executive Officer – India Enterprise

Mr. Deepak Khanna, aged 50 years, is the Joint President and Chief Executive Officer - India Enterprise. He is responsible for enterprise services, capacity sales, managed services and a range of products and services comprising voice, internet solutions and value added services including IDC.

Prior to joining our Company, Mr. Khanna worked with Tulip Telecom Limited. He holds a master's diploma in business administration from the Symbiosis Institute of Management Studies, Pune.

Manikantan Iyer – Executive Senior Vice President and Chief Financial Officer

Mr. Manikantan Iyer, aged 49 years, is the Executive Senior Vice President and is the Chief Financial Officer of our Company. He has spent over 18 years with our Company. He is a Chartered Accountant.

Prakash Shenoy – Senior Vice President, Company Secretary and Manager

Mr. Prakash Shenoy, aged 41 years, is the Senior Vice President of company secretarial functions. He is also designated as the Compliance Officer, Company Secretary and the Manager of our Company. He has experience in corporate, secretarial, legal and managerial functions and has spent over 12 years with our Company.

Prior to joining our Company, Mr. Shenoy worked with Intop Software Solutions Limited. He is a member of the Institute of Company Secretaries of India with bachelor's degrees in commerce and laws.

Compensation of our Company's Key Employees

During the year ended March 31, 2014, our Company paid a total remuneration of Rs. 208.2 million to its key employees.

Bonus or profit sharing plan of the Key Employees

Our Company does not have any bonus or profit sharing plan with the key employees.

Interest of Key Employees

The key employees of our Company do not have any interest in our Company other than to the extent of their shareholding in our Company, the remuneration or benefits of which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. Further, they are entitled to such options as are vested in them pursuant to the employee stock options granted to them by us from time to time.

None of our key employees have been paid any consideration of any nature from our Company, other than their remuneration.

Payment or Benefit to Officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any other benefit upon termination of his employment in our Company.

Shareholding of our Company's Key Employees

Except as provided below our key employees do not hold any Equity Shares as of March 31, 2014.

S. No	Name	No. of Equity Shares held	No. of options held as per ESOP Scheme	Percentage of paid up Equity Share capital held
1	Vinod Sawhny	Nil	Nil	Nil
2	Gurdeep Singh	Nil	Nil	Nil
3	William Barney	Nil	Nil	Nil
4	Punit Garg	1,500	Nil	0.00
5	Deepak Khanna	Nil	Nil	Nil
6	Manikantan V	Nil	29,400	Nil
7	Prakash Shenoy	Nil	Nil	Nil

Employee Stock Option Scheme

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

The plans grant stock options to eligible employees in due compliance of the ESOS Scheme, ESOP Guidelines and other applicable laws.

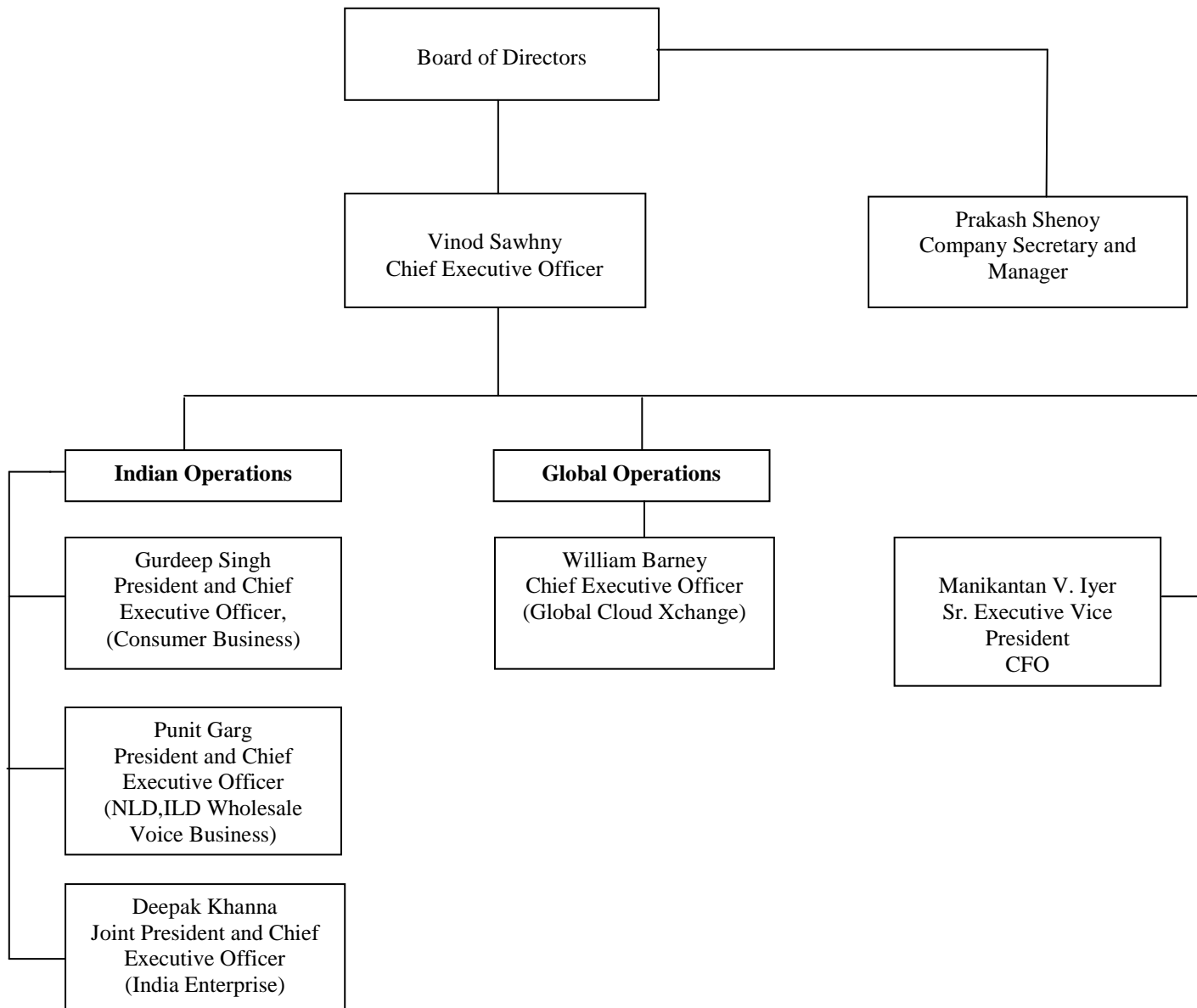
Please see the table above for the shareholding of and the employee stock options held by our Company's key employees under the ESOS Scheme.

Other Confirmations

None of the Directors, Promoters or senior management personnel of our Company has any financial or other material interest in the Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

Management organizational structure

The organizational structure of our Company is as represented in the chart below:



PRINCIPAL SHAREHOLDERS AND OTHER INFORMATION

Corporate History relating to incorporation and change of name

Our Company was incorporated on July 15, 2004 as Reliance Infrastructure Developers Private Limited and subsequently changed its name in the manner set out below:

Dates	Events relating to change of name
July 15, 2004	Incorporated as Reliance Infrastructure Developers Private Limited.
July 25, 2005	Name changed to Reliance Infrastructure Developers Limited following the change of status from a private to a public company by a special resolution of the members passed at the extraordinary general meeting dated July 21, 2005.
August 3, 2005	Name changed to Reliance Communication Ventures Limited by a special resolution of the members passed at the extraordinary general meeting dated July 26, 2005.
June 7, 2006	Name changed to Reliance Communications Limited by a special resolution of the members passed at the extraordinary general meeting dated June 3, 2006.

The registered office of our Company is at H Block, 1st floor, Dhirubhai Ambani Knowledge City, Navi Mumbai 400 710, Maharashtra.

The Equity Shares have been listed on the Stock Exchanges since March 6, 2006. The global depository receipts issued by our Company are listed on the Luxembourg Stock Exchange.

The following table presents information regarding the ownership of Equity Shares by the Shareholders as of March 31, 2014:

Category code (I)	Category of Shareholder (II)	No. of Shareholders (III)	Total No. of Equity Shares (IV)	Number of Equity Shares held in dematerialised form (V)	Total shareholding as a percentage of total number of Equity Shares		Equity Shares pledged or otherwise encumbered	
					As a percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)	No of Equity Shares (VIII)	As a percentage (IX=VIII/I V*100)
(A)	Shareholding of Promoter and Promoter Group							
(1)	Indian							
(a)	Individuals/Hindu Undivided Family	12	9,845,709	9,845,709	0.48	0.48	0	0.00
(b)	Central Government/State Governments	0	0	0	0.00	0.00	0	0.00
(c)	Bodies Corporate	13	1,368,184,468	1,368,184,468	66.47	66.29	0	0.00
(d)	Financial Institutions/Banks	0	0	0	0.00	0.00	0	0.00
(e)	Any other (specify)	1	21,279,000	21,279,000	1.03	1.03	0	0.00
	Sub -Total (A)(1)	26	1,399,309,17	1,399,309,17	67.98	67.80	0	0.00

			7	7				
(2)	Foreign							
(a)	Individuals(Non-Resident Individuals/Foreign Individuals)	0	0	0	0.00	0.00	0	0.00
(b)	Bodies Corporate	0	0	0	0.00	0.00	0	0.00
(c)	Institutions	0	0	0	0.00	0.00	0	0.00
(d)	QFIs	0	0	0	0.00	0.00	0	0.00
(e)	Any other (specify)	0	0	0	0.00	0.00	0	0.00
	Sub -Total (A)(2)	0	0	0	0.00	0.00	0	0.00
	Total Shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	26	1,399,309,177	1,399,309,177	67.98	67.80	0	0.00
(B)	Public Shareholding							
(1)	Institutions						N/A	N/A
(a)	Mutual Funds /UTI	136	1,365,406	968,316	0.07	0.07	0	0.00
(b)	Financial Institutions/Banks	344	5,177,312	5,065,816	0.25	0.25	0	0.00
(c)	Central Government/State Governments	64	1,223,663	352,868	0.06	0.06	0	0.00
(d)	VCFs	0	0	0	0.00	0.00	0	0.00
(e)	Insurance Companies	42	176,538,482	176,532,403	8.58	8.55	0	0.00
(f)	FIIIs	529	245,332,566	245,215,005	11.92	11.89	0	0.00
(g)	FVCIs	0	0	0	0.00	0.00	0	0.00
(h)	QFIs	0	0	0	0.00	0.00	0	0.00
(i)	Any other (specify)	0	0	0	0.00	0.00	0	0.00
	Sub -Total (B)(1)	1,115	429,637,429	428,134,408	20.87	20.82	0	0.00
(2)	Non-Institutions						N/A	N/A
(a)	Bodies Corporate	6,637	23,454,058	22,980,421	1.14	1.14	0	0.00
(b)	Individuals							
	i. Individual Shareholders holding nominal sharecapital up to Rs. 1 Lakh.	169,6633	181,118,869	146,299,043	8.80	8.78	0	0.00
	ii. Individual Shareholders holding nominal sharecapital in excess of Rs. 1	155	13,944,955	13,846,561	0.68	0.68	0	0.00

	Lakh.							
(c)	QFIs	0	0	0	0.00	0.00	0	0.00
(d)	Any other (specify)	0	0	0	0.00	0.00	N/A	N/A
1	NRIs/ OCBs	15,819	10,855,140	8,167,959	0.53	0.53	0	0.00
	Sub -Total (B)(2)	1,719,244	229,373,022	191,293,984	11.14	11.11	0	0.00
	Total Public Shareholding B=(B)(1)+(B)(2)	1,720,359	659,010,451	619,428,392	32.02	31.93	0	0.00
	TOTAL (A) +(B)	1,720,385	2,058,319,628	2,018,737,569	100.00	99.72	0	0.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued							
1	Promoter and Promoter Group	0	0	0	0.00	0.00	0	0.00
2	Public	1	5,707,253	5,707,253	0.00	0.28	0	0.00
	Sub - Total (C)	1	5,707,253	5,707,253	0.00	0.28	0	0.00
	GRAND TOTAL (A)+(B)+(C)	1,720,386	2,064,026,881	2,024,444,822	100.00	100.00	0	0.00

The table below gives details of shareholdings of the Promoters as on March 31, 2014:

Sr No	Name of the Shareholder	No. of Equity Shares held	Percentage of shareholding
1	AAA Communication Private Limited	723,110,172	35.03
2	AAA Industries Private Limited	300,000,000	14.53
3	ADA Enterprises and Ventures Private Limited	300,000,000	14.53
4	Mr. Jai Anmol A. Ambani	1,669,759	0.08
5	Mr. Jai Anshul A. Ambani	100	0.00
6	Reliance ADA Group Trustees Private Limited - Trustees of RCOM ESOS Trust	21,279,000	1.03
7	Reliance Capital Limited	29,695,295	1.44
8	Shreeji Comtrade LLP	1,500,000	0.07
9	Shrikrishna Tradecom LLP	1,500,000	0.07
10	Reliance Innoventures Private Limited	12,379,001	0.60
11	Shri Anil D. Ambani	1,859,171	0.09
12	Smt. Kokila D. Ambani	4,665,847	0.23

13	Smt. Tina A. Ambani	1,650,832	0.08
	TOTAL	1,399,309,177	67.80

The table below is a list of the Shareholders in the public category holding more than 1% of the paid-up capital of our Company as on March 31, 2014:

Sr No	Name of the Shareholder	No. of Equity Shares held	Percentage of shareholding
1	Life Insurance Corporation of India	164,690,275	7.98
2	New World Fund Inc	60,476,096	2.93
3	American Funds Insurance Series New World Fund	24,557,631	1.19
	TOTAL	249,724,002	12.10

The table below is a list of the Shareholders in the public category holding more than 5% of the paid-up capital of our Company as on March 31, 2014:

Sr No	Name of the Shareholder	No. of Equity Shares held	Percentage of shareholding
1	Life Insurance Corporation of India	164,690,275	7.98
	TOTAL	164,690,275	7.98

ISSUE PROCEDURE

The following is a summary intended to present a general outline of the procedure relating to the application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the Lead Managers. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them. See “Distribution and Solicitation Restrictions” and “Transfer Restrictions”.

Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations, through the mechanism of a QIP. A company may issue equity shares to QIBs provided that certain conditions are met by the company. Some of these conditions are set out below:

- the issuer has completed all allotments with respect to any offer or invitation previously made by it or has withdrawn or abandoned any invitation or offer previously made by it;
- the issuer is in compliance with the minimum public shareholding requirements set out in the Securities Contract (Regulation) Rules, 1957;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the below-mentioned special resolution;
- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the relevant date;
- the explanatory statement to the notice to the shareholders for convening the general meeting must disclose the basis or justification for the price (including premium, if any) at which the offer or invitation is being made;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the QIB to whom the offer is made and is sent within 30 days of recording the names of such QIBs;
- the offer must not be to more than 200 persons in a financial year. However, an offer to QIBs will not be subject to this limit of 200 persons. Prior to circulating the private placement offer letter, the issuer must prepare and record a list of QIBs to whom the offer will be made. The offer must be made only to such persons whose names are recorded by the issuer prior to the invitation to subscribe;
- issuer must offer to each allottee at least such number of the securities in the issue which would aggregate to Rs. 20,000 calculated at the face value of the securities;
- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same financial year does not exceed five times the net worth (as defined in the SEBI Regulations) of the issuer as per the audited balance sheet of the previous financial year; and
- the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited.

At least 10% of the Equity Shares issued to QIBs must be Allotted to Mutual Funds, provided that, if this portion, or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be Allotted to other QIBs.

Prospective purchasers will be required to make certain certifications in order to participate in the Issue including that they are either (A) outside the U.S. and purchasing the Equity Shares in an offshore transaction (as defined in Regulation S) or (B) a “qualified institutional buyer” as defined in Rule 144A. See “Transfer Restrictions”.

Investors are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Additionally, there is a minimum pricing requirement under the SEBI Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the related Equity Shares quoted on the stock exchange during the two weeks preceding the Relevant Date.

The “relevant date” referred to above, for the Allotment, will be the date of the meeting in which the Board or the committee of Directors duly authorised by the Board decides to open the Issue and “stock exchange” means any of the stock exchanges in India on which the Equity Shares of the Issuer of the same class are listed and on which the highest trading volume in such Equity Shares has been recorded during the two weeks immediately preceding the relevant date.

Our Company has applied for and received the in-principle approval of the Stock Exchanges under Clause 24 (a) of its Listing Agreement for the listing of the Equity Shares on the Stock Exchanges. Our Company has also delivered a copy of this Placement Document to the Stock Exchanges.

Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorized by (i) the Board, pursuant to resolutions passed on June 24, 2014, and (ii) the Shareholders, pursuant to resolutions passed on August 27, 2013.

The Equity Shares will be Allotted within 12 months from the date of the Shareholders’ resolution approving the QIP and within 60 days from the date of receipt of subscription money from the relevant QIBs.

The Equity Shares issued pursuant to the QIP must be issued on the basis of the Preliminary Placement Document and this Placement Document that shall contain all material information including the information specified in Schedule XVIII of the SEBI Regulations and the requirements prescribed under Form PAS-4. The Preliminary Placement Document and this Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of Allottees for each QIP shall not be less than:

- two, where the issue size is less than or equal to Rs. 2.5 billion; and
- five, where the issue size is greater than Rs. 2.5 billion.

No single Allottee shall be allotted more than 50% of the Issue Size.

QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee. See “Issue Procedure—Application Process—Application Form”.

THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED, LISTED OR OTHERWISE QUALIFIED IN ANY OTHER JURISDICTION OUTSIDE INDIA AND MAY NOT BE OFFERED OR SOLD, AND BIDS MAY NOT BE MADE BY PERSONS IN ANY SUCH JURISDICTION, EXCEPT IN COMPLIANCE WITH THE APPLICABLE LAWS OF SUCH JURISDICTION.

Issue Procedure

1. Our Company and the Lead Managers shall circulate serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form to the QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of the QIBs to whom the Preliminary Placement Document, this Placement Document and the serially numbered Application Form have been dispatched. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.
2. **UNLESS A SERIALY NUMBERED PRELIMINARY PLACEMENT DOCUMENT ALONG WITH THE SERIALY NUMBERED APPLICATION FORM IS ADDRESSED TO A PARTICULAR QIB, NO INVITATION TO SUBSCRIBE SHALL BE DEEMED TO HAVE BEEN MADE TO SUCH QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.
3. Bidders shall submit Bids for, and our Company shall issue and Allot to each Allottee at least such number of Equity Shares which would aggregate to Rs. 20,000 calculated at the face value of the Equity Shares.
4. QIBs may submit an Application Form, including any revisions thereof, during the Bidding/Issue Period to the Lead Managers.
5. QIBs will be required to indicate the following in the Application Form:
 - name of the QIB to whom Equity Shares are to be Allotted;
 - number of Equity Shares Bid for;
 - price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at the Cut-Off Price which shall be any price as may be determined by our Company in consultation with the Lead Managers at a price no less than a 5% discount to the Floor Price, in accordance with Chapter VIII of the SEBI Regulations i.e. Rs. 142.14.
 - details of the Depository Participant account to which the Equity Shares should be credited; and
 - a representation that it is either (i) outside the United States, or (ii) an institutional investor meeting the requirements of a “qualified institutional buyer” as defined in Rule 144A, and (iii) it has agreed to certain other representations set forth in the Application Form.

NOTE: *Each sub-account of an FII other than a sub-account which is a foreign corporate or a foreign individual will be considered an individual QIB and separate application forms would be required from each such sub-account for submitting bids.*

6. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with the SEBI.

7. Upon receipt of the Application Form, after the Bid/Issue Closing Date, our Company shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the Lead Managers. Upon determination of the final terms of the Equity Shares, the Lead Managers will send the serially numbered CAN along with the Placement Document to the QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. **PLEASE NOTE THAT THE ALLOCATION WILL BE AT THE ABSOLUTE DISCRETION OF OUR COMPANY AND WILL BE BASED ON THE RECOMMENDATION OF THE LEAD MANAGERS.**
8. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-In Date as specified in the CAN sent to the respective QIBs. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013 i.e. the Escrow Account. See "Issue Procedure-Bank Account for Payment of Application Money".
9. Upon receipt of the application monies from the QIBs, our Company shall Allot Equity Shares as per the details in the CAN sent to the QIBs.
10. After passing the Board resolution for Allotment and prior to crediting the Equity Shares into the beneficiary accounts maintained with the Depository Participants by the Allottees, our Company shall apply to the Stock Exchanges for listing approvals. Our Company will intimate the Stock Exchanges the details of the Allotment.
11. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.
12. Our Company will then apply for the final trading approvals from the Stock Exchanges.
13. The Equity Shares that would have been credited to the beneficiary accounts with the Depository Participants of the Allottees shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges.

14. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the Lead Managers shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations are eligible to invest. Currently, under Regulation 2(1)(zd) of the SEBI Regulations, a QIB means:

- Eligible FPIs including FIIs, QFIs and eligible sub-accounts;
- insurance companies registered with the Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Government; and
- insurance funds set up and managed by the Department of Posts, India.
- multilateral and bilateral development financial institutions;
- Mutual Funds, VCFs, AIFs and FVCIs;
- pension funds with minimum corpus of Rs. 250 million;
- provident funds with minimum corpus of Rs. 250 million;
- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India.

ELIGIBLE NON-RESIDENT QIBS CAN PARTICIPATE IN THE ISSUE UNDER SCHEDULE 1 OF FEMA 20. FIIS, SUB-ACCOUNTS (OTHER THAN A SUB-ACCOUNT WHICH IS A FOREIGN CORPORATE OR A FOREIGN INDIVIDUAL), QFIS AND OTHER ELIGIBLE FPIS ARE PERMITTED TO PARTICIPATE THROUGH THE PORTFOLIO INVESTMENT SCHEME UNDER THE RESPECTIVE SCHEDULES OF FEMA 20, IN THIS ISSUE. FPIS ARE PERMITTED TO PARTICIPATE IN THE ISSUE SUBJECT TO COMPLIANCE WITH ALL APPLICABLE LAWS AND SUCH THAT THE SHAREHOLDING OF THE FPIS DO NOT EXCEED SPECIFIED LIMITS AS PRESCRIBED UNDER APPLICABLE LAWS IN THIS REGARD.

In terms of the FPI Regulations, the Equity Shares issued to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) should not exceed 10% of post-issue equity share capital of our Company. Further, in terms of the FEMA 20, the total holding of each FPI shall be below 10% of the total paid-up equity share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up equity share capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board followed by a special resolution passed by the Shareholders.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. The existing investment limit for FPIs (including FIIs) in our Company is 74% of the paid up capital of our Company.

An FII or sub-account (other than a sub-account which is a foreign corporate or foreign individual) who holds a valid certificate of registration from the SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees has been paid as per the FII Regulations. An FII or a sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until expiry of its registration as an FII or sub-account or until it obtains a certificate of registration as an FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees as applicable under the FPI Regulations, participate in the Issue. QFIs may participate in this Issue till January 6, 2015 or till they obtain a certificate of registration as FPIs upon payment of conversion fees under the FPI Regulations, whichever is earlier. An FII, QFI or sub-account shall not be eligible to invest as an FII, sub-account or QFI after registering as an FPI under the FPI Regulations.

In terms of the FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included.

Allotments made to FVCIs, VCFs and AIFs are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

Under Regulation 86(1)(b) of the SEBI Regulations, no Allotment shall be made, either directly or indirectly, to any QIB being, or any person related to, the Promoters. QIBs which have all or any of the following rights shall be deemed to be persons related to the “promoters” as defined in the SEBI Regulations:

- rights under a shareholders’ agreement or voting agreement entered into with the Promoters or persons related to the Promoters;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the “promoters”.

OUR COMPANY AND THE LEAD MANAGERS ARE NOT LIABLE FOR ANY AMENDMENT OR MODIFICATION OR CHANGE TO APPLICABLE LAWS OR REGULATIONS, WHICH MAY OCCUR AFTER THE DATE OF THIS PLACEMENT DOCUMENT. QIBS ARE ADVISED TO MAKE THEIR INDEPENDENT INVESTIGATIONS AND SATISFY THEMSELVES THAT THEY ARE ELIGIBLE TO APPLY. QIBS ARE ADVISED TO ENSURE THAT ANY SINGLE APPLICATION FROM THEM DOES NOT EXCEED THE INVESTMENT LIMITS OR MAXIMUM NUMBER OF EQUITY SHARES THAT CAN BE HELD BY THEM UNDER APPLICABLE LAW OR REGULATION OR AS SPECIFIED IN THIS PLACEMENT DOCUMENT. FURTHER, QIBS ARE REQUIRED TO SATISFY THEMSELVES THAT THEIR BIDS WOULD NOT EVENTUALLY RESULT IN TRIGGERING A TENDER OFFER UNDER THE TAKEOVER REGULATIONS.

Note: Affiliates or associates of the Lead Managers who are QIBs may participate in the Issue in compliance with applicable laws.

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the Lead Managers in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of the Preliminary Placement Document, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under “Notice to Investors”, “Distribution and Solicitation Restrictions” and “Transfer Restrictions”:

- The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI Regulations and is not excluded under Regulation 86 of the SEBI Regulations, has a valid and existing registration under the applicable laws in India and is eligible to participate in this Issue;
- The QIB confirms that it is not a “promoter” and is not a person related to the “promoters”, either directly or indirectly, and its Application Form does not directly or indirectly represent the “promoters” or “promoter group” or persons related to the “promoters” as defined in the SEBI Regulations;
- The QIB confirms that it has no rights under a shareholders’ agreement or voting agreement with the “promoters” or persons related to the “promoters”, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the “promoters” as defined in the SEBI Regulations;
- The QIB acknowledges that it has no right to withdraw its Bid after the Bid/Issue Closing Date;
- The QIB confirms that if Equity Shares are Allotted, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the stock exchanges;
- The QIB confirms that the QIB is eligible to Bid and hold Equity Shares so Allotted. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;
- The QIB confirms that its Bids would not eventually result in triggering a tender offer under the Takeover Code;

- The QIB confirms that together with other QIBs in the Issue that belongs to the same group or are under same control, the Allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:
 - a. The expression “belongs to the same group” shall derive meaning from the concept of “companies under the same group” as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and
 - b. “Control” shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;
- The QIBs shall not undertake any trade in the Equity Shares credited to their beneficiary accounts maintained with the Depository Participants until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

EACH QIB MUST PROVIDE ITS DEPOSITORY PARTICIPANT ACCOUNT DETAILS, PAN, DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, E-MAIL ID, BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. EACH QIB MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY PARTICIPANT ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the QIB upon the issuance of the CAN by our Company in favor of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the number of Equity Shares applied for. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the Lead Managers as per the details provided in the respective CAN. The Application Form shall be submitted to the Lead Managers either through electronic form or through physical delivery at the following address:

Name of the Global Co-ordinators and Book Running Lead Managers	Address	Contact person	Email	Phone (telephone and fax)
CLSA India Limited	8/F Dalamal House, Nariman Point, Mumbai 400021, Maharashtra, India	Sarfaraz Agboatwala	sarfaraz.agboatwala@clsa.com	Telephone: (91 22) 66505050 Fax: (91 22) 22840271
J.P. Morgan India Private Limited	J. P. Morgan Tower, Kalina, Off C. S. T. Road, Santacruz (East), Mumbai 400 098, Maharashtra, India	Ranjan Sharma	ranjan.b.sharma@jpmorgan.com	Telephone: (91 22) 6157 3000 Fax: (91 22) 6157 3911

Name of the Co-Book Running Lead Managers	Address	Contact person	Email	Phone (telephone and fax)
Axis Capital Limited	1st Floor, Axis House, C-2 Wadia, International Centre, P.B. Marg, Worli, Mumbai 400 025, Maharashtra, India	G. Venkatesh	venkatesh.iyer@axiscap.in	Telephone: (91 22) 4325 4587 Fax: (91 22) 4325 5599
Edelweiss Financial Services Limited	14th Floor, Edelweiss House, Off C S T Road, Kalina, Mumbai – 400098, Maharashtra, India	Mr. Jibi Jacob / Ms. Sujaya Moghepadhye	jibi.jacob@edelweissfin.com / Sujaya.moghepadhye@edelweissfin.com	Telephone: (91 22) 4086 3535 Fax: (91 22) 4086 3610
Macquarie Capital (India) Private Limited	92, Level 9, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra East, Mumbai – 400 051, Maharashtra, India	Mr. Ankur Gulati	Ankur.Gulati@macquarie.com	Telephone: (91 22) 6720 4000 Fax: (91 22) 6720 4301

The Lead Managers shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each QIB should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the Book

The QIBs shall submit their Bids (including the revision of bids) within the Bidding/Issue Period to the Lead Managers. Such Bids cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the Lead Managers.

Price Discovery and Allocation

Our Company, in consultation with the Lead Managers, shall determine the Issue Price, which shall be no less than a 5% discount to the Floor Price, in accordance with Chapter VIII of the SEBI Regulations i.e. Rs. 142.14.

After finalisation of the Issue Price, our Company updated the Preliminary Placement Document with the Issue details and will file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

Our Company shall determine the Allocation in consultation with the Lead Managers on a discretionary basis and in compliance with Chapter VIII of the SEBI Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE LEAD MANAGERS IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE LEAD MANAGERS AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE LEAD MANAGERS IS OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.

CAN

Based on the Application Forms received, our Company, in consultation with the Lead Managers, in their sole and absolute discretion, shall decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment in their respective names shall be notified to such QIBs. Additionally, a CAN will include details of the Escrow Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account.

The eligible QIBs would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the serially numbered CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the Lead Managers and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM.

Bank Account for Payment of Application Money

Our Company has opened the "Reliance Communications Limited – QIP Escrow Account" with HDFC Bank Limited in terms of the arrangement among our Company, the Lead Managers and HDFC Bank Limited as escrow bank. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

If the payment is not made favouring the "Reliance Communications Limited – QIP Escrow Account" within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

Our Company undertakes to utilise the amount deposited in "Reliance Communications Limited – QIP Escrow Account" only for the purposes of (i) adjustment against Allotment; or (ii) repayment of application money if our Company is not able to Allot Equity Shares.

In case of cancellations or default by the QIBs, our Company, the Lead Managers have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion.

Designated Date and Allotment of Equity Shares

The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the “Reliance Communications Limited – QIP Escrow Account” as stated above.

The Equity Shares will be issued and Allotment shall be made only in dematerialised form. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment and credit of Equity Shares into the QIBs’ Depository Participant accounts, our Company will apply for final trading and listing approvals from the Stock Exchanges.

In the case of a QIB who has been Allotted more than five per cent of the Equity Shares in the Issue, our Company shall disclose the QIB’s name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014. If you are Allotted any Equity Shares, our Company is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI.

The Escrow Agent shall release the monies lying to the credit of the Escrow Account to our Company after Allotment.

In the event that our Company is unable to issue and Allot the Equity Shares or there is a cancellation of the Issue within 60 days from the date of receipt of application money from a QIB, our Company shall repay the application money within 15 days from expiry of the 60 day period, failing which our Company shall repay that money to such QIBs with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by our Company shall be refunded to the same bank account from which application money was remitted by the QIBs.

Other Instructions

Right to Reject Applications

Our Company, in consultation with the Lead Managers, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the Lead Managers in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with NSDL or CDSL

The Allotment shall be only in dematerialised form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode).

A QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segments of the respective Stock Exchanges.

Our Company and the Lead Managers will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

ISSUE

Placement Agreement

The Lead Managers have entered into a placement agreement with our Company dated June 26, 2014 (the “**Placement Agreement**”), pursuant to which the Lead Managers have agreed to procure subscriptions for the Equity Shares on a reasonable efforts basis, to QIBs, pursuant to Section 42 of Companies Act, 2014, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, and Chapter VIII of the SEBI Regulations.

The Placement Agreement contains customary representations and warranties, as well as indemnities from our Company and the Lead Managers and is subject to termination in accordance with the terms contained therein.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of the Shareholders to sell their Equity Shares or the price at which the Shareholders will be able to sell their Equity Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the RoC and no Equity Shares will be offered in India or overseas to the public or any members of the public or any other class of investors, other than QIBs. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

Relationship with the Lead Managers

In connection with the Issue, the Lead Managers (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares or in secondary market transactions. As a result of such transactions, the Lead Managers may hold long or short positions in the Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the Lead Managers may purchase Equity Shares or be Allocated Equity Shares for proprietary purposes and not with a view to distribution or in connection with the issuance of P-Notes. See “Offshore Derivative Instruments (P-Notes)”.

From time to time, the Lead Managers, and the affiliates and associates of such entity have engaged in or may in the future engage in transactions with and perform services including but not limited to investment banking, advisory, banking, trading services for our Company, its Subsidiaries, group companies, affiliates and the Shareholders, as well as to their respective associates and affiliates, pursuant to which fees and commissions have been paid or will be paid to the Lead Managers and their affiliates and associates. For instance, J.P. Morgan India Private Limited acted as an underwriter in a foreign currency convertible offering by our Company in 2007, as a book running lead manager in the proposed initial public offering by one of our Subsidiaries, as a financial advisor on a private placement of securities by one of our Subsidiaries and certain affiliates of J.P. Morgan India Private Limited have provided us credit facilities and other commercial banking services in the past. Macquarie Capital (India) Private Limited was appointed as a co-book running lead manager in the initial public offering of one of the affiliates of our Company in 2008. Axis Capital Limited acted as a book running lead manager in the proposed initial public offering by one of our Subsidiaries and certain affiliates of Axis Capital Limited currently provide, and have provided in the past, credit facilities and commercial banking services to us.

DISTRIBUTION AND SOLICITATION RESTRICTIONS

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

General

No action has been or will be taken in any jurisdiction by our Company or the Lead Managers that would permit a public offering of the Equity Shares or the possession, circulation or distribution of this Placement Document or any other material relating to our Company or the Equity Shares in the Issue in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares in the Issue may not be offered or sold, directly or indirectly and neither this Placement Document nor any other offering material or advertisements in connection with the Equity Shares issued pursuant to the Issue may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on our Company or the Lead Managers. The Issue will be made in compliance with the SEBI Regulations. Each subscriber of the Equity Shares in the Issue will be required to make, or will be deemed to have made, as applicable, the acknowledgments and agreements as described under the sections “Notice to Investors”, “Distribution and Solicitation Restrictions” and “Transfer Restrictions”.

Australia. This Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (the “**Australian Corporations Act**”), has not been lodged with the Australian Securities & Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under this Placement Document is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under this Placement Document.

Cayman Islands. No offer or invitation to purchase Equity Shares may be made to the public in the Cayman Islands.

European Economic Area (including Liechtenstein, Iceland and Norway). In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”), an offer may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), make an offer of Equity Shares to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year, (ii) a total balance sheet of more than €50,000,000, as shown in its last annual consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Managers for any such offer; or
- in any other circumstances which do not require the publication of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

provided that no such offer of Equity Shares shall result in a requirement for the publication by our Company or the Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this provision, the expression an “offer of Equity Shares to the public” in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means, of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Hong Kong. No Equity Shares have been offered or sold, and no Equity Shares may be offered or sold, in Hong Kong by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal agent; or to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong. No document, invitation or advertisement relating to the Equity Shares has been issued or may be issued, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to the Equity Shares which are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

India. This Placement Document may not be distributed directly or indirectly in India or to residents of India and any Equity Shares may not be offered or sold directly or indirectly in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible QIBs only and is not an offer to the public. This Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than those to whom the offer is made. This Placement Document has not been and will not be registered as a prospectus with the RoC. The offering of Equity Shares pursuant to this Placement Document by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public at large about this Issue is prohibited. This Placement Document will be circulated only to such QIBs whose names are recorded by our Company prior to making an invitation to subscribe to Equity Shares. The minimum value of offer or invitation to subscribe to each QIB is Rs. 20,000 of the face value of the Equity Shares.

Japan. The offering of the Equity Shares has not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the “**Financial Instruments and Exchange Law**”). No Equity Shares have been offered or sold, and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and otherwise in compliance with the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial ordinances of Japan.

Korea. The Equity Shares have not been registered under the Korean Securities and Exchange Law, and the Equity Shares acquired in connection with the distribution contemplated hereby may not be offered or sold,

directly or indirectly, in Korea or to or for the account of any resident thereof, except as otherwise permitted by applicable Korean laws and regulations, including, without limitation, the Korean Securities and Exchange Law and the Foreign Exchange Transaction Laws.

Kuwait. The Equity Shares have not been authorized or licensed for offering, marketing or sale in the State of Kuwait. The distribution of this Placement Document and the offering and sale of the Equity Shares in the State of Kuwait is restricted by law unless a license is obtained from the Kuwaiti Ministry of Commerce and Industry in accordance with Law 31 of 1990.

Malaysia. No approval of the Securities Commission of Malaysia has been or will be obtained in connection with the offer and sale of the Equity Shares in Malaysia nor will any prospectus or other offering material or document in connection with the offer and sale of the Equity Shares be registered with the Securities Commission of Malaysia. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia.

New Zealand. This Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the “**New Zealand Securities Act**”). This Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act (“**Habitual Investors**”). By accepting this Placement Document, each investor represents and warrants that if they receive this Placement Document in New Zealand they are a Habitual Investor and they will not disclose this Placement Document to any person who is not also a Habitual Investor.

People’s Republic of China. This Placement Document, may not be circulated or distributed in the People’s Republic of China and the Equity Shares may not be offered or sold directly or indirectly to any resident of the People’s Republic of China, or offered or sold to any person for reoffering or resale directly or indirectly to any resident of the People’s Republic of China except pursuant to applicable laws and regulations of the People’s Republic of China. Each of the Lead Managers has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Equity Shares in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan) as part of the Issue. We do not represent that this Placement Document may be lawfully distributed, or that any Equity Shares may be lawfully offered, in compliance with any applicable registration or other requirements in the People’s Republic of China, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by us which would permit a public offering of any Equity Shares or distribution of this document in the People’s Republic of China. Accordingly, the Equity Shares are not being offered or sold within the People’s Republic of China by means of this Placement Document or any other document. Neither this Placement Document nor any advertisement or other offering material may be distributed or published in the People’s Republic of China, except under circumstances that will result in compliance with any applicable laws and regulations.

Qatar. The Equity Shares have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in the state of Qatar in a manner that would constitute a public offering. This Placement Document has not been reviewed or registered with Qatari Government Authorities, whether under Law No. 25 (2002) concerning investment funds, Central Bank resolution No. 15 (1997), as amended, or any associated regulations. Therefore, this Placement Document is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may not be reproduced or used for any other purposes, nor provided to any person other than recipient thereof.

Singapore. Each of the Lead Managers has acknowledged that this Placement Document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Lead Managers has represented and agreed that it has not offered or sold any Equity Shares issued pursuant to the

Issue or caused such Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell such Equity Shares issued pursuant to the Issue or cause such Equity Shares to be made the subject of an invitation for subscription or purchase, and have not circulated or distributed, nor will they circulate or distribute, this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Equity Shares issued pursuant to the Issue, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 by a relevant person which is:

- a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation to the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except:

- to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law; or
- as specified in Section 276(7) of the SFA.

Switzerland. This Placement Document does not constitute an issue prospectus pursuant to Art. 652a of the Swiss Code of Obligations. The Equity Shares will not be listed on the SWX Swiss Exchange, and therefore, this Placement Document does not comply with the disclosure standards of the Listing Rules of the SWX Swiss Exchange. Accordingly, the Equity Shares may not be offered to the public in or from Switzerland, but only to a selected and limited group of investors, which do not subscribe the Shares with a view to distribution to the public. The investors will be individually approached by one of the Lead Managers. This Placement Document is personal to each offeree and does not constitute an offer to any other person. This Placement Document may only be used by those persons to whom it has been handed out in connection with the offer described herein and may neither directly nor indirectly be distributed or made available to other persons without the express consent of our Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

United Arab Emirates. This Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the “UAE”). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other UAE exchange. the Issue, the Equity Shares and interests therein do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise. This Placement Document is strictly private and confidential and is being distributed to a limited number of

investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the UAE.

By receiving this Placement Document, the person or entity to whom this Placement Document has been issued understands, acknowledges and agrees that the Equity Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The Dubai Financial Services Authority has not approved this Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it.

United Kingdom. Each of the Lead Managers has represented and agreed that it:

- is a person who is a qualified investor within the meaning of Section 86(7) of the Financial Services and Markets Act 2000 (the “**FSMA**”), being an investor whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business;
- has not offered or sold and will not offer or sell the Equity Shares other than to persons who are qualified investors within the meaning of Section 86(7) of the FSMA or who it reasonably expects will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Equity Shares would otherwise constitute a contravention of Section 19 of the FSMA by us;

United States of America. The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) pursuant to Section 4(a)(2) under the Securities Act; and (b) outside the United States in offshore transactions in reliance on Regulation S.

TRANSFER RESTRICTIONS

Resales of Equity Shares, except on the floor of the Stock Exchanges, are not permitted for a period of one year from the date of Allotment, pursuant to Chapter VIII of the SEBI Regulations. Since the following additional restrictions will apply, investors are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Equity Shares.

Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. Additional transfer restrictions applicable to the Equity Shares are listed below.

United States Transfer Restrictions

The Equity Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Each purchaser of the Equity Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of the Preliminary Placement Document, this Placement Document and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser acknowledges that the Equity Shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to restrictions on transfer;
- the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares, was located outside the United States at the time the buy order for the Equity Shares was originated and continues to be located outside the United States and has not purchased the Equity Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Equity Shares or any economic interest therein to any person in the United States;
- the purchaser is not an affiliate (as defined in Rule 405 of the Securities Act) of our Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Equity Shares from our Company or an affiliate (as defined in Rule 405 of the Securities Act) thereof in the initial distribution of the Equity Shares;
- the purchaser is aware of the restrictions on the offer and sale of the Equity Shares pursuant to Regulation S described in this Placement Document;
- the Equity Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S; and
- the purchaser acknowledges that our Company, the Lead Managers and their respective affiliates (as defined in Rule 405 of the Securities Act), and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

Each purchaser of the Equity Shares within the United States purchasing pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act will be deemed to have represented and agreed that it has received a copy of the Preliminary Placement Document, this Placement Document and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser is authorized to consummate the purchase of the Equity Shares in compliance with all applicable laws and regulations;
- the purchaser acknowledges that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
- the purchaser is a qualified institutional buyer (as defined in Rule 144A), is aware that the sale to it is being made in a transaction not subject to the registration requirements of the Securities Act and is acquiring such Equity Shares for its own account or for the account of a qualified institutional buyer;
- the purchaser is aware that the Equity Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only to a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, in accordance with Regulation S or in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- the Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Equity Shares;
- the purchaser will not deposit or cause to be deposited such Equity Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act;
- our Company shall not recognize any offer, sale, pledge or other transfer of the Equity Shares made other than in compliance with the above-stated restrictions; and
- the purchaser acknowledges that our Company, the Lead Managers and their respective affiliates (as defined in Rule 405 of the Securities Act), and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company, and if it is acquiring any of the Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the SEBI and the Stock Exchanges, and has not been prepared or independently verified by our Company or the Lead Managers or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

Indian Stock Exchanges

India's stock exchanges are regulated primarily by the SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities Contracts (Regulation) Act, 1956 (the “**SCRA**”), the Securities Contracts (Regulation) Rules, 1957 (the “**SCRR**”), the SEBI Act, the Depositories Act, the Companies Act, and various rules and regulations framed thereunder.

On June 20, 2012, the SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the “**SCR (SECC) Rules**”) which regulate, *inter alia*, the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner in which contracts are entered into and enforced between members.

The SEBI Act, under which the SEBI was established by the Government, grants the SEBI powers to promote, develop and regulate the Indian securities markets, including stock exchanges and other financial intermediaries in the capital markets, to protect the interests of investors, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. The SEBI has also issued regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, Mutual Funds, FIIs, credit rating agencies and other capital market participants.

Listing

The listing of securities on an Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act, the Listing Agreement and various guidelines and regulations issued by the SEBI. Under the SCRA and the SCRR, the governing body of each stock exchange is empowered to suspend or withdraw admission to trading of or dealing in a listed security for breach of or non compliance by a listed company of any of the conditions of admission to dealings or for any other reason, subject to the listed company receiving prior written notice of such intent of the stock exchange and upon granting of a hearing in the matter. In the event that a suspension of a company's securities continues for a period in excess of three months, the company may appeal to the Securities Appellate Tribunal, which has the power to vary or set aside the decision of the stock exchange in this regard. The SEBI also has the power to amend the Listing Agreement and the bye-laws of the stock exchanges in India.

Delisting of Securities

The SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (the “**Delisting Regulations**”) in relation to the voluntary and compulsory delisting of securities from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

Pursuant to an amendment of the SCRR, all listed companies (except public sector undertakings) are required to maintain a minimum public shareholding of 25%. We are in compliance with the minimum public shareholding requirement. Where the public shareholding in a listed company falls below 25% at any time, such company is required to bring the public shareholding to 25% within a maximum period of twelve months from the date of such fall in the manner specified by the SEBI.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices.

BSE

Established in 1875, the BSE is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

The NSE was established by financial institutions and banks to serve as a national exchange and to provide nationwide, on-line, satellite-linked, screen-based trading facilities with electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994.

Internet-based Securities Trading and Services

The SEBI approved internet trading in January 2000. Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. This permits clients throughout the country to trade using brokers’ internet trading systems.

Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain conditions stipulated under applicable law. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

Trading Hours

Trading on both the BSE and the NSE occurs from Monday through Friday, from 9.15 a.m. to 3.30 p.m. Indian Standard Time. The BSE and the NSE are closed on public holidays. The stock exchanges have been permitted to set their own trading hours (in cash and derivatives segments) subject to the condition that (i) the trading hours are between 9 a.m. and 5 p.m.; and (ii) the stock exchange has in place risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, the BSE replaced its open outcry system with BSE On-line Trading (“**BOLT**”) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE also provides on-line trading facilities through a fully automated screen based trading system called the ‘National Exchange for Automated Trading’ (“**NEAT**”) which operates on a strict price/time priority besides enabling efficient trade. NEAT has provided depth in the market by enabling a large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Code

Disclosure and mandatory open offer obligations for listed Indian companies under Indian law are governed by the Takeover Code which provide specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Code will apply to acquisitions of the company’s shares/voting rights/control. The Takeover Code prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Code mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company.

If an acquirer (together with any persons acting in concert with him): (a) acquires 25% of the voting rights in a listed company; or (b) already holds 25% of the voting rights in a listed company, and acquires more than 5% of the voting rights in the listed company between 1 April and 31 March in any year; or (c) acquires control over a listed company, such acquirer will have to make an open offer to the public shareholders for at least 26% of the total shares of the listed company.

The Takeover Code also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition. Since, our Company is an Indian listed company, the provisions of the Takeover Code apply to our Company.

Insider Trading Regulations

The Insider Trading Regulations have been notified by the SEBI to prohibit and penalise insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information. The Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage of Equity Shares, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of “insider” includes any person who has received or has had access to unpublished price sensitive information in relation to securities of the company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of the company and who is, was or is deemed to have been, connected with the company.

Depositories

The Depositories Act provides a legal framework for the establishment of Depositories to record ownership details and effect transfers in book-entry form. Pursuant to the Depositories Act, the SEBI framed the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996 to regulate, *inter alia*, the formation and registration of such Depositories, the registration of Depository Participants as well as the rights and obligations of the Depositories, Depository Participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term “securities”, as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange.

DESCRIPTION OF EQUITY SHARES

Set forth below is certain information relating to the Equity Shares, including a brief summary of some of the provisions of our Memorandum and Articles, the Companies Act and certain related legislation of India.

General

As of the date of this Placement Document, the authorised share capital of our Company was Rs. 25,000 million consisting of 5,000,000,000 Equity Shares of Rs. 5 each, with 2,064,026,881 Equity Shares of Rs. 5 each issued, paid up and outstanding.

The Equity Shares have been listed on the NSE and the BSE since March 6, 2006.

Articles of Association

Our Company is governed by its Articles. The last amendment to the Articles was carried out on September 4, 2012. Table F of the Companies Act, 2013 is not applicable to our Company.

Dividends

Under the Companies Act, an Indian company pays dividend upon a recommendation by its board of directors and subject to approval by a majority of the members, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. However, the board of directors is not obligated to recommend a dividend. The decision of the board of directors and shareholders of the company may depend on a number of factors, including but not limited to, the company's profits, capital requirements and overall financial condition. The declaration of the Board as to the amount of the net profits shall be conclusive.

Subject to certain conditions specified under Section 123 of the Companies Act, 2013 and the rules made thereunder no dividend can be declared or paid by a company for any financial year except (a) out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act, 2013; or (b) out of the profits of the company for any previous financial year(s) arrived at in accordance with the Companies Act, 2013 and remaining undistributed; or (c) out of both; or (d) out of money provided by the Central Government or a State Government for payment of dividend by the company in pursuance of a guarantee given by that government.

According to the Articles, subject to the rights of the Shareholders with special rights as to payment of dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which dividend is paid. No amount paid or credited as paid on shares in advance of calls shall be treated as paid on shares. No dividend shall be payable except in cash. Dividends are payable out of the profits of our Company of that year or any other undistributed profits or reserves or without providing for depreciation. The Directors may pay interim dividend as justified by the position of our Company. Subject to the provisions of the Act and the Articles, the Board may retain the dividends payable upon shares to any person, until such person becomes a Shareholder in respect of such shares or until such shares shall have been duly transferred to him. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer unless our Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer.

Subject to the provisions of the Act, no Shareholder shall be entitled to receive payment of any interest or dividends in respect of his share(s), whilst any money may be due or owing from him to our Company in respect of such share(s) either above or jointly with any other person and the Board may deduct from the interest or dividend payable to any such Shareholder all sums of money so due from him to our Company. Unless otherwise directed, dividend may be paid by cash (including by cheque or warrant) or in electronic mode to the Shareholder or person entitled or in case of joint-holders to the joint-holder first named in the register of members. Our Company is not liable for any cheque or warrant lost in transmission, or for any dividend lost due to a forged endorsement of any cheque or warrant.

Subject to applicable provisions of the FEMA, all dividends and other distributions declared and payable on the Equity Shares may be paid by our Company to the Shareholder in Rupees and may be converted into foreign currency and freely transferred out of the Republic of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the Republic of India or any political subdivision or taxing authority thereof.

Capitalization of Profits

Our Company may capitalize any part of the amount for the time being standing to the credit of any of our Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution. The capitalization may be done among the Shareholders in the same proportion as they would have been entitled thereto as dividend and can be applied in paying up in full any unissued shares and/or towards payment of any unpaid amounts on shares. In addition, a bonus issue by our Company shall also be subject to the SEBI Regulations.

Alteration of Share Capital

The Articles provide that our Company may in general meeting, by an ordinary resolution, alter the conditions of its Memorandum as follows:

- increase its share capital by such amount as it thinks fit and expedient by issuing new shares of such amount which shall be subject to such terms and conditions and with such rights and privileges as the general meeting of the Shareholders resolving on the creation thereof shall direct, and if no such direction is given the Board shall determine, and in particular such shares may be issued with a preferential right to dividends and in the distribution of the assets of our Company;
- consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- convert all or any of its fully paid-up shares into stock and reconvert that stock into fully paid-up shares of any denomination;
- sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum so, however, that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
- cancel any shares which, at the date of passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of share so cancelled. Such cancellation of shares shall not be deemed to be a reduction of share capital within the meaning of the Companies Act.

Preference Shares

Our Company may subject to the provisions of the Companies Act and the consent of the Board issue on a cumulative or non-cumulative basis preference shares liable to be redeemed. The Board may provide for redemption of such shares on such terms as they deem fit, subject to the provisions of the Companies Act, including the right to redeem at a premium or otherwise as they deem fit. In addition, our Company may subject to the provisions of the Companies Act and the consent of the Board issue on a cumulative or non-cumulative basis convertible redeemable preference shares. The Directors may provide for redemption at a premium or otherwise and / or conversion of such shares into such securities on such terms as they may deem fit.

General Meetings of Shareholders

A company must hold its AGM within 15 months of the previous AGM or within six months after the end of each financial year, whichever is earlier, unless extended by the RoC at the request of the company for any special reason.

Written notices convening a meeting setting out the date, place and agenda of the meeting must be given to members at least 21 days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or in electronic mode, from not less than 95% of the shareholders entitled to vote at the meeting.

Voting Rights

Every member present in person and entitled to vote shall have one vote on a show of hands and on a poll, the voting rights will be in proportion to his share of the paid up capital of the company held by him, subject to any rights or restrictions for the time being attached to any class or classes of shares.

The Articles provide that votes may be given by proxies in a manner as authorised by the Articles. The instrument appointing a proxy is required to be lodged with our Company at least 48 hours before the time of the meeting.

According to the Articles, a vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the prior death or insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity, revocation or transfer of the share shall have been received by our Company at the Registered Office before the vote is given. Further, no member shall be entitled to exercise any voting right personally or by proxy at any meeting of our Company in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which our Company has exercised any right of lien. The chairman of any general meeting shall be the sole judge of the validity of any vote tendered at such meeting. Mr. Anil D. Ambani shall be the chairman of every general meeting of our Company. In case of an equality of votes, whether on poll or by show of hands, the Chairman will have a casting vote.

Promoters

The Articles provide that Mr. Anil D. Ambani, his wife, his lineal and blood descendants (including their spouses) and step or adoptive children and grand children, family trusts, Hindu Undivided Family and companies, firms, associates, bodies corporate, associations of persons or other entities controlled by him are the promoters of our Company in terms of the Takeover Code or any other law and will exercise control over our Company. However, if such persons cease to be the largest Shareholder(s), their right to control our Company or the right of Mr. Anil D. Ambani to be the Chairman of the Board or of a general meeting of the Shareholders will cease to exist.

Register of Members and Registration of Transfers

Our Company is required to maintain a register of Shareholders wherein the particulars of the Shareholders are entered. For the purpose of determining the Shareholders, the register may be closed for such period not exceeding in the aggregate 45 days in any one year or 30 days at a time at such times, as the Board may deem expedient.

Transfer of shares

An instrument of transfer of shares must be in writing in the form prescribed under the Companies Act. Such instrument must be executed both by the transferor and the transferee and attested and the transferor is deemed to be the member until the name of the transferee is entered in the register of members in respect thereof. An application for the registration of a transfer of shares in a company may be made either by the transferor or the transferee. Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.

Shares held through Depositories are transferred in the form of book entries or in electronic form in accordance with the Depositories Act and the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996. These regulations provide the regime for the functioning of the Depositories and the Depository Participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in such a system. Transfers of beneficial ownership of shares held through a Depository are exempt from stamp duty on the instrument of transfer. Our Company has entered into an agreement for such Depository services with the NSDL and the CDSL.

Acquisition by our Company of its own shares

A company is empowered to buy-back its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any fresh issue of shares or other specified securities (other than the kind of shares or securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorised by the articles of association of the company;
- a special resolution has been passed in a general meeting authorising the buy-back (in the case of listed companies, by means of a postal ballot) unless the buy-back is for 10% or less than 10% of the total paid-up equity capital and free reserves of the company and such buy-back has been authorized by the board of directors of the company by means of a resolution passed at its meeting;
- the proceeds utilised for the buy-back is limited to not more than 25% of the total paid-up capital and free reserves of the company;
- the buy-back of equity shares in any financial year is limited to not more than 25% of the total paid-up equity capital of the company in that financial year. No offer of buy-back shall be made within one year from the closure of the previous offer of buy-back;
- the secured and unsecured debt owed by the company is not more than twice the paid-up capital and free reserves after such buy-back;
- the shares or other specified securities for buy back are fully paid-up; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998.

A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the date of closure of the preceding offer of buy-back or to issue the same kind of securities for six months subject to certain limited exceptions.

Other than as described above, a company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act and sanctioned by the High Court in terms of the Companies Act. Subject to certain conditions, a public company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company or group of investment companies. Further, a company is prohibited from purchasing its own shares or specified securities, *inter alia*, if the company is in default with respect to the repayment of deposit or interest, in the redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank.

Directors

Our Company has five Directors. The composition of the Board is governed by the provisions of the Companies Act and the Listing Agreement. The Articles require that Mr. Anil D. Ambani be the non-retiring Chairman as long as he is willing to be a Director and the Chairman. The Chairman shall preside over all meetings of the Board and the general meetings of our Company and will have a casting vote in the event of a tie. Of the five Directors, four are independent Directors and one, Mr. Anil D. Ambani, is a non-executive, non-independent Director.

The Directors may be appointed by the Board or by a general meeting of the Shareholders. The Board may appoint any person as an additional Director, but such a Director must retire at the next AGM or on the last date when the AGM should have been held, whichever is earlier, unless re-elected by the Shareholders after complying with the provisions of the Companies Act. A person who fails to get appointed as a Director in a general meeting cannot be appointed as an additional Director. A casual vacancy caused in the Board due to death or resignation of a Director, can be filled by the Board, but such a person can remain in office only for the unexpired term of the person in whose place he was appointed and on the expiry of the term he will retire unless elected by the Shareholders. The Board may appoint an alternate Director in accordance with the provisions of the Companies Act to act for a Director during his absence from India, which period of absence shall not be less than three months (subject to such person being acceptable to the Chairman). The alternate Director cannot hold office for a period longer than that permissible for the original Director in whose place he has been appointed and has to vacate office if and when the original Director returns to India.

Two-thirds of the total number of Directors are subject to retirement by rotation, and of such Directors, one-third, or if their number is not three or multiples of three, then the number nearest to one-third, must retire every year. The Directors to retire are those who have been the longest in office. A retiring Director is eligible for re-appointment. The Directors are not required to hold any qualification Equity Shares. Our Company must have at least one Director who has stayed in India for at least 182 days in the previous calendar year (i.e. is an Indian resident). Our Company is required to have at least one-half of its Directors as independent Directors.

The quorum for meetings of the Board is one-third of the total number of Directors (any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher. The participation of the Directors by video conferencing or by other visual means will be counted towards quorum. However, where the number of interested Directors is equal to or exceeds two-thirds of total strength, the remaining number of Directors (i.e. Directors who are not interested) present at the meeting, being not less than two shall be the quorum during such time. In case there is no quorum for a Board meeting, the remaining Directors may act only for the purpose of increasing the number of Directors to meet the quorum requirements or to summon a general meeting.

Annual Report and Financial Results

An annual report which includes information about our Company such as the Financial Statements as of the date of closing of the financial year, the Directors' report, the management's discussion and analysis and a corporate governance section is required to be sent to the Shareholders in compliance with applicable laws. Our Company is required to submit the annual report to the Stock Exchanges under the Listing Agreement. Our Company must also publish its financial results in at least one English daily newspaper circulating in the whole or substantially the whole of India and also in a daily newspaper published in the language of the region where the Registered Office is situated. Our Company files certain information online, including the annual report, Financial Statements and the shareholding pattern statement, in accordance with the requirements of the Listing Agreement and as may be specified by the SEBI from time to time.

Liquidation Rights

On winding up, preference shares rank as regards capital in priority to Equity Shares to the extent of the paid up value of the preference shares, but to no other rights or participation in its assets. Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the Equity Shares and other dues payable, in the event of a winding-up of our Company, the preference shareholders are entitled to be repaid the amounts of capital paid up or credited as paid up on such shares. All surplus assets, after payment of statutory dues and other dues to employees, creditors and the holders of any preference shares, belong to the holders of the Equity Shares in proportion to the amount paid up or ought to have been paid up on the Equity Shares, respectively, at the commencement of the winding-up.

Subject to applicable provisions of the FEMA, all amounts payable with respect to Equity Shares upon liquidation of our Company may be paid by our Company to the holder thereof in Rupees and may be converted into foreign currency and freely transferred out of the Republic of India without the necessity of obtaining any governmental or regulatory authorisation or approval in the Republic of India or any political subdivision or taxing authority thereof.

TAXATION

The information provided below sets out the possible tax benefits available to the shareholders of an Indian company in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of Equity Shares, under the current tax laws presently in force in India. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives they may face in the future, they may not choose to fulfill. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

STATEMENT OF TAX BENEFITS

Statement of possible tax benefits available to the Company and its shareholders under the applicable laws in India

To,
The Board of Directors,
Reliance Communications Limited.

Sub: Statement of possible tax benefits available to Reliance Communications Limited (“the Company”) and its shareholders.

Dear Sirs,

We refer to the proposed Qualified Institutional Placement (QIP) of the shares of Reliance Communications Limited (“the Company”) and enclose the statement showing the current position of tax benefits available to the Company and to its shareholders as per the provisions of the Income Tax Act, 1961 and the Wealth Tax Act, 1957 for inclusion in the Placement Document.

The benefits disclosed in the enclosed statement are not exhaustive. Several of these tax benefits/consequences are dependent on the Company or the QIBs fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or the QIBs to derive tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill. No assurance is given that the revenue authorities will concur with the views expressed herein.

We do not express any opinion or provide any assurance as to whether:

- a. the Company or its Shareholders will continue to obtain these benefits in future; and
- b. the conditions prescribed for availing the benefits have been / would be met with.

The enclosed annexure is only intended to provide general information to the QIBs and is neither designed nor intended to be a substitute for professional tax advice. A potential investor is advised to consult their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

The contents of the enclosed annexure are based on information, explanations and representations obtained from the management of the Company which are based on their understanding of the business activities and operations of the Company and our interpretation of the current tax laws in force in India.

The enclosed annexure is intended solely for your information and for inclusion in the Preliminary Placement Document and the Placement Document in connection with the proposed QIP and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For **Chaturvedi & Shah**
Chartered Accountants

Firm's Registration No: 101720W

Lalit R. Mhalsekar.

Partner

Membership Number: 103418

Mumbai

23 June 2014

STATEMENT OF TAX BENEFITS AVAILABLE TO RELIANCE COMMUNICATIONS LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may not choose to fulfill.

1. SPECIAL TAX BENEFITS AVAILABLE TO THE COMPANY

- i) **Deduction under Section 80IA:** The Company enjoys special tax benefits under section 80IA of the Income Tax Act, 1961 (hereinafter referred to as 'the IT Act'). The Company is engaged in the business of providing Telecommunication Services, falling within the meaning of clause (4)(ii) of Section 80IA of the IT Act. The Company has commenced its business on 2nd May, 2003 in FY 2003-04, relevant to AY 2004-05. As per the provisions of the said Section, the Company, at its option, is eligible for deduction for consecutive 10 years out of the first fifteen years from commencement of its Telecommunications Business. The deduction available from the profits of the Telecommunications Business is to the extent of 100% for the first five years and 30% for the subsequent five years. The Company has exercised the option of claiming deduction u/s 80IA @100% from the AY 2008-09. Accordingly, the Company is entitled to deductions at 100% for AY 2008-09 to AY 2012-13 and at 30% from AY 2013-14 to AY 2017-18.

However, the aforesaid deduction is not available while computing tax liability of the Company under Minimum Alternative Tax ('MAT'). Nonetheless, such MAT paid/payable on the book profits of the Company, computed in terms of the provisions of IT Act, read with the Companies Act, 1956 would be eligible for credit against tax liability arising under normal provisions of IT Act. Further, such credit would not be allowed to be carried forward and set off beyond 10th assessment year immediately succeeding the assessment year in which such credit becomes allowable.

- ii) **Deduction under Section 35ABB:** As per Section 35ABB of the IT Act, any capital expenditure incurred, for acquiring any right to operate telecommunication services either before the commencement of the business to operate telecommunication services or thereafter at any time during any previous year and for which payment has actually been made to obtain a licence, shall be allowed as deduction in appropriate fraction for each of the relevant previous years while computing income from profits and gains of business or profession.

2. GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY

The following benefits are available to the Company after fulfilling conditions as per the respective provisions of the relevant tax laws.

- i) **Dividends**

Exemption u/s 10(34) of the IT Act

As per section 10(34) of the IT Act, any income by way of dividends, referred to in section 115-O, from a domestic company is exempt from tax in the hands of the Company. Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

However, in view of the provisions of Section 14A of the IT Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such dividend income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the IT Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

Exemption u/s 10(35) of the IT Act

As per section 10(35) of the IT Act, the following incomes will be exempt in the hands of the company:

- a) Income received in respect of the units of a mutual fund specified under clause (23D) of Section 10 of the IT Act; or
- b) Income received in respect of units from the administrator of the specified undertaking; or
- c) Income received in respect of units from the specified company.

However, this exemption does not apply to any income arising from transfer of units of the administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be.

Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

However, in view of the provisions of Section 14A of the IT Act, no deduction is allowed in respect of any expenditure incurred in relation to earning such income. The quantum of such expenditure liable for disallowance is to be computed in accordance with the provisions contained therein.

Also, Section 94(7) of the IT Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units is claimed as tax exempt.

As per section 94(8) of the IT Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells / redeems the original units within nine months of the record date, then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

ii) Income from buy back of shares

Exemption u/s 10(34A) of the IT Act

As per section 10(34A) of the IT Act, any income arising to the Company being a shareholder, on account of buy back of shares (not being listed on a recognized stock exchange) by a company as referred to in section 115QA of the IT Act will be exempt from tax. Such income is also exempt from tax while computing book profit for the purpose of determination of MAT liability.

iii) Profits and Gains of Business or Profession

Under Section 35(1)(i) and Section 35(1)(iv) of the IT Act, in respect of any revenue or capital expenditure incurred respectively, other than expenditure on the acquisition of any land, on scientific research related to the business of the company are allowed as deduction against the income of Company.

Under Section 35(1)(ii) of the IT Act, any sum paid to a research association which has as its object, the undertaking of scientific research or to a university, college or other institution to be used for scientific research is eligible for weighted deduction to the extent of one and three-fourth times (175%) of the sum so paid. This weighted deduction is available to amounts paid to approved research association, university, college or institution.

Under Section 35(1)(ia) of the IT Act any sum paid to a company registered in India which has as its main object the conduct of scientific research and development and is approved by the prescribed authority and fulfills such conditions as may be prescribed shall be liable to deduction at one and one fourth times (125%) of the amount so paid.

Where the Company pays any sum to a National Laboratory or a University or an Indian Institute of Technology or specified person referred to in section 35(2AA) of the IT Act with a specific direction that the said sum shall be used for scientific research undertaken under a programme approved in this behalf by prescribed authority, the deduction shall be allowed of a sum equal to two times (200%) of the sum so paid.

As per section 35AC of the IT Act, a deduction of the amount of expenditure incurred by way of payment of any sum to a public sector company or a local authority or to an association or institution approved by the National committee for carrying out any eligible project or scheme, is allowable while computing income from profits and gains of business or profession.

In case the Company is engaged in any of the specified businesses as prescribed in Section 35AD of the IT Act, there shall be allowed a deduction of 100% or 150% of the capital expenditure incurred, except cost of land, goodwill or any financial instruments depending on the type and nature of the business and the date on which such business commenced as prescribed in Section 35AD.

As per section 35CCD of the IT Act, a weighted deduction to the extent of one and one-half times (150%) of the amount of expenditure incurred (other than cost of land and building) on any skill development project notified by the Board, is allowable while computing income from profits and gains of business or profession.

Subject to certain conditions, Section 35D of the IT Act provides for deduction of specified preliminary expenditure incurred before the commencement of the business or after the commencement of business in connection with the extension of the undertaking or in connection with the setting up a new unit. The deduction allowable is equal to one-fifth of such expenditure incurred for each of the five successive previous years beginning with the previous year in which the business commences.

Under Section 35DD of the IT Act, the Company will be entitled to a deduction equal to one-fifth of the expenditure incurred in connection with Amalgamation or Demerger of an undertaking by way of amortization over a period of 5 successive years, beginning with the previous year in which the amalgamation or demerger takes place.

iv) Depreciation

The Company is entitled to claim depreciation on specified tangible and intangible assets owned and used by it for the purpose of its business as per provisions of section 32 of the IT Act.

v) Carry forward and Set-off of Business loss and unabsorbed depreciation

Business loss (other than speculative loss), if any, arising during a year can be set-off against the income under any other head of income, other than income under the head 'salaries', in terms of the provisions of section 71 of the IT Act. Balance business loss, if any, can be carried forward and set-

off against business profits for eight subsequent years in terms of the provisions of section 72 of the IT Act.

Unabsorbed depreciation under section 32(2) of the IT Act can be carried forward and set-off against any source of income in subsequent years subject to provisions of section 72(2) of the IT Act.

vi) Capital gains

As per section 2(42A) of the IT Act, shares held in a company or any other security listed in a recognized stock exchange in India or units of the Unit Trust of India or units of a mutual fund specified under section 10(23D) of the IT Act or zero coupon bonds will be considered as short term capital asset, if the period of holding of such shares, units or security is twelve months or less. If the period of holding is more than twelve months, it will be considered as long term capital asset as per section 2(29A) of the IT Act. In respect of other assets, the determinative period of holding is thirty six months as against twelve months mentioned above. Further, gain/loss arising from the transfer of short term capital asset and long term capital asset is regarded as short term capital gains/loss and long term capital gains/loss respectively.

Section 48 of the IT Act, which prescribes the mode of computation of Capital Gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of Capital Gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time. However, such indexation benefit would not be available on bonds and debentures.

As per section 10(38) of the IT Act, long term capital gains arising to the Company from transfer of long term capital asset being an equity share in a Company or a unit of an equity oriented fund listed in recognized stock exchange in India, where such transaction is chargeable to Securities Transaction Tax (STT), will be exempt in the hands of the Company.

However, such income shall be taken into account in computing book profit under section 115JB of the IT Act.

As per section 54EC of the IT Act, capital gains upto Rs. 5 Million per annum, arising from the transfer of a long term capital asset (in cases not covered under section 10(38) of the IT Act) are exempt from capital gains tax provided such capital gains are invested within a period of six months after the date of such transfer in specified bonds issued by National Highways Authority of India (NHAI) or Rural Electrification Corporation Ltd (RECL).

Gains arising on transfer of short term capital assets are currently chargeable to tax at the rate of 30 percent (plus applicable surcharge, education cess and secondary higher education cess). However, as per section 111A of the IT Act, short term capital gains arising to the Company from the sale of equity share or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to STT, will be taxable at the rate of 15% (plus applicable surcharge, education cess and higher education cess).

However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond (other than through a recognized stock exchange), calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term capital gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at concessional rate of 10 percent (plus applicable surcharge, education cess and secondary higher education cess).

As per section 70 read with section 74 of the IT Act, short term capital loss arising during a year is allowed to be set-off against short term capital gains as well as long term capital gains. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent eight assessment years in terms of the provisions of section 74 of the IT Act.

Long term capital loss arising during a year is allowed to be set-off only against long term capital gains in terms of section 70 of the IT Act. Balance loss, if any, shall be carried forward and set-off against long term capital gains arising during subsequent eight assessment years in terms of the provisions of section 74 of the IT Act. Long term capital loss arising on sale of shares or units of equity oriented fund subject to STT may not be carried forward for set off.

vii) Credit of MAT

As per section 115JAA(1A) of the IT Act, credit is allowed in respect of tax paid under section 115JB of the IT Act for any assessment year commencing on or after April 1, 2006.

MAT credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the IT Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for upto ten assessment years immediately succeeding the assessment year in which the MAT credit becomes allowable under section 115JAA(1A) of the IT Act.

MAT credit can be set off in a year when tax is payable under the normal provisions of the IT Act. MAT credit to be allowed for set off shall be the difference between MAT payable and the tax computed as per the normal provisions of the IT Act for that assessment year.

viii) Concessional rate of tax on Dividend from Foreign subsidiaries.

Dividend received by an Indian company from foreign companies, in which it holds not less than 26% of the equity share capital, is taxed at concessional rate of Tax @ 15% under Section 115BBD.

ix) Tax on distributed profits of domestic companies

As per section 115-O of the IT Act, tax on distributed profits of domestic companies is chargeable at 15% (plus applicable surcharge, education cess and higher education cess). As per sub-section (1A) to section 115-O, the domestic Company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the Dividend Distribution Tax (DDT) if:

- a) the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or
- b) the dividend is received from a foreign subsidiary, the Company has paid tax payable under section 115BBD.

However, the same amount of dividend shall not be taken into account for reduction more than once.

x) Other Deductions

A deduction equal to 100% or 50%, as the case may be, of the sums paid as donations to certain specified entities is allowable as per section 80G of the IT Act.

A deduction amounting to 100% of any sum contributed to any political party or an electoral trust, otherwise than by way of cash, is allowable under section 80GGB of the IT Act while computing total income.

3. SPECIAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

There are no special tax benefits available to resident as well as foreign Institutional Investors (FIIs) shareholders of the Company.

4. GENERAL TAX BENEFITS AVAILABLE TO THE SHAREHOLDERS

4.1 Resident Shareholders

- i) We are required to pay a dividend distribution tax currently at the rate of 16.995% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O of IT Act received on our shares is exempt from income tax in the hands of shareholders. However it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not allowable expenditure.

As per section 94(7) of the Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

- ii) The characterisation of gains/losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the shareholder and various other factors.
- iii) Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of Long Term Capital Gains, ("LTCG") i.e. gains from shares held for a period exceeding twelve months, from transfer of shares of an Indian company, the second proviso to Section 48 of the IT Act, permits substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/improvement by a cost inflation index, as prescribed from time to time.
- iv) Under Section 10(38) of the IT Act, LTCG arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to Securities Transaction Tax ("STT").
- v) Under Section 112 of the IT Act and other relevant provisions of the IT Act, LTCG, (other than those exempt under Section 10(38) of the IT Act) arising on transfer of our shares would be subject to tax at the rate of 20% (plus applicable surcharge and education cess) after indexation. The amount of such tax shall, however, be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder in case the shares are listed.
- vi) Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988; or
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment in the long term specified assets is eligible for such deduction to the extent of Rupees 5 million during any financial year.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, then such person shall be deemed to have converted such specified securities into money. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act for any assessment year beginning on or after 1 April 2006.

- vii) Under Section 54F of the IT Act, where in the case of an individual or HUF long term capital gain arise from transfer of shares of the company (other than exempt u/s 10(38) of the IT Act), then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilized for purchase of residential house property within a period of one year before or two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.
- viii) As per Section 111A of the IT Act, Short Term Capital Gains (“STCG”), (i.e., gains from shares held for a period not exceeding twelve months) arising on transfer of our equity Shares would be taxable at a rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is liable to STT. STCG arising from transfer of our shares, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.
- ix) As per Section 70 of the IT Act, Short Term Capital Loss computed for the given year is allowed to be set-off against Short Term as well as Long Term Capital Gains computed for the said year. However, Long Term capital Loss computed for the given year is allowed to be set-off only against the Long Term Capital Gains computed for the said year. Further, as per Section 71 of the IT Act, short term capital loss or long term capital loss for the year cannot be set-off against income under any other heads for the same year.
- x) As per Section 74 of the Act, the balance loss under the head Capital Gains, which is not set off under the provisions of Section 70, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years’ Short Term as well as Long Term Gains. However, the long term capital loss of any year is allowed to be set off only against the Long Term Capital Gains so brought forward.
- xi) In terms of Section 36(xv) of the Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head “Profit and gains of business or profession”, provided the income arising out of such taxable securities transactions is included in computation of business profits. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of STT.

4.2 Non Resident shareholders other than Foreign Institutional Investor (“FII”s), and Foreign Venture Capital Investors (“FVCI”)

- i) We are required to pay a dividend distribution tax currently at the rate of 16.995% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend. Under

Section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O of the IT Act, received on our shares is exempt from income tax in the hands of shareholders. As per section 94(7) of the Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

- ii) The characterisation of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors.
- iii) Under the first proviso to Section 48 of the IT Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by Section 115E of the IT Act, discussed hereunder), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.
- iv) Under Section 10(38) of the IT Act, LTCG arising to a shareholder, being a non-resident, on sale of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is chargeable to STT.
- v) Under Section 112 of the IT Act and other relevant provisions of the IT Act, LTCG, (other than those exempt under Section 10(38) of the IT Act) arising on transfer of our shares would be subject to tax at a rate of 20% (plus applicable surcharge and education cess) after indexation. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, in case the shares are listed.
- vi) Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988; or
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment in the long term specified assets is eligible for such deduction to the extent of Rupees 5 million during any financial year.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, than such person shall be deemed to have converted such specified securities into money. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the IT Act for any assessment year beginning on or after 1 April 2006.

- vii) Under Section 111A of the IT Act and other relevant provisions of the IT Act, STCG (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share would be taxable at a

rate of 15% (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. STCG arising from transfer of our shares, other than those covered by Section 111A of the IT Act, would be subject to tax as calculated under the normal provisions of the IT Act.

- viii) As per Section 74 of the IT Act, Short Term Capital Loss computed for the given year is allowed to be set off against Short Term as well as Long Term Gains computed for the said year. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' Short Term as well as Long Term Gains. However, the Long Term capital Loss computed for a given year is allowed to be set off only against the LTCG. The balance loss, which is not set off, is allowed to be carried forward for subsequent eight assessment years for being set off against subsequent years' LTCG.
- ix) Where our shares have been subscribed in convertible foreign exchange, Non Resident Indians, i.e. an individual being a citizen of India or person of Indian origin who is not a resident, ("NRI") have the option of being governed by the provisions of Chapter XII-A of the IT Act, which, *inter alia*, entitles them to the following benefits:
 - (a) Under section 115E of the IT Act, where the total income of a NRI includes any income from investments or income from long term capital gain from an asset other than a specified asset such income shall be taxable at 20 % (plus applicable surcharge and education cess). Where Shares of the company are subscribed to by a NRI, the LTCG arising to the NRI shall be taxable at the rate of 10 % (plus applicable surcharge and education cess). The benefit of indexation of cost would not be available.
 - (b) Under Section 115F of the IT Act, LTCG (in cases not covered under Section 10(38) of the IT Act) arising to an NRI from the transfer of our shares subscribed to in convertible foreign exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in Section 10(4B), within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently under the head Capital Gains relating to Capital Assets other than Short Term Capital assets, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
 - (c) Under Section 115G of the IT Act, it shall not be necessary for an NRI to furnish his return of income under Section 139(1) of the IT Act, if his income assessable under the Act consists of only investment income or LTCG or both; arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from as per the provisions of Chapter XVII-B of the IT Act.
 - (d) In accordance with the provisions of Section 115H of the Act, where an NRI become assessable as a resident in India, he may furnish a declaration in writing to the assessing officer along with his return of income for that year under Section 139 of the IT Act to the effect that the provisions of Chapter XII-A of the IT Act shall continue to apply to him in relation to such investment income derived from the specified assets (which do not include shares in an Indian company) for that year and subsequent assessment years until such assets are converted into money.
 - (e) As per provisions of Section 115-I of the IT Act, an NRI may elect not to be governed by provisions of Chapter XII-A and compute his total income as per other provisions of the IT Act.

- x) In terms of Section 36(xv) of the IT Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of STT.
- xi) In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Double Taxation Avoidance Agreement (the “DTAA”) between India and the country of residence of the non-resident/NRI. As per Section 90(2) of the IT Act, provisions of the DTAA would prevail over the provisions of the IT Act to the extent they are more beneficial to the non-resident/NRI.

4.3 Non-resident shareholders - FIIs

- i) We are required to pay a dividend distribution tax currently at the rate of 16.995% (including applicable surcharge and education cess) on the total amount distributed or declared or paid as dividend. Under Section 10(34) of the IT Act, income by way of dividends referred to in Section 115-O received on our shares is exempt from income tax in the hands of shareholders. However it is pertinent to note that Section 14A of the IT Act restricts claims for deduction of expenses incurred in relation to exempt income. Thus, any expense incurred to earn the dividend income is not allowable expenditure. As per section 94(7) of the Act, losses arising from sale/transfer of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.
- ii) The characterisation of gains/losses, arising from sale of shares, as Capital Gains or Business Income would depend on the nature of holding in the hands of the shareholder and various other factors.
- iii) Under the first proviso to Section 48 of the IT Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilised in the purchase of the shares.
- iv) Under Section 10(38) of the IT Act, LTCG arising to a shareholder on transfer of equity shares would be exempt from tax where the sale transaction has been entered into on a recognised stock exchange of India and is liable to STT.
- v) Under Section 54EC of the IT Act and subject to the conditions and to the extent specified therein, LTCG (other than those exempt under Section 10(38) of the IT Act) arising on the transfer of our shares would be exempt from tax if such capital gain is invested within six months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under Section 3 of the National Highway Authority of India Act, 1988; or
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

The investment in the long term specified assets is eligible for such deduction to the extent of Rs. 5 million during any financial year.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion. For this purpose, if any loans or advance is taken as against such specified securities, then such person shall be deemed to have converted such specified securities into money.

- vi) Under Section 115AD (1)(i) of the IT Act, any income received in respect of securities (other than units referred to in Section 115AB), other than dividends referred to in Section 115-O and LTCG or STCG, shall be chargeable to tax at a rate of 20%.

Under Section 115AD (1)(ii) of the IT Act STCG arising to an FII on transfer of securities shall be chargeable to tax at a rate of 30%, where such transactions are not subjected to STT, and at the rate of 15%, if such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT. The above rates are to be increased by applicable surcharge and education cess.

Under Section 115AD (1)(iii) of the IT Act income by way of LTCG arising from the transfer of securities (in cases not covered under Section 10(38) of the IT Act) held in the company will be taxable at the rate of 10% (plus applicable surcharge and education cess). The benefits of indexation of cost and of foreign currency fluctuations are not available to FIIs.

As per section 196D(2) of the IT Act, no deduction of tax at source will be made in respect of income by way of capital gain arising from the transfer of securities referred to in section 115AD.

- vii) As per section 90(2) of the IT Act, the provisions of the IT Act would prevail over the provisions of the DTAA entered between India and the country of fiscal domicile of the non-resident, if any, to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the Act or the applicable tax treaty, whichever is more beneficial. However, the non-resident investor will have to furnish a certificate of his being a resident in a country outside India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of IT Act.
- viii) In terms of Section 36(xv) of the IT Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business of transactions/trading in shares would be eligible for deduction from the amount of income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains of such amount paid on account of STT.
- ix) As per Section 196D of IT Act, no tax is to be deducted from any income, by way of Capital Gains arising to an FII from the transfer of securities referred to in section 115AD of the IT Act.

4.4 VENTURE CAPITAL COMPANIES/FUNDS

Under Section 10(23FB) of the IT Act, any income of Venture Capital Company registered with SEBI as a Venture Capital Fund before 21-5-2012 under SEBI (Venture Capital Funds) Regulations, 1996 or as a sub-category I Alternative Investment Fund as is regulated under SEBI (Alternative Investment Funds Regulations) under the SEBI Act, 1992, would be exempt from income tax, subject to conditions specified therein.

As per Section 115U of the IT Act, any income derived by a person from his investment in Venture Capital Company/Venture Capital Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

4.5 MUTUAL FUNDS

Under Section 10(23D) of the IT Act, any income of mutual funds registered under SEBI or regulations made there under or mutual funds set up by public sector banks or public financial institutions or authorised by the RBI and subject to the conditions specified therein, is exempt from tax subject to such conditions as the Central Government may by notification in the Official Gazette, specify in this behalf. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the IT Act.

BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, our shares held by the shareholders would not be liable to wealth tax.

TAX DEDUCTION AT SOURCE

No income tax is deductible at source from income by way of capital gains arising to a resident shareholder under the present provisions of the IT Act. However, as per the provisions of Section 195 of the IT Act, any income by way of capital gains payable to non residents (other than LTCG exempt u/s 10(38)) may be subject to withholding of tax at the rate under the domestic tax laws or under the tax laws or under the DTAA, whichever is beneficial to the assessee, unless a lower withholding tax certificate is obtained from the tax authorities. However, the non-resident investor will have to furnish a certificate of his being a resident in a country outside India and a suitable declaration for not having a fixed base in India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of IT Act. The withholding tax rates are subject to the recipients of income obtaining and furnishing a permanent account number (PAN) to the payer, in the absence of which the applicable withholding tax rate would be the higher of the applicable rates or 20%, under section 206AA of the Act.

Notes:

1. The above benefits are as per the current tax law as amended by the Finance Act, 2013 (the "FA").
2. As per the FA, surcharge is to be levied on individuals, HUF, AOP, body of individuals, artificial juridical person, co-operative society and local authorities at the rate of 10% if the total income exceeds Rs. 10 million.
3. The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Shares.
4. The stated benefits will be available only to the sole/first named holder in case the shares are held by the joint holders.
5. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
6. This statement is intended only to provide general information to the investors and is neither designed nor intended to be substituted for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.
7. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

8. This statement of possible direct tax benefits enumerated above is as per the Act as amended by the FA.

The above statement of possible Direct-tax Benefits sets out the possible tax benefits available to the company and its shareholders under the current tax laws presently in force in India. Several of these benefits available are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, INVESTORS ARE HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF UNITED STATES FEDERAL TAX ISSUES IN THIS PLACEMENT DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY INVESTORS, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON INVESTORS UNDER THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”); (II) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN BY THE COMPANY AND DEALERS, MANAGERS AND UNDERWRITERS; AND (III) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN INDEPENDENT TAX ADVISORS.

The following is a discussion of certain material U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares acquired pursuant to this Issue. This summary does not address any aspect of U.S. federal non-income tax laws, such as U.S. federal estate and gift tax laws, or state, local or non-U.S. tax laws, and does not purport to be a comprehensive description of all of the U.S. tax considerations that may be relevant to a particular person’s decision to acquire Equity Shares.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

The discussion applies to you only if you acquire the Equity Shares in this Issue and you hold the Equity Shares as capital assets for U.S. federal income tax purposes (generally, for investment). This section does not apply to you if you are a member of a special class of holders subject to special tax rules, including:

- a broker;
- a dealer in securities, commodities or foreign currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or other financial institution;
- a tax-exempt organization;
- an insurance company;
- a regulated investment company;
- an investor who is a U.S. expatriate, former U.S. citizen or former long term resident of the United States;
- a mutual fund;
- an individual retirement or other tax-deferred account;
- a holder liable for alternative minimum tax;
- a holder that actually or constructively owns 10% or more, by voting power, of the Company’s voting stock;
- a partnership or other pass-through entity for U.S. federal income tax purposes;
- a holder that holds Equity Shares as part of a straddle, hedging, constructive sale, conversion or other integrated transaction for U.S. federal income tax purposes; or

- a U.S. holder (as defined below) whose functional currency is not the U.S. Dollar.

This section is based on the Code, existing and proposed income tax regulations issued under the Code, legislative history, and judicial and administrative interpretations thereof, all as of the date hereof. All of the foregoing are subject to change at any time, and any change could be retroactive and could affect the accuracy of this discussion. In addition, the application and interpretation of certain aspects of the passive foreign investment company (“**PFIC**”) rules, referred to below, require the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these regulations will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the U.S. Internal Revenue Service (“**IRS**”) or the courts. No ruling has been or will be sought from the IRS with respect to the positions and issues discussed herein, and there can be no assurance that the IRS or a court will not take a different position concerning the U.S. federal income tax consequences of an investment in the Equity Shares or that any such position would not be sustained.

You are a “U.S. holder” if you are a beneficial owner of Equity Shares that acquired the shares pursuant to this Issue and you are:

- a citizen or resident of the United States;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. federal income tax purposes;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust if (1) a U.S. court can exercise primary supervision over the trust’s administration and one or more U.S. persons are authorised to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

In addition, this discussion is limited to U.S. holders who are not resident in India for purposes of the Income Tax Treaty between the United States and India.

If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of the Equity Shares, the U.S. tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Equity Shares that is a partnership and partners in such a partnership should consult their own tax advisors concerning the U.S. federal income tax consequences of purchasing, owning and disposing of Equity Shares.

A “non-U.S. holder” is a beneficial owner of Equity Shares that acquired the shares pursuant to this Issue and that is neither a U.S. holder nor a partnership for U.S. federal income tax purposes.

Although not free from doubt, the Company does not believe that it should be treated as, and does not expect to become, a PFIC for U.S. federal income tax purposes. However, no assurance can be given that the Company will not be considered a PFIC in the current or future years. The determination whether or not the Company is a PFIC is a factual determination that is made annually based on the types of income it earns and the value of its assets. If the Company was currently or were to become a PFIC, U.S. holders of Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the Code.

Taxation of Dividends

U.S. Holders. Subject to the PFIC rules below, if you are a U.S. holder you must include in your gross income the gross amount of any distributions of cash or property (other than certain pro rata distributions of Equity Shares) with respect to Equity Shares, to the extent the distribution is paid by the Company out of its current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S.

holder will include the dividend income at the time of actual or constructive receipt. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the Equity Shares and thereafter as capital gain from the sale or exchange of such Equity Shares. Notwithstanding the foregoing, the Company does not intend to maintain calculations of its earnings and profits as determined for U.S. federal income tax purposes. Consequently, distributions generally will be reported as dividend income for U.S. information reporting purposes.

You should not include the amount of any Indian tax paid by the Company with respect to the dividend payment, as that tax is, under Indian law, a liability of the Company and not the shareholders, unless you are a U.S. corporation that owns 10% or more of the voting stock of the Company and also claims a foreign tax credit against your U.S. tax liability for your share of income taxes paid by the Company. The dividend is ordinary income that you must include in income when you receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Subject to the PFIC rules described below, dividends paid by a non-U.S. corporation generally will be taxed at the preferential tax rates applicable to long-term capital gain of non-corporate taxpayers if (a) such non-U.S. corporation is eligible for the benefits of certain U.S. treaties or the dividend is paid by such non-U.S. corporation with respect to stock that is readily tradable on an established securities market in the United States, (b) the U.S. holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on shares that have been held by such U.S. holder for at least 61 days during the 121-day period beginning 60 days before the “ex-dividend date.” If the requirements of the immediately preceding paragraph are not satisfied, a dividend paid by a non-U.S. corporation to a U.S. holder, including a U.S. holder that is an individual, estate, or trust, generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. holder should consult its own tax advisor regarding the dividend rules.

Dividends received generally will be income from non-U.S. sources, which may be relevant in calculating your U.S. foreign tax credit limitation. Such non-U.S. source income generally will be “passive category income”, or in certain cases “general category income”, which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Equity Shares.

The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. Dollar value of the Indian Rupee payments made, determined at the spot Indian Rupee/U.S. Dollar exchange rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. Dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Non-U.S. Holders. Dividends paid to non-U.S. holders generally will not be subject to U.S. income tax unless the dividends are “effectively connected” with your conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis. In such cases you generally will be taxed in the same manner as a U.S. holder (other than with respect to the Medicare Tax described below). If you are a corporate non-U.S. holder, “effectively connected” dividends may, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Capital Gains

U.S. Holders. Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell, exchange or otherwise dispose of your Equity Shares, you will generally recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. Dollar value of the amount realized and your tax basis, determined in U.S. Dollars, in your Equity Shares. Gain or loss recognized on such a sale, exchange or other disposition of Equity Shares generally will be long-term capital gain if the U.S. holder has held the Equity Shares for more than one year. Long-term capital gains of U.S. holders who are individuals (as well as certain trusts and estates) are generally taxed at a maximum rate of 20%. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met. Your ability to deduct capital losses is subject to limitations.

Non-U.S. Holders. If you are a non-U.S. holder, you will not be subject to U.S. federal income tax on gain recognized on the sale, exchange or other disposition of your Equity Shares unless:

- the gain is “effectively connected” with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. taxation on a net income basis; or
- you are an individual, you are present in the United States for 183 or more days in the taxable year of such sale, exchange or other disposition and certain other conditions are met.

In the first case, the non-U.S. holder will be taxed in the same manner as a U.S. holder (other than with respect to the Medicare Tax described below). In the second case, the non-U.S. holder will be subject to U.S. federal income tax at a rate of 30% on the amount by which such non-U.S. holder’s U.S.-source capital gains exceed such non-U.S.-source capital losses.

If you are a corporate non-U.S. holder, “effectively connected” gains that you recognize may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Medicare Tax

Certain U.S. holders who are individuals, estates or trusts are required to pay a 3.8% Medicare surtax on all or part of that holder’s “net investment income”, which includes, among other items, dividends on, and capital gains from the sale or other taxable disposition of, the Equity Shares, subject to certain limitations and exceptions. This surtax applies to taxable years beginning after December 31, 2012. Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their ownership and disposition of the Equity Shares.

PFIC Considerations

The Code provides special rules regarding certain distributions received by U.S. persons with respect to, and sales, exchanges and other dispositions, including pledges, of, shares of stock in a PFIC. A foreign corporation will be treated as a PFIC for any taxable year in which either: (i) at least 75 percent of its gross income is “passive income” or (ii) at least 50 percent of its gross assets during the taxable year (based on the average of the fair market values of the assets determined at the end of each quarterly period) are “passive assets,” which generally means that they produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions, and gains from assets that produce passive income. In determining whether a foreign corporation is a PFIC, a pro rata portion of the income and assets

of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Although not free from doubt, the Company does not believe that it should be treated as, and does not expect to become, a PFIC for U.S. federal income tax purposes, but the Company's possible status as a PFIC must be determined for each year and cannot be determined until the end of each taxable year. Because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond the Company's control, including the amount and nature of the Company's income, as well as on the market valuation of the Company's assets and the Company's spending schedule for its cash balances and the proceeds of the Issue, and because certain aspects of the PFIC rules are not entirely certain, there can be no assurance that the Company is not a PFIC and will not become a PFIC or that the IRS will agree with our conclusion regarding our PFIC status.

A U.S. holder that holds stock in a foreign corporation during any taxable year in which the corporation qualifies as a PFIC is subject to special tax rules with respect to (a) any gain realized on the sale, exchange or other disposition of the stock and (b) any "excess distribution" by the corporation to the holder, unless the holder elects to treat the PFIC as a "qualified electing fund" ("QEF") or makes a "mark-to-market" election, each as discussed below. An "excess distribution" is that portion of a distribution with respect to PFIC stock that exceeds 125% of the average of such distributions over the preceding three-year period or, if shorter, the U.S. holder's holding period for its shares. Excess distributions and gains on the sale, exchange or other disposition of stock of a corporation which was a PFIC at any time during the U.S. holder's holding period are allocated ratably to each day of the U.S. holder's holding period. Amounts allocated to the taxable year in which the disposition occurs and amounts allocated to any period in the shareholder's holding period before the first day of the first taxable year that the corporation was a PFIC will be taxed as ordinary income (rather than capital gain) earned in the taxable year of the disposition. Amounts allocated to each of the other taxable years in the U.S. holder's holding period are not included in gross income for the year of the disposition, but are subject to a special tax (equal to the highest ordinary income tax rates in effect for those years, and increased by an interest charge at the rate applicable to income tax deficiencies) that is added to the regular tax for the taxable year in which the disposition occurs. The preferential U.S. federal income tax rates for dividends and long-term capital gain of individual U.S. holders (as well as certain trusts and estates) would not apply, and special rates would apply for calculating the amount of the foreign tax credit with respect to excess distributions. In addition, a U.S. holder who acquires shares in a PFIC from a decedent generally will not receive a "stepped-up" fair market value tax basis in such shares but, instead, will receive a tax basis equal to the decedent's basis, if lower.

If a corporation is a PFIC for any taxable year during which a U.S. holder holds shares in the corporation, then the corporation generally will continue to be treated as a PFIC with respect to the holder's shares, even if the corporation no longer satisfies either the passive income or passive asset tests described above, unless the U.S. holder terminates this deemed PFIC status by electing to recognize gain, which will be taxed under the excess distribution rules as if such shares had been sold on the last day of the last taxable year for which the corporation was a PFIC.

The excess distribution rules may be avoided if a U.S. holder makes a QEF election effective beginning with the first taxable year in the holder's holding period in which the corporation is a PFIC. A U.S. holder that makes a QEF election is required to include in income its pro rata share of the PFIC's ordinary earnings and net capital gain as ordinary income and long-term capital gain, respectively, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. A U.S. holder whose QEF election is effective after the first taxable year during the holder's holding period in which the corporation is a PFIC will continue to be subject to the excess distribution rules for years beginning with such first taxable year for which the QEF election is effective.

In general, a U.S. holder makes a QEF election by attaching a completed IRS Form 8621 to a timely filed (taking into account any extensions) U.S. federal income tax return for the year beginning with which the QEF election is to be effective. In certain circumstances, a U.S. holder may be able to make a retroactive QEF election. A QEF election can be revoked only with the consent of the IRS. In order for a U.S. holder to make a valid QEF election, the corporation must annually provide or make available to the holder certain information. The Company does not intend to provide to U.S. holders the information required to make a valid QEF election and the Company currently makes no undertaking to provide such information.

As an alternative to making a QEF election, a U.S. holder may make a “mark-to-market” election with respect to its PFIC shares if the shares meet certain minimum trading requirements. If a U.S. holder makes a valid mark-to-market election for the first tax year in which such holder holds (or is deemed to hold) stock in a corporation and for which such corporation is determined to be a PFIC, such holder generally will not be subject to the PFIC rules described above in respect of its stock. Instead, a U.S. holder that makes a mark-to-market election will be required to include in income each year an amount equal to the excess of the fair market value of the shares that the holder owns as of the close of the taxable year over the holder’s adjusted tax basis in the shares. The U.S. holder will be entitled to a deduction for the excess, if any, of the holder’s adjusted tax basis in the shares over the fair market value of the shares as of the close of the taxable year; provided, however, that the deduction will be limited to the extent of any net mark-to-market gains with respect to the shares included by the U.S. holder under the election for prior taxable years. The U.S. holder’s basis in the shares will be adjusted to reflect the amounts included or deducted pursuant to the election. Amounts included in income pursuant to a mark-to-market election, as well as gain on the sale, exchange or other disposition of the shares, will be treated as ordinary income. The deductible portion of any mark-to-market loss, as well as loss on a sale, exchange or other disposition of shares to the extent that the amount of such loss does not exceed net mark-to-market gains previously included in income, will be treated as ordinary loss.

The mark-to-market election applies to the taxable year for which the election is made and all subsequent taxable years, unless the shares cease to meet applicable trading requirements (described below) or the IRS consents to its revocation. The excess distribution rules generally do not apply to a U.S. holder for tax years for which a mark-to-market election is in effect. However, if a U.S. holder makes a mark-to-market election for PFIC stock after the beginning of the holder’s holding period for the stock, a coordination rule applies to ensure that the holder does not avoid the tax and interest charge with respect to amounts attributable to periods before the election.

A mark-to-mark election is available only if the shares are considered “marketable” for these purposes. Shares will be marketable if they are regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission or on a non-U.S. exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. For these purposes, shares will be considered regularly traded during any calendar year during which they are traded, other than in negligible quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded. Each U.S. holder should ask its own tax advisor whether a mark-to-market election is available or desirable.

If the Company were to be treated as a PFIC in a taxable year and owned shares in another PFIC (a “lower-tier PFIC”), a U.S. holder would also be subject to the PFIC rules with respect to its indirect ownership of the lower-tier PFIC.

A U.S. holder of PFIC stock must generally file an IRS Form 8621 annually. A U.S. holder must also provide such other information as may be required by the U.S. Treasury Department if the U.S. holder (i) receives certain direct or indirect distributions from a PFIC, (ii) recognizes gain on a direct or indirect disposition of PFIC stock, or (iii) makes certain elections (including a QEF election or a mark-to-market election) reportable on IRS Form 8621.

U.S. holders are urged to consult their tax advisors as to the Company's status as a PFIC, and, if the Company is treated as a PFIC, as to the effect on them of, and the reporting requirements with respect to, the PFIC rules and the desirability of making, and the availability of, either a QEF election or a mark-to-market election with respect to our ordinary shares. The Company provides no advice on taxation matters.

Information with Respect to Foreign Financial Assets

In addition, a U.S. holder that is an individual (and, to the extent provided in future regulations, an entity), may be subject to certain reporting obligations with respect to Equity Shares if the aggregate value of these and certain other "specified foreign financial assets" exceeds \$50,000. If required, this disclosure is made by filing Form 8938 with the U.S. Internal Revenue Service. Significant penalties can apply if U.S. holders are required to make this disclosure and fail to do so. In addition, a U.S. holder should consider the possible obligation to file a Form TD F 90-22.1—Foreign Bank and Financial Accounts Report as a result of holding Equity Shares. U.S. holders are thus encouraged to consult their U.S. tax advisors with respect to these and other reporting requirements that may apply to their acquisition of Equity Shares.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to distributions made on our Equity Shares within the U.S. to a non-corporate U.S. holder and to the proceeds from the sale, exchange, redemption or other disposition of Equity Shares by a non-corporate U.S. holder to or through a U.S. office of a broker. Payments made (and sales or other dispositions effected at an office) outside the U.S. will be subject to information reporting in limited circumstances.

In addition, backup withholding of U.S. federal income tax may apply to such amounts if the U.S. holder fails to provide an accurate taxpayer identification number (or otherwise establishes, in the manner provided by law, an exemption from backup withholding) or to report dividends required to be shown on the U.S. holder's U.S. federal income tax returns.

Backup withholding is not an additional income tax, and the amount of any backup withholding from a payment to a U.S. holder will be allowed as credit against the U.S. holder's U.S. federal income tax liability provided that the appropriate returns are filed.

A non-U.S. holder generally may eliminate the requirement for information reporting and backup withholding by providing certification of its foreign status to the payor, under penalties of perjury, on IRS Form W-8BEN. You should consult your own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining the exemption.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and is not tax advice. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the U.S. federal, state and local tax laws or non-tax laws, foreign tax laws, and any changes in applicable tax laws and any pending or proposed legislation or regulations.

LEGAL PROCEEDINGS

Our Company and its Subsidiaries are involved in legal proceedings, including taxation related proceedings, before various courts and other forums in the ordinary course of business. Except as disclosed in this section, there have been no investigations and proceedings initiated against our Company and its Subsidiaries, which, if adversely determined, might have a material adverse effect on our financial condition or our results of operations.

CRIMINAL MATTERS

1 Criminal matters against our Company and its Subsidiaries

- 1.1 There are over 25 criminal complaints filed against our Company and some of its Subsidiaries and some of their officers and employees in relation to telecommunication infrastructure, such as towers, poles, cable network and other infrastructure equipment, owned, installed or used by them. These relate to, *inter alia*, illegal or un-authorized construction of towers, poles or laying of cable networks resulting in death, radiation, health hazards, environmental pollution, nuisance and damage to property.
- 1.2 Our Company and some of its Subsidiaries and some of their officers and employees are involved in over 10 criminal matters in relation to allegedly engaging in criminal intimidation, criminal breach of trust, cheating, robbery, criminal conspiracy, causing insult and hurt against persons who are vendors, suppliers, franchisees, distributors, sub-distributors, service providers, contractors and sub-contractors to our Company and its Subsidiaries, including persons claiming to be acting in such capacity. These matters arise out of, *inter alia*, alleged non payment of amounts due to, termination of the services of, or causing a loss to such person or non-appointment of, such persons as vendors, suppliers, franchisees, distributors, sub-distributors, service providers, contractors and sub-contractors to our Company and its Subsidiaries.
- 1.3 Over six criminal cases have been filed against our Company and some of its Subsidiaries and some of their officers and employees in relation to employee related issues, such as non-payment of wages, employment benefits and wrongful termination of employment.
- 1.4 Over 22 other criminal complaints have been filed against our Company and some of its Subsidiaries and some of their officers and employees by customers, *inter alia*, for providing telecommunication connections without verifying the documents and identity of the customer, issuing outstanding bills after the customers have surrendered the telecommunication connection, issuing fake or forged bills, not providing the telecommunication connection after the customers have provided all necessary information, tampering with application forms, not providing a satisfactory quality of the telecommunication connection and misuse of customer information.
- 1.5 There are over 10 miscellaneous criminal matters pending against our Company and some of its Subsidiaries and some of their officers and employees in relation to, *inter alia*, alleged (i) electricity theft and illegally reconnecting an electrical connection, (ii) evasion of octroi (iii) not furnishing information, and furnishing false information to a public servant, disobedience of orders of a public servant and assault or use of criminal force against a public servant (iv) violation of the Standard of Weights and Measures (Enforcement) Act, 1985, (v) issue of SIM cards to terrorist elements in violation of the Unlawful Activities (Prevention) Act, 1967, (vi) violation of orders to suspend telecommunications services during elections, (vii) offering mobile telephone applications that are in violation of the Pre-Conception and Pre-Natal Diagnostic Techniques (Prohibition of Sex Selection) Act, 1994.

REGULATORY CASES

2 Regulatory matters involving our Company and its Subsidiaries

2.1 Our Company and Reliance Telecom Limited (“**Reliance Telecom**”) obtained licenses under the UASL regime permitting them to provide telecommunication services for a fixed period for a licence fee of Rs. 16,510 million and Rs. 1,195.6 million, respectively, which has been paid by them. Subsequently in the financial year 2007, our Company paid an additional one-time non-refundable fee of Rs. 15,390.1 million to use GSM technology in addition to CDMA technology. However, pursuant to the orders dated December 28, 2012 and March 15, 2013 (together, the “**Orders**”), the DoT demanded a further one-time spectrum charge from all telecommunications service providers for GSM spectrum beyond 4.4 MHz and up to 6.2 MHz and CDMA spectrum beyond 2.5 MHz and up to 5 MHz respectively. Accordingly, the DoT issued demand notices (the “**Demands**”) requiring our Company and Reliance Telecom to pay a sum of approximately Rs. 17,578.9 million and 1,734.7 million respectively, for its currently held/allocated spectrum failing which our Company and Reliance Telecom shall have to surrender the already allocated spectrum. Aggrieved by the Orders and Demands, our Company and Reliance Telecom have filed writ petitions against the DoT before the Calcutta High Court on the ground, *inter alia*, that the Orders and Demands breach our Company and Reliance Telecom’s contractual right to fully use the spectrum contracted under the UASL granted to our Company and Reliance Telecom. The Calcutta High Court has issued interim stays on the operation of the Demands and Orders. The matters are pending before the Calcutta High Court.

Our Company and Reliance Telecom have been paying license fee as a percentage of the AGR as per the definition of AGR in the UASL agreement which includes revenue generated from several items unrelated to the licensed telecommunications business of our Company and Reliance Telecom. In September 2006, the TRAI submitted its recommendations on a new proposed definition of AGR and excluded certain items from it such as income from capital gains, foreign exchange gains, dividends, etc. By an order dated August 30, 2007, (the “**TDSAT Order**”), the TDSAT accepted these recommendations and applied a narrower definition of AGR for determining license fee and wireless, planning and coordination (“**WPC**”) charges in a matter pending before it (to which our Company and Reliance Telecom were not a party). Based on the new definition of AGR recommended by the TRAI and accepted by the TDSAT in the previous matter, our Company and Reliance Telecom filed various applications before the DoT for refund of excess payment made by it towards license fees and WPC charges. The DoT, by an order dated November 5, 2008, rejected our Company’s refund applications on the ground that the TDSAT Order was not applicable to our Company as it was not a party to the TDSAT Order. Aggrieved by the DoT’s decision, our Company and Reliance Telecom filed separate petitions before the TDSAT which were allowed by the TDSAT by its judgment dated March 26, 2009 as a result of which our Company and Reliance Telecom could take advantage of the TDSAT Order with respect to the narrowed definition of AGR. The Supreme Court by its judgement dated October 11, 2011 has set aside the TDSAT Order and remitted the matter back to TDSAT for re-consideration. The matter is pending before the TDSAT. A refund of Rs. 2,320 million has been sought by our Company.

The DoT issued a demand to our Company dated October 19, 2009 (the “**Demand**”) for payment of approximately Rs. 485 million towards allegedly unpaid license fees for the financial year 2007 in respect of UASL held by our Company in various Circles. Aggrieved by the Demand, our Company filed a petition before the TDSAT challenging the Demand. On January 31, 2012, the TDSAT directed our Company to file individual petitions for each of the 20 Circles for which a demand had been issued by the DoT. Subsequently, our Company filed individual petitions before the TDSAT for each Circle. The matter is pending before the TDSAT.

- 2.2** Our Company filed a writ petition dated July 6, 2012 before the Kerala High Court challenging the constitutionality of Clause 19.1 of the UASL which defines “revenue share” to include revenues generated by activities unrelated to the licensed telecommunications business under the UASL. The Kerala High Court issued an interim order dated July 10, 2012 directing our Company to continue paying the licence fees as it had done up to this period under the UASL. The matter is pending before the Kerala High Court.
- 2.3** Pursuant to a special audit on November 8, 2012, the DoT raised consolidated demands on our Company for the payment of approximately Rs. 1,560 million and Rs. 4,575 million as license fees for the financial year 2007 and the financial year 2008 in relation to the 20 Circles for which our Company has been granted a UASL. A similar demand was raised on Reliance Telecom for the payment of approximately Rs. 36 million and Rs. 58 million for the financial year 2007 and the financial year 2008 in relation to the 8 Circles for which the Reliance Telecom has been granted a UASL. Our Company and Reliance Telecom have separately challenged the demands before the TDSAT. The DoT issued the demands on the basis that our Company and Reliance Telecom had allegedly under-paid license fees due to under-reporting or non-reporting of certain revenue items. Our Company and Reliance Telecom have sought a direction from the TDSAT setting aside the demands. The matters are pending before the TDSAT. Our Company also challenged the demands issued against it before the Kerala High Court. The Kerala High Court by its order dated December 6, 2012 issued an interim stay on the operation of the demands. By an order dated June 28, 2013, a similar interim stay was issued in respect of the demand of Rs. 1,190 million issued by the DoT for the financial year 2009.
- 2.4** Our Company has filed a writ petition before the Madras High Court, *inter alia*, challenging the demand dated January 8, 2013 issued by the DoT for payment of approximately Rs. 2,190 million towards, *inter alia*, spectrum usage charges, revenue from leased line and bandwidth subscribers and penalty and interest thereon under the UASL for 16 Circles for the period commencing from the financial year 2006 and ending at the conclusion of the financial year 2008. The matter is pending before the Madras High Court.
- 2.5** The DoT by an order dated February 25, 2010 increased the annual spectrum usage charge for CDMA and GSM service providers with effect from April 1, 2010 (the “**Order**”) for 2G services. Our Company filed a petition before the TDSAT challenging the Order. On September 1, 2010, the TDSAT upheld the Order. Our Company then filed a civil appeal against the TDSAT’s order before the Supreme Court and our Company is currently paying increased annual spectrum charges under protest. The matter is pending before the Supreme Court.

- 2.6** Formerly, under the UASL, the price for the microwave spectrum paid by CDMA service providers (who paid spectrum price as royalty) differed from that of the GSM service providers (who paid spectrum price on a revenue-sharing basis). This discriminatory approach was corrected by the DoT by its order dated November 3, 2006 (the “**DoT Notification**”). However, our Company challenged the DoT Notification before the TDSAT on the ground that the DoT Notification did not apply retrospectively from the date of the grant of the UASL i.e. 2003. The TDSAT dismissed such petition on July 18, 2011. Our Company sought to appeal against the TDSAT’s order before the Supreme Court but the appeal was not admitted. Subsequently, our Company challenged the TDSAT order dated July 18, 2011 before the Delhi High Court. The Delhi High Court held that the writ petition was not maintainable but permitted our Company to seek a clarification from the Supreme Court in relation to approaching the Delhi High Court afresh. Our Company filed an application in the Supreme Court seeking such clarification which was not allowed to be registered by the Registrar Judicial-II. Our Company appealed against the Registrar’s order before the Supreme Court which was set aside by the Supreme Court by its order dated April 5, 2013. Our application is pending before the Supreme Court. The aggregate amount involved is approximately Rs. 1,500 million.
- 2.7** Reliance Communications Infrastructure Limited (“**RCIL**”) filed a petition before the TDSAT challenging the DoT’s calculation of the annual royalty payable by RCIL for terrestrial microwave links at the rate of Rs. 0.29 million per BTS per annum. The TDSAT by its order dated July 18, 2011 (the “**Order**”) set aside the DoT’s calculation of royalty. The DoT has appealed against the Order before the Supreme Court and sought an interim relief of staying the Order. The Supreme Court by its order dated July 8, 2013 has declined any interim relief to the DoT. The aggregate amount involved is approximately Rs. 1,440 million. The matter is pending before the Supreme Court.
- RCIL has filed an execution petition in relation to the Order and has sought a refund of Rs. 702.9 million from the DoT along with an interest of Rs. 735.5 million as of June 30, 2013. The matter is pending before the Supreme Court.
- 2.8** The DoT allegedly granted additional spectrum beyond the license mandated quantity of 6.2 MHz in violation of the license conditions to certain GSM service providers (including Reliance Telecom) without any additional spectrum fee. This allocation was challenged by the Association of Unified Telecommunication Service Providers of India (the “**AUSPT**”) and certain other telecommunications service providers (the “**Petitioners**”) before the Supreme Court by way of a writ petition in May 2012. The Petitioners sought (i) the cancellation of the grant of the GSM spectrum beyond 6.2 MHz to these service providers (including Reliance Telecom), (ii) fresh auction of such spectrum and (iii) a direction to recover appropriate compensation from the service providers for the revenue that has accrued to them in relation to the excess spectrum. The matter is pending before the Supreme Court. The aggregate amount involved is approximately Rs. 390.9 million.
- 2.9** Our Company filed a petition before the TDSAT seeking allocation of the balance of the GSM spectrum of 1.8 MHz out of the contracted spectrum of 6.2 Mhz in 18 Circles and the balance the CDMA spectrum of 1.25 or 2.5 MHz out of the contracted spectrum of 5 Mhz, without any additional levy of charges. Pursuant to an order of the TDSAT dated January 31, 2014, the petition filed by our Company was dismissed.

- 2.10** The Cellular Operators Association of India (the “**COAI**”) filed a petition before the TDSAT challenging the decisions of the DoT to allocate GSM spectrum to first time CDMA service providers (including our Company). The COAI and its constituent telecommunications service providers offering GSM services (together, the “**GSM Service Providers**”) argued that the spectrum provided to the CDMA service providers, was in fact additional spectrum, over which the GSM Service Providers had vested right and for which they had applied earlier. The COAI has filed an appeal before the Supreme Court against the order passed by the TDSAT, after the Delhi High Court ruled that the COAI had failed to establish a *prima facie* case for not allotting the spectrum to the CDMA service providers. The matter is pending before the Supreme Court.
- 2.11** The COAI, the AUSPI along with others including Reliance Telecom and our Company (the “**Petitioners**”) filed a petition before the TDSAT challenging the retrospective levy of penalty by the DoT on telecommunications service providers for missing/ improper signage at BTS sites pursuant to a DoT circular dated October 11, 2012 (the “**2012 Circular**”) read with circulars dated April 8, 2010 and November 2, 2010 (the “**2010 Circulars**”) and the demands raised thereunder. The Petitioners submitted that the 2012 Circular envisages a prospective penalty of Rs. 5,000 per BTS site if the omission by the service providers to provide proper signage is not rectified in 30 days and the 2010 Circulars do not provide for any penalty on such omission. However, the impugned demand was retrospectively levied against non-compliant BTS sites at the rate of Rs. 0.5 million per BTS site. The TDSAT by its order dated April 25, 2014 directed the DoT to refrain from taking any coercive action against the Petitioners for realisation of the demand. The aggregate amount involved in the matter is approximately Rs. 4 million. The matter is pending before the TDSAT.
- 2.12** The AUSPI, our Company and certain others (the “**Petitioners**”) have challenged before the Supreme Court, the Rajasthan High Court’s order dated November 27, 2012 dismissing the Petitioners writ petition to quash the bye-laws framed by the State Government of Rajasthan in relation to erection of BTS sites in the State of Rajasthan (the “**Bye-Laws**”). The Petitioners have alleged that the Bye-Laws, *inter alia*, seek to prohibit the erection of BTS in certain areas, including on the grounds of public health, and such prohibition is beyond the legislative competence of the State of Rajasthan as BTS and mobile towers fall within the ambit of “telegraph” which is a subject on which only the Union Parliament can legislate. The Supreme Court has issued a stay on the operation of the order of the Rajasthan High Court. The matter is pending before the Supreme Court.
- 2.13** Pursuant to the interconnect agreement entered into between our Company and BSNL, BSNL issued demand notices and disconnection notices for approximately Rs. 15 million and Rs. 42.7 million on the grounds of alleged wrong routing and tampering of calling line identification (“**CLI**”) calls. Our Company had filed a petition before the TDSAT seeking the quashing of the notices and restoration of the disconnected points of interface. The TDSAT by its order dated January 21, 2011 dismissed the petition on the ground that it was barred by limitation. Our Company has filed a civil appeal before the Supreme Court challenging the order of the TDSAT. The matter is pending before the Supreme Court.
- 2.14** Our Company filed a petition before the TDSAT, challenging the demand dated April 1, 2010 issued by BSNL to our Company for approximately Rs. 30 million as “short amount of penalty for violation of trunk group” for the period between May 1, 2003 and November 14, 2003 and a disconnection notice dated September 27, 2012. Our Company challenged BSNL’s demand on the ground that it was barred by limitation. The TDSAT has stayed the operation of BSNL’s demand. The matter is pending before the TDSAT.

- 2.15** Vodafone India Limited and certain of its group companies (together, “**Vodafone**”) issued demand notices to our Company dated October 25, 2012 and November 9, 2012 for payment of Rs. 151.2 million as short messaging service (“**SMS**”) termination charges at Rs. 0.10 per SMS for the period of April 1, 2011 to May 31, 2013, failing which Vodafone would withdraw the interconnection of SMS services provided to our Company. Our Company and Reliance Telecom have challenged the demands before the TDSAT. Vodafone made additional claims of approximately Rs. 110.4 million towards our Company’s service tax liability. The TDSAT has issued an interim order dated December 19, 2012 restraining Vodafone from enforcing its demand and withdrawing its services from our Company. The aggregate amount involved is approximately Rs. 290 million. The matter is pending before the TDSAT.
- 2.16** Bharti Airtel Limited (“**Bharti**”) and Bharti Hexacom Limited (“**Bharti Hexa**”) issued a demand-cum-disconnection notice to our Company dated October 8, 2012 for payment of Rs. 118.6 million as SMS termination charges, failing which they threatened to withdraw the interconnection of SMS services which Bharti and Bharti Hexa provide to our Company. In November 2012, Bharti and Bharti Hexa withdrew SMS interconnection services provided to our Company’s customers in Mumbai, Bihar and Madhya Pradesh. Our Company filed a petition challenging the demand, the imminent threat of withdrawal of SMS interconnection services to our Company’s networks in other Circles and the actual withdrawal of the SMS interconnection services in certain Circles. Bharti and Bharti Hexa have filed a counter claim for Rs. 278.4 million as on May 31, 2012 along with interest at the rate of 18% per annum. The matter is pending before the TDSAT.
- 2.17** Our Company and Bharti entered into a supplementary interconnect agreement on May 8, 2007 pursuant to which our Company is providing toll free services or free phone services to subscribers of Bharti. Subsequently, Bharti withdrew access provided to its subscribers to the interconnection for network services between the two companies and blocked several toll free numbers of our Company unless our Company agreed to a demand for payment of charges higher than those agreed under supplementary interconnect agreement. Our Company filed a petition before the TDSAT against Bharti and the DoT challenging the demands and actions of Bharti. The matter is pending before the TDSAT.
- 2.18** Idea Cellular Limited (“**Idea**”) issued demand-cum-disconnection notices to our Company and Reliance Telecom seeking a payment of Rs. 59.6 million and Rs. 32.2 million from each of the companies, respectively, as SMS termination charges. Our Company and Reliance Telecom have separately challenged the notices before the TDSAT. The matter is pending before the TDSAT.
- 2.19** BSNL issued demand-cum-disconnection notices on our Company for non-payment of point of interconnection usage charges for handing over inter-Circle calls on NLD points of interconnection for the period between February 2006 and February 2009. These notices were kept in abeyance till June 2013 when BSNL issued further demands for payment of the charges by July 12, 2013, failing which the points of interconnection provided by BSNL to our Company were to be disconnected. Our Company has filed a petition against BSNL before the TDSAT. The aggregate amount involved is approximately Rs. 13.7 million. The matter is pending before the TDSAT.

- 2.20** Our Company filed a petition before the TDSAT challenging the demand and disconnection notices issued by BSNL, *inter alia*, seeking payment of approximately Rs. 116.2 million by our Company towards additional interest along with approximately Rs. 3.78 million as principal and approximately Rs. 4.08 million as interest for the period between August 27, 2005 - February 28, 2006 pursuant to the interconnect agreement executed between our Company and BSNL. The matter is pending before the TDSAT.
- 2.21** Our Company received various demand and disconnection notices from BSNL in respect of various areas in the States of Kerala and Uttar Pradesh: (i) penalising our Company for, *inter alia*, alleged tampering of CLI, non-CLIs, invalid CLIs, incomplete CLIs and wrong routing of calls without justification or call detail records and (ii) threatening disconnection of the points of interconnection provided by BSNL to our Company on continued non-compliance. Our Company has challenged these notices before the TDSAT, praying that the demands raised by BSNL be set aside. The aggregate amount involved is approximately Rs. 55 million in Meerut, Rs. 62.8 million in Uttar Pradesh (West) and Rs. 1,780 million in Kerala. The matter is pending before the TDSAT.
- 2.22** Our Company entered into interconnect agreements with BSNL and MTNL (the “**Respondents**”). Our Company subsequently started a home country direct (“**HCD**”) service by which a foreign caller could call an Indian call recipient (who was a subscriber of the Respondents) through a number issued by our Company which would connect the former to the latter. The Respondents allege that, as a result, our Company did not pay the Respondents interconnect usage charges at international rates. Pursuant to the interconnect agreement, demands were raised by BSNL and MTNL for Rs. 3,190.4 million and Rs. 3,414.7 million, respectively, which were paid in protest by our Company. Our Company filed a petition before the TDSAT seeking refund of Rs. 1,116.3 million from BSNL and Rs. 2,712.3 million from MTNL on various grounds including application of wrong call rates, wrongful penalty imposed on trunk groups where our Company did not terminate HCD calls and wrongful calculation of the number of minutes terminated in the Respondents’ networks. The TDSAT by its order dated October 17, 2012 (the “**TDSAT Order**”) partially allowed our Company’s claims and directed the Respondents to reconcile their accounts with those of our Company, issue fresh bills and refund the excess amount to our Company. Our Company and the Respondents filed cross appeals against the TDSAT Order, which are pending before the Supreme Court.

In the interim, our Company filed execution petitions in relation to the portion of the TDSAT Order which partially allowed our Company’s claim. By an order dated February 13, 2014 (the “**Execution Order**”), the TDSAT upheld the execution claim of our Company against MTNL. However, MTNL has not complied with the Execution Order and our Company has filed a contempt application against MTNL before the TDSAT. MTNL filed a civil appeal before the Supreme Court which was dismissed. The matter is pending before the TDSAT.

- 2.23** Pursuant to the interconnect agreements entered into between our Company and BSNL, the payments required to be made by our Company to BSNL are to be made without set-off or counter-claim. However, there is no reciprocal requirement in respect of payments required to be made by BSNL to our Company. Our Company challenged the validity of the provision against set-off by our Company in the agreements claiming it to be unfair and arbitrary. The TDSAT, by its order dated July 22, 2011, upheld BSNL's right to set off amounts, irrespective of the lack of reciprocal rights of our Company, on the grounds that our Company's petition was barred by limitation. A civil appeal has been filed by our Company before the Supreme Court against the order of the TDSAT. The matter is pending before the Supreme Court.
- 2.24** Pursuant to the interconnect agreement executed with BSNL and the letter dated August 29, 2008 issued by the Department of Expenditure, BSNL issued a notice dated June 12, 2012 to our Company to revise the rates and classification of cities for determining the infrastructure sharing charges by other licensed service providers for active links retrospectively from April 1, 2009. Pursuant to the letter, BSNL raised demands for power and space charges and infrastructure charges in various Circles including in the States of Andhra Pradesh and Rajasthan. The validity of the notice has been challenged by our Company before the Andhra Pradesh High Court. The Andhra Pradesh High Court has issued an interim stay on the disconnection of the points of interconnection erected on the premises of BSNL. The aggregate amount involved is approximately Rs. 16.5 million. The case is pending before the Andhra Pradesh High Court.
- 2.25** Pursuant to the interconnect agreements executed by our Company and Reliance Telecom with BSNL, certain discrepancies had crept into the versions of the interconnect agreements whereby it was not clear what the consequences would be in case of disparity in billed amounts and billing information between BSNL and our Company/ Reliance Telecom. BSNL issued circulars dated June 12, 2006 and July 24, 2006 clarifying that BSNL's billing information would prevail over the billing information produced by our Company/ Reliance Telecom. Our Company has filed petitions before the TDSAT challenging the BSNL's circulars. The TDSAT by order dated May 5, 2009 allowed our Company's petition, *inter alia*, on the ground that BSNL had unilaterally issued these clarifications. BSNL has filed an appeal before the Supreme Court challenging the TDSAT's order. The matter is pending before the Supreme Court.
- 2.26** Our Company has filed a petition before the TDSAT in connection with (i) demands of interconnection charges raised by BSNL and (ii) a disconnection notice issued by BSNL under the interconnection agreement executed between our Company and BSNL. A writ petition was also filed by our Company before the Gujarat High Court as the TDSAT was not functioning at the time. The Gujarat High Court issued an interim order dated March 25, 2013 pursuant to which our Company deposited Rs. 30 million. The TDSAT, which subsequently started functioning, issued an interim order dated September 2, 2013 extending the operation of the interim order passed by the Gujarat High Court. The matter is pending before the TDSAT and the amount involved in the matter is approximately Rs. 130 million.

2.27 Pursuant to the interconnect agreements entered into between our Company and BSNL in various Circles, and a notice dated June 12, 2012 issued by BSNL, BSNL issued demand and disconnection notices for the payment of revised infrastructure charges for active links of licensed telecommunication service providers retrospectively from April 1, 2009. Our Company has filed a petition before the TDSAT seeking the quashing of these notices. The TDSAT, by an order dated October 3, 2012, has granted a stay on the notices. The aggregate amount involved is approximately Rs. 12 million. The matter is pending before the TDSAT.

2.28 On March 9, 2009, the TRAI notified the Telecommunication Interconnection Usage Charges (Tenth Amendment) Regulations, 2009 (the “**Amendment Regulations**”) by which it fixed all termination charges at Rs. 0.20 per minute for local and national long distance calls and mobile telephone services. The Amendment Regulations were challenged by BSNL and various private telecommunications service providers, including our Company, by filing separate cross appeals before the TDSAT.

By an order dated September 29, 2010 (the “**TDSAT Order**”), the TDSAT directed the TRAI to re-consider the Amendment Regulations by way of a consultative process in a time bound manner so that the new IUCs could be made effective by January 1, 2011. The TRAI and others parties filed civil appeals before the Supreme Court on the ground that the TDSAT does not have the jurisdiction to direct the TRAI to revise IUCs based on a consultative process.

The Supreme Court by its order dated December 6, 2013 ruled that the TDSAT does not have the jurisdiction to entertain the challenge to the Amendment Regulations framed by the TRAI. The challenge to the validity of the Amendment Regulations is being heard before the Supreme Court.

2.29 Our Company, challenged before the TDSAT the determination of annual infrastructure charges by MTNL for establishing interconnection between the networks of our Company and MTNL. These infrastructure charges are levied by MTNL on our Company for placing terminal equipment in MTNL’s telephone exchange buildings in Delhi and Mumbai. Our Company alleged that MTNL also levied separate charges for our Company’s ILD, NLD and UASL for the same equipment in respect of infrastructure sharing charges and set-off the charges against the amount due to be paid by MTNL to our Company. The TDSAT by its order dated March 19, 2007 (the “**Order**”) ordered MTNL to revise the charges according to directions given by the TDSAT. MTNL appealed against the Order before the Supreme Court. The aggregate amount involved in the matter is approximately Rs. 123.6 million along with an annual payment of Rs. 9 million. The matter is pending before the Supreme Court.

2.30 The TRAI prescribed regulations for determining port charges in Schedule 3 of the Telecommunication Interconnection (Charges and Revenue Sharing) Regulations, 1999. On February 2, 2007, the TRAI issued the Telecommunication Interconnection (Port Charges) Amendment Regulation (2007) (the “**Amendment Regulations**”) reducing the port charges required to be paid by private telecommunications service providers to BSNL. BSNL challenged the Amendment Regulations before the TDSAT. By an order dated May 28, 2010 (the “**TDSAT Order**”), the TDSAT (i) allowed the petition and (ii) directed the TRAI to review the Amendment Regulations. Various parties including BSNL, COAI, AUSPI and the TRAI filed cross appeals before the Supreme Court against the TDSAT Order. BSNL, in its appeal against the TDSAT order, has contended, *inter alia*, that BSNL should be allowed to claim port charges from any service provider for the period between the date of enforcement of the Amendment Regulations and the date of the TDSAT Order.

The Supreme Court by its order dated December 6, 2013 decreed that the TDSAT does not have the jurisdiction to entertain the challenge to the Amendment Regulations framed by the TRAI. The challenge to the validity of the Amendment Regulations is being heard before the Supreme Court. The aggregate amount involved is approximately Rs. 950 million.

Subsequently, the TRAI issued the Telecommunication Interconnection (Port Charges) (Second Amendment) Regulations, 2012 by which port charges were further reduced. BSNL challenged these regulations before the TDSAT which was dismissed in the light of the Supreme Court order dated December 6, 2013, which held that the TDSAT does not have the jurisdiction to entertain the challenge to these regulations framed by the TRAI. Accordingly, BSNL has filed a writ petition challenging these regulations before the Delhi High Court which is pending.

2.31 On October 29, 2003, the TRAI notified the Telecommunication Interconnection Usage Charges Regulation, 2003 (the “**Regulation**”) which, *inter alia*, provided for recovery of carriage charges at a particular rate. On May 17, 2006, the TRAI issued a letter to BSNL confirming carriage charges at a flat rate (the “**Letter**”). BSNL challenged the Letter before the TDSAT on the basis that the Letter permitted recovery of carriage charges at a flat rate rather than a distance-based rate, which was contrary to the Regulation. The TDSAT by its order dated May 21, 2010 set aside the Letter. The AUSPI, our Company and others filed a civil appeal before the Supreme Court challenging the TDSAT’s order. The aggregate amount involved is approximately Rs. 10 million. The matter is pending before the Supreme Court.

2.32 Tata Communications Limited (“**TCL**”) filed a writ petition before the Madras High Court challenging the validity of the (i) International Telecommunication Access to Essential Facilities at Cable Landing Stations Regulations, 2007, that was later amended in 2012 and (ii) International Telecommunication Cable Landing Station Access Facilitation Charges and Co-allocation Charges Regulations, 2012 (together, the “**Cable Landing Station Regulations**”) (the “**TCL Case**”). The Cable Landing Station Regulations seek to, *inter alia*, impose a ceiling on charges levied by infrastructure providers who own cable landing systems (“**CLS infrastructure providers**”) and provide connectivity to other telecommunications service providers by connecting them to the international subsea cable networks. TCL, which owns a majority of cable landing stations in India, contended that TRAI did not have the legislative capacity to issue the Cable Landing Station Regulations and such delegated legislation was not permitted under the Telecom Regulatory Authority of India Act, 1997.

The Madras High Court by its order dated January 24, 2013 directed TRAI not to implement the Cable Landing Station Regulations until the disposal of the TCL Case. Our Company filed a miscellaneous petition before the Madras High Court in connection with the TCL Case, seeking the Madras High Court’s consent to be impleaded as a party to the TCL Case. Our Company has submitted that the Cable Landing Station Regulations are valid and have been framed by the TRAI to (i) create a level playing field in the CLS sector, (ii) break the monopoly and dominance of existing CLS infrastructure providers, such as TCL, and (iii) rationalise tariffs charged by the CLS infrastructure providers that would spur growth in the sector while protecting the interest of consumers and service providers. A similar petition challenging the Cable Landing Station Regulations has been filed by Bharti in which our Company has sought to be impleaded as a party. The matter is pending before the Madras High Court.

- 2.33** BSNL issued a circular dated June 16, 2006 determining that other telecommunications service providers would have to pay infrastructure sharing charges, *inter alia*, in case of passive links without HDSL modems at the rate of Rs. 3,000 per E1 per annum. However, BSNL determined that minimum infrastructure sharing charges up to five E1's would be paid at Rs. 15,000 per annum. Our Company filed a petition before the TDSAT, *inter alia*, challenging BSNL's circular. The TDSAT by its order dated May 11, 2009 has allowed our Company's petition, *inter alia*, setting aside BSNL's proposal to levy a minimum charge for five E1's as well as its right to charge separately for each service at the same point of interface. BSNL has filed an appeal challenging the TDSAT's order before the Supreme Court. The aggregate amount involved is approximately Rs. 20 million per annum. The matter is pending before the Supreme Court.
- 2.34** Our Company filed a petition in January 2012 before the TDSAT, for setting aside the demand notices issued by BSNL in connection with the levy of Rs. 0.65 per minute as transit carriage charge for intra-Circle calls, to be paid to BSNL. The intra-Circle transit carriage charge of Rs. 0.65 per minute was previously prescribed by the TRAI under the Telecommunication Interconnection Usage Charges (Sixth Amendment) 2006 Regulations (the "**2006 Regulations**") before the Telecommunication Interconnection Usage Charges (Tenth Amendment) 2009 Regulations, brought into force in 2009 (the "**2009 Regulations**") set the rate at Rs. 0.15 per minute for carriage charges. The 2009 Regulations were subsequently set aside by the TDSAT. BSNL argued, albeit unsuccessfully, that in the absence of the 2009 Regulations, the erstwhile 2006 Regulations would revive and consequently the rates prescribed under the earlier regulatory framework would be applicable to existing transactions. BSNL has filed an appeal against the TDSAT's order. The matter is pending before the Supreme Court.
- 2.35** The TRAI issued a direction on July 22, 2003 that where at least one of two telecommunications service providers in the same area desires direct connectivity there should be direct connectivity between the two service providers for consumer benefit. This direction was challenged by BSNL before the TDSAT, which stated by its order dated May 3, 2005 that (i) the TRAI did not have the jurisdiction to require service providers to provide direct connectivity and (ii) BSNL must refrain from levying transit charges on calls originating from other cellular service provider's network and terminating in BSNL's Cell One network. Our Company, filed a petition before the TDSAT, *inter alia*, seeking the benefit of the TDSAT's order dated May 3, 2005 but this petition was disallowed by TDSAT by order dated May 3, 2006. Our Company filed an appeal before the Supreme Court challenging the TDSAT's order dated May 3, 2006 (in so far as our Company was not given the benefit of the TDSAT's order dated May 3, 2005). BSNL also appealed against the TDSAT order of May 3, 2005 (in so far as it is prohibited from levying transit charges). The Supreme Court has by its order dated December 6, 2013, stated that the TDSAT does not have the jurisdiction to entertain challenges to the TRAI's regulations. The aggregate amount involved is approximately Rs. 240 million. The matter is pending before the Supreme Court.

2.36 BSNL issued a demand of Rs. 5,400 million to our Company in relation to access deficit charge (“**ADC**”) charges for fixed wireless phone (“**FWP**”) for the period between November 14, 2004 and August 26, 2005 (the “**Demand**”). Our Company challenged the Demand before the TDSAT. The TDSAT by an order dated April 15, 2010 upheld the Demand and also permitted BSNL to raise an invoice for ADC charges levied for the period between August 26, 2005 and February 28, 2006. Aggrieved by the TDSAT’s decision, our Company has filed a civil appeal in the Supreme Court. The aggregate amount involved is approximately Rs. 5,400 million, which has already been paid in full by our Company. The matter is pending before the Supreme Court.

2.37 Our Company and some of its Subsidiaries filed recovery petitions against the S. Tel Private Limited (“**S. Tel**”) for a claim of approximately Rs. 700 million and Etisalat DB Telecom Private Limited for approximately Rs. 16,000 million. The TDSAT has allowed one of the petitions against S. Tel for approximately Rs. 12 million. The other petitions are pending before the TDSAT.

2.38 Etisalat Mauritius Limited (“**EML**”) which holds 44.73% of the paid-up equity share capital of Etisalat DB Telecom Private Limited, (“**EDB**”) (formerly, Swan Telecom Private Limited (“**Swan**”)) filed a winding up petition before the Bombay High Court for winding up EDB on the grounds that the substratum of EDB has been lost and that pursuant to the Supreme Court order dated February 2, 2012, the telecommunications licenses granted to EDB have been revoked.

Our Company and Reliance Infratel Limited (“**Reliance Infratel**”) filed before the TDSAT proceedings for recovery of unpaid amounts from EDB, for telecommunication services and sharing of passive telecom infrastructure, provided by our Company and Reliance Infratel, respectively. Being subject to a winding up proceeding, EDB has sought from the Bombay High Court, a stay of the recovery proceedings initiated by our Company and Reliance Infratel; however, no stay has been granted. The matter is pending before the TDSAT.

Our Company and Reliance Infratel have opposed the winding up of EDB on the grounds that their dues must be given precedence over the dues arising pursuant to the winding up proceedings. The aggregate amount involved is approximately Rs. 16,000 million. The matter is pending before the Bombay High Court.

2.39 Reliance Telecom and our Company have respectively filed over 18 petitions under Sections 14 and 14A of the Telecommunication Regulatory Authority of India Act, 1997 before the TDSAT in relation to demands issued by the DoT imposing penalties on our Company and Reliance Telecom for, *inter alia*:

- (i) alleged violation by our Company of the terms and conditions of the license agreement or norms prescribed by the DoT pertaining to the verification of subscribers by their customer acquisition forms (“**CAFs**”);
- (ii) default or delay in depositing the penalty imposed on our Company and Reliance Telecom with respect to earlier penalty notices; and
- (iii) refusal by the DoT to accept and review CAFs submitted late on account of an injunction order restraining our Company and Reliance Telecom from accessing the CAFs stored in a warehouse.

The aggregate amount involved is approximately Rs. 3,000 million.

- 2.40** Our Company filed a petition before the TDSAT challenging the demand notice issued by the DoT for the payment of Rs. 28.82 million for alleged issuance of 700 SIM cards to customers based on fake identity proofs. The TDSAT issued an interim order dated March 5, 2014 directing the DoT not to take any coercive steps against our Company provided our Company deposited one-third of the said demand. The matter is pending before the TDSAT.
- 2.41** The COAI, the AUSPI along with others including Reliance Telecom and our Company (the “**Petitioners**”) filed a petition before the TDSAT challenging the provisions of the DoT circular dated August 9, 2012 pursuant to which telecommunications service providers are required to submit scanned coloured photographs of each subscriber to the DoT, non-compliance with which would attract a penalty. The Petitioners also challenged the provisions and demands raised thereunder penalising service providers for, *inter alia*, accepting CAFs with incomplete information. The matter is pending before the TDSAT. The aggregate amount involved in the matter is approximately Rs. 12 million.
- 2.42** Our Company filed a writ petition before the Himachal Pradesh High Court against the Union of India and the Telecom Enforcement, Resource and Monitoring Cell, Shimla (the “**TERM**”), challenging the penalty levied on our Company by TERM for providing phone connections without proper verification of CAFs which were recovered by the TERM at the office of the distributor of our Company at Bilaspur, Himanchal Pradesh. The Himachal Pradesh High Court has issued an interim order against the operation of the penalty levied by TERM subject to the deposit of Rs. 2.5 million. The aggregate amount involved is approximately Rs. 7.5 million. The matter is pending before the Himachal Pradesh High Court.
- 2.43** Reliance Infratel filed a writ petition before the Patna High Court, challenging the notices dated July 9, 2010 and June 3, 2011 issued by the Bihar Pollution Control Board (the “**BPCB**”) to Reliance Infratel in connection with the establishment and operation of diesel generator (“**DG**”) sets at BTS in Bihar. The BPCB issued the notice on the basis that the establishment and operation of DG sets comes within the definition of ‘industrial plant’ under the Air (Prevention and Control of Pollution) Act, 1981 (the “**Air Pollution Act**”). As per the Air Pollution Act, prior consent of the relevant pollution board must be obtained to operate industrial plants in a designated air pollution control area, a violation of which could lead to closure of the industrial plants. It is alleged that Reliance Infratel has not obtained such consent from the BPCB before establishing DG sets. Reliance Infratel has also challenged the validity of the notification dated September 22, 2009 which specifies the rates for seeking consent of the BPCB under the Air Pollution Act. The matter is pending before the Patna High Court.
- 2.44** The DoT, by various circulars amended the license agreements of telecommunications service providers requiring a licensee to conduct audit and undertake self certification to demonstrate conformity with the BTS emissions standards. Pursuant to these circulars, the DoT issued show-cause notices to various licensees imposing penalties for not submitting self certificates in the time and manner stipulated by the DoT. The COAI has challenged the circular dated October 10, 2012 and the show cause notices on the ground, *inter alia*, that the penalty imposed by the DoT is retrospective in nature. The aggregate amount involved is approximately Rs. 560 million. The TDSAT issued an interim order dated August 30, 2013 directing the DoT to refrain from taking any coercive action against the Petitioners for realisation of the demand. The matter is pending before the TDSAT.

- 2.45** The chief whip of the Government of Kerala filed a writ petition before the Kerala High Court against Mr. T.G. Nandakumar and others, including our Company. The case pertains to allegations in relation to irregularities in the award of a contract to our Company for the management of a data centre in the State of Kerala and the involvement of Mr. T.G. Nandakumar, a lobbyist, in the process of award of the contract. During the pendency of the writ petition, the Kerala Government decided to transfer the investigation to the Central Bureau of Investigation (the “CBI”) which was permitted by the Kerala High Court. Mr. Nandakumar filed a writ petition before the Supreme Court challenging the decision of the Kerala High Court to transfer the investigation to the CBI. The Supreme Court has dismissed the writ petition. The matter is pending before the CBI.
- 2.46** On October 22, 2011, the Special Judge, CBI framed charges against Reliance Telecom, three executives of the Reliance Group and certain non-Reliance Group persons for various offences, *inter alia*, for criminal breach of trust, criminal conspiracy, forgery, giving false evidence, abetment of corruption of a public servant and abetment of an offence under Sections 109, 120B, 193, 409, 420, 468, 471 of the IPC, or in the alternative, Sections 11, 12 and 13(2) read with 13(1)(d) of the Prevention of Corruption Act, 1988, in relation to award of the UASL to Swan. It is alleged that Swan was ineligible to be granted a UASL as Reliance Telecom, directly as well as through its associates, was holding securities in Swan in excess of the prescribed limits. Clause 8 of the UASL agreement stated that no single person could directly or indirectly hold 10% or more of more than one licensee in the same service area for the same service. Reliance Telecom and the other accused contended that Reliance Telecom had held securities within the prescribed limits in Swan when Swan had applied for the UASL but had not acquired the UASL and in 2007 Reliance Telecom sold the securities it held in Swan. When Swan acquired the UASL, Reliance Telecom did not hold any securities in Swan. The matter is pending before the Special Judge, CBI. Further, a special leave petition has been filed before the Supreme Court for quashing of charges framed on October 22, 2011. The matter is pending for hearing before the Supreme Court.
- 2.47** Two compounding applications have been filed with the RBI for non-reporting and delayed reporting in respect of certain foreign Subsidiaries under FEMA. These matters are pending before the Directorate of Enforcement.

TAX MATTERS

3 Tax claims against our Company and its Subsidiaries

3.1 There are 129 appeals pending before the Bombay High Court filed by our Company, Reliance Telecom, RCIL and Reliance BPO Private Limited (together, the “**Appellants**”) arising out of a common order passed by the Income Tax Appellate Tribunal (the “**Appellate Tribunal**”), Mumbai on September 6, 2013 (the “**Common Order**”). The appeals relate to deduction of tax at source on remittances made by the Appellants to various non-resident software vendors, in relation to purchase of software for the telecommunications business. The Appellants, by way of applications (the “**Applications**”) filed under Section 195 of the Income Tax Act, 1961 (the “**IT Act**”) sought permission from the Assessing Officer (the “**AO**”) to make payment to the non-resident software vendors without deduction of tax at source, on the basis that such payments were for the purchase of ‘copyrighted goods’. The AO passed orders under Section 195 directing the Appellants to pay the purchase consideration, in all the transactions, after deducting tax at source, in accordance with Section 195 of the IT Act, on the basis that such payments constitute ‘royalty’. On appeal, the Commissioner of Income Tax (Appeals) (the “**CIT(A)**”) set aside the orders of the AO. The CIT(A)’s orders were subsequently set aside by the Common Order passed by the Appellate Tribunal.

Pursuant to the Common Order, the AO passed an order (with respect to one vendor) against the Appellants demanding principal amount of withholding tax refunded earlier alongwith interest under Section 234D of the IT Act on the tax refund already received by our Company. The Appellants have filed an appeal before the CIT(A) against the order passed by the AO. The matter is pending before the CIT(A). The aggregate amount involved in all these matters is approximately Rs. 1,450 million.

3.2 The AO issued an assessment order dated June 11, 2009 assessing the taxable income of our Company for the assessment year 2007-2008 as ‘nil’ (the “**Assessment Order**”). Pursuant to Section 263 of the IT Act, the Commissioner of Income Tax (the “**CIT**”) passed an order on March 30, 2012 setting aside the Assessment Order on the basis that the AO did not properly examine certain transactions entered into by our Company in relation to: (i) the funds raised through foreign currency convertible bonds; (ii) the taxability of interest earned by Reliance Info Investment Private Limited (which has been subsequently merged with RCIL); and (iii) the disallowance of mark-to-market losses as business losses ((i), (ii) and (iii) together referred to as the “**Transactions**”), and, therefore the total taxable income of our Company would have been higher, if the AO had properly examined the Transactions. Our Company filed an appeal against the order passed by the CIT, before the Appellate Tribunal which allowed the appeal and set aside the order passed by the CIT. The CIT has filed an appeal before the Bombay High Court against the order of the Appellate Tribunal. The amount involved in the matter is approximately Rs. 22,110 million.

3.3 Pursuant to Section 263 of the IT Act, the CIT passed an order on November 22, 2012 setting aside the AO’s assessment order in relation to our Company’s taxable income for the assessment year 2008-2009 on the basis that the AO did not properly examine certain transactions entered into by our Company in relation to: (i) taxability of interest earned by Reliance Info Investment Private Limited; and (ii) disallowance of mark-to-market losses incurred by our Company as business losses and, therefore the total taxable income of our Company would have been higher, if the AO had properly examined the transactions mentioned in (i) and (ii) above. Our Company had filed an appeal before the Appellate Tribunal, against the order passed by the CIT. The Appellate Tribunal set aside the order passed by the CIT on November 22, 2012. The Company is yet to receive any correspondence regarding any appeal filed by the AO against the order passed by the Appellate Tribunal. The amount involved in the matter is approximately Rs. 1,240 million.

- 3.4** The AO passed an assessment order dated May 3, 2013 making: (a) transfer pricing adjustments; and (b) certain disallowances under Sections 14A and 40(a) of the IT Act, for the assessment year 2009-2010 (the “**Assessment Order**”). Our Company has filed an appeal against the Assessment Order before the CIT(A). The matter is pending before the CIT(A). The amount involved in the matter is approximately Rs. 2,120 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.
- 3.5** The CIT(A) had passed orders dated February 28, 2011, for assessment years 2007-2008 to 2010-2011, partly allowing our Company’s appeals against the orders passed by the AO. The disputes arose as a result of the Assessing Officer subjecting certain transactions of our Company to (i) withholding tax; or (ii) different withholding tax treatment under the IT Act, where withholding tax had been paid by our Company. The transactions included (i) payments made by our Company to RCIL for providing billing and collection services to our Company; (ii) discounts provided by our Company to RCIL for distribution and marketing of Company’s services including pre-paid mobile telephony services. The AO has filed appeals before the Appellate Tribunal against the orders passed by the CIT(A). The amount involved in the matter is approximately Rs. 50 million (being the interest component of the tax demand). Our Company has already paid taxes due on payments received.
- 3.6** The AO has passed an assessment order against our Company making: (a) transfer pricing adjustments; and (b) certain disallowances under Sections 14A, 36(1)(iii) and 40(a)(ia) of the IT Act, for the assessment year 2010-2011. Our Company has filed an appeal before the CIT(A) against the order of the AO. The amount involved in the matter is approximately Rs. 1,460 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.
- 3.7** The Bombay High Court passed an order dated March 15, 2013 dismissing the appeal filed by the AO challenging the order of the Appellate Tribunal in relation to the determination of RCIL’s taxable income for the assessment year 2005-2006. The dispute arose, *inter alia*, in respect of (i) certain disallowances under Section 14A of the IT Act and (ii) taxability of advances received by RCIL in connection with indefeasible right of use (“**IRU**”) to use the optic fibre cable network provided by RCIL to our Company. The AO has filed a special leave petition before the Supreme Court against the order of the Bombay High Court. The matter is pending before the Supreme Court. The amount involved in the matter is approximately Rs. 1,670 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.
- 3.8** The CIT(A) by way of its order dated April 2, 2012 allowed RCIL’s appeal against an order passed by the AO. The dispute relates, *inter alia*, to disallowances made under Section 14A and Section 40(a)(ia) of the IT Act for the assessment year 2007-2008. The AO has filed an appeal before the Appellate Tribunal against the order passed by the CIT(A). The matter is pending before the Appellate Tribunal. The amount involved in the matter is approximately Rs. 660 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.
- 3.9** The CIT(A) passed an order dated April 2, 2012 in favour of RCIL in connection with disallowances made under Section 40(a)(ia) of the IT Act for the assessment year 2008-2009. The AO has filed an appeal before the Appellate Tribunal against the order passed by the CIT(A). The matter is pending before the Appellate Tribunal. The amount involved in the matter is approximately Rs. 900 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.

- 3.10** The AO passed an order against RCIL making: (a) transfer pricing adjustments; and (b) disallowances under Sections 14A, 40(a)(ia), 32 and 80IA of the IT Act, for the assessment year 2009-2010. RCIL has filed an appeal before the CIT(A) against the order passed by the AO. The amount involved in the matter is approximately Rs. 1,070 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act
- 3.11** The AO passed an order against RCIL making: (a) transfer pricing adjustments; and (b) disallowances under Sections 14A, 40(a)(ia), 32 and 80IA of the IT Act, for the assessment year 2010-2011. RCIL has filed an appeal before the CIT(A) against the order passed by the AO. The amount involved in the matter is approximately Rs. 1,450 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.
- 3.12** The CIT(A) passed an order dated February 28, 2011 partly allowing our Company's appeals against the order passed by the AO in connection with RCIL's obligation to deduct tax at source for the assessment years 2007-2008 and 2010-2011 for the payment of (i) access charges as per Section 194J of the IT Act and (ii) trade discounts as per Section 194H of the IT Act. The AO has filed an appeal before the Appellate Tribunal against the order passed by CIT(A). The amount involved in the matter is approximately Rs. 170 million.
- 3.13** The AO passed an order against RCIL for its failure to deduct tax at source in relation to the payment of access charges for the assessment year 2011-2012. RCIL has filed an appeal before the CIT(A) against the order passed by the AO. The matter is pending before the CIT(A). The amount involved in the matter is approximately Rs. 110 million.
- 3.14** The AO passed an order against RCIL for its failure to deduct tax at source in relation to the payment of access charges for the assessment year 2012-2013. RCIL has filed an appeal before the CIT(A) against the order passed by the AO. The amount involved in the matter is approximately Rs. 160 million.
- 3.15** The Appellate Tribunal passed an order setting aside an order passed by CIT(A) in connection with (i) levy of capital gains tax on transfer of shares by RCIL and (ii) taxability of advances received by RCIL for the assessment year 2004-2005, in connection with the IRU to use the optic fibre cable network provided by RCIL to our Company. The AO preferred an appeal to the Bombay High Court against the order passed by the Appellate Tribunal, which was dismissed. The AO has filed a special leave petition before the Supreme Court against the order of the Bombay High Court. The matter is pending before the Supreme Court. The amount involved in the matter is approximately 18,550 million. Additional interest amount may be levied on the tax demand by the courts and tribunals in accordance with the provisions of the IT Act.
- 3.16** The Appellate Tribunal by an order dated March 31, 2011 set aside an order passed by CIT(A) in connection with a claim for deducting hedging losses made by Synergy Entrepreneur Solutions Private Limited (which was subsequently merged with RCIL) for the assessment year 2005-2006. Our Company is yet to receive any correspondence regarding any appeal filed by the AO against the order of the Appellate Tribunal. The amount involved in the matter is approximately Rs. 150 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.

- 3.17** The AO passed a reassessment order against Reliance Telecom for the assessment year 2008-2009. The re-assessment order ignored the premium paid on the preference shares of Swan (by Reliance Telecom) while considering the cost of acquisition, for the purpose of calculation of short term capital gains. Reliance Telecom has filed an appeal before the CIT(A) against the re-assessment order. The amount involved in the matter is approximately Rs. 5,000 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the IT Act.
- 3.18** The CIT(A) passed orders for a period of assessment years between assessment year 1998-1999 and assessment year 2008-2009 in connection with a dispute between Reliance Globalcom Limited, Bermuda ("**Reliance Globalcom**") and the AO, on the taxability of revenue generated from Indian customers by way of (i) capacity sales; and (ii) restoration services in India. Both Reliance Globalcom and the AO have filed cross appeals before the Appellate Tribunal against the order passed by CIT(A). The amount involved in the matter is approximately Rs. 396 million. Additional interest amount may be levied on the tax demand by the courts and tribunals in accordance with the provisions of the IT Act.
- 3.19** The AO passed an assessment order, for assessment year 2006-2007, against Reliance Globalcom treating the credits in the bank accounts of Reliance Globalcom held in countries outside India as cash credits, and income from investments made in such bank accounts, as income sourced out of India and subjected such amounts to taxation in India. Reliance Globalcom has filed an appeal before the CIT(A). The matter is currently pending before the CIT(A). The amount involved in the matter is approximately Rs. 780 million. Additional interest amount may be levied on the tax demand by the courts and tribunals in accordance with the provisions of the IT Act.
- 3.20** In addition to the above proceedings, there are 11 other income tax related proceedings pending against our Company and some of its Subsidiaries at various judicial fora, such as the Supreme Court, the Appellate Tribunal and the CIT(A). The aggregate amount involved in all the matters is approximately Rs. 140 million.
- 3.21** The Commissioner of Service Tax (the "**Commissioner**"), Mumbai filed an appeal before the Customs, Central Excise and Service Tax Appellate Tribunal (the "**CESTAT**"), Mumbai against an order of the Commissioner, Mumbai (in its capacity as an adjudicating authority) disallowing a service tax claim imposed on our Company by the Commissioner. The Commissioner argued that the amounts collected by our Company under the 'Dhirubhai Ambani Pioneer Offer' (the "**Scheme**"), from the customers towards 'club membership', should have been included within the value of services provided by our Company to the customers, and service tax is payable on such 'club membership' charges. Our Company contended that the charges collected under the Scheme were not incidental to the service of providing a telephone connection (being a taxable service) and should not be included for the purposes of assessing the service tax payable by our Company for providing telephone services. The matter is pending before the CESTAT. The amount involved in the matter is approximately Rs. 1,728.7 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the Finance Act, 1994 (the "**Finance Act**").

- 3.22** Our Company filed an appeal before CESTAT, Mumbai, against an order of the Commissioner, Mumbai disallowing CENVAT credit availed by our Company on material and allied goods, which were used for erection of telecommunication towers. The matter is pending before CESTAT, Mumbai. The amount involved in the matter is approximately Rs. 398.58 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.23** Reliance Telecom filed an appeal before CESTAT, Kolkata, against an order of Commissioner of Service Tax, Kolkata upholding service tax demand on maximum retail price of recharge vouchers (“RCVs”). Reliance Telecom had paid service tax on discounted value of the RCVs. The matter is pending before the CESTAT, Kolkata. The amount involved in the matter is approximately Rs. 80.39 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.24** Reliance Telecom filed an appeal before CESTAT, Kolkata, against an order of the Commissioner, Kolkata disallowing CENVAT credit availed by Reliance Telecom on materials and allied goods, used for the erection of telecommunication towers. The matter is pending before the CESTAT, Kolkata. The amount involved in the matter is approximately Rs. 408.01 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.25** Reliance Telecom filed an appeal before CESTAT, Mumbai against an order of the Commissioner, Mumbai disallowing CENVAT credit availed by Reliance Telecom on materials and allied goods, used for the erection of telecommunication towers. The matter is pending before the CESTAT, Mumbai. The amount involved in the matter is approximately Rs. 2,631.67 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.26** Reliance Infratel filed an appeal before CESTAT, Mumbai, against an order of the Commissioner, Mumbai categorising advances received from Reliance Infratel, as consideration for services provided. The matter is pending before CESTAT, Mumbai. The amount involved in the matter is approximately Rs. 5,821.93 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.27** Reliance Infratel filed an appeal before CESTAT, Mumbai, against an order of the Commissioner, Mumbai disallowing CENVAT credit availed by Reliance Infratel on materials and allied goods, were used for the erection of telecommunication towers. The matter is pending before CESTAT, Mumbai. The amount involved in the matter is approximately Rs. 1,220.62 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.28** RCIL filed an appeal before CESTAT, Mumbai, against an order of the Commissioner, Mumbai disallowing CENVAT credit availed by RCIL on materials and allied goods, used for the erection of telecommunication towers. The amount involved in the matter is approximately Rs. 183.02 million. Additional interest amount may be levied on the tax demand by the courts and the tribunals in accordance with the provisions of Finance Act.

- 3.29** In addition to the above litigation pending against our Company and its Subsidiaries, there are five cases relating to levy of service tax on our Company and some of its Subsidiaries pending before various service tax authorities. The amount involved in the matter is approximately Rs. 76.37 million. Additional interest amount may be levied on the tax demands by the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.30** The Commissioner, Mumbai has issued a show cause notice (“SCN”) to our Company, demanding that our Company show cause as to why CENVAT credit claimed by our Company on service tax paid on various input services including services relating to health clubs, automobile rentals and tour operators, should not be disallowed, on the basis that such services cannot be considered input services for providing telecommunication services (i.e. the output services). The matter is pending before the Commissioner. The amount involved in the matter is approximately Rs. 55.30 million. Additional interest amount may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.31** The Commissioner, Mumbai has issued a SCN to RCIL demanding that RCIL show cause as to why service tax should not be levied on the sale of SIM cards, on the basis that the sale of a SIM card is a part of the “service” rendered by RCIL to the subscribers. The matter is pending before the Commissioner. The amount involved in the matter is approximately Rs. 248.50 million. Additional interest amount may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.32** The Commissioner, Mumbai has issued a SCN to RCIL demanding that RCIL show cause as to why service tax should not be levied on expired RCVs that are unused. The matter is pending before the Commissioner. The amount involved in the matter is approximately Rs. 1,125.81 million. Additional interest amount may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of the Finance Act.
- 3.33** The Commissioner, Mumbai has issued a SCN to RCIL demanding that RCIL show cause as to why service tax should not be levied on amounts received by RCIL pursuant to assignment of its debts. The matter is pending before the Commissioner. The amount involved in the matter is approximately Rs. 534.99 million. Additional interest amount may be levied on the tax demand by the departmental authorities or the courts and the tribunals.
- 3.34** The Commissioner, Mumbai has issued a SCN to Reliance Infratel demanding that Reliance Infratel show cause as to why differential service tax should not be levied on leasing charges for optical fibre network services provided to our Company. The actual billed amount to our Company as leasing charges differed from the amount indicated by Reliance Infratel in its balance sheet which was calculated on the basis of straight line method as prescribed in the applicable accounting standard. The matter is pending before the Commissioner. The amount involved in the matter is approximately Rs. 9,342.30 million. Additional interest amount may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of the Finance Act.

- 3.35** In addition to above demands raised against our Company and its Subsidiaries, service tax authorities have issued four SCNs to our Company and some of its Subsidiaries, in connection with levy of service tax. The matters are pending before the Commissioner. The aggregate amount involved in the matters is approximately Rs. 73.67 million. Additional interest amount may be levied on the tax demand by the departmental authorities or the courts and the tribunals.
- 3.36** RCIL filed an appeal against the order of the sales tax officer, Orissa, levying value added tax (“**VAT**”) on RCIL, in connection with the transfer of, *inter alia*, duct and cable to Reliance Telecom. Pursuant to the appeal filed by RCIL, the appellate authority has ordered the sales tax officer, Orissa to conduct a re-assessment for the financial year 2001 and the financial year 2002 . The matter is pending before the sales tax officer, Orissa. The amount involved in the matter is approximately Rs. 63.96 million. Additional interest may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of the relevant State VAT legislations.
- 3.37** RCIL filed an appeal against the order of the sales tax officer, Uttarakhand, levying VAT on data cards and RCVs. The matter is pending before the Joint Commissioner of Commercial Taxes (Appeals), Uttarakhand. The amount involved in the matter is approximately Rs. 54.60 million. Additional interest may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of the relevant State VAT legislations.
- 3.38** Reliance Infratel filed a writ petition before the Kerala High Court, challenging the levy of VAT by Kerala sales tax authorities on passive infrastructure charges billed out to our Company and other service providers by Reliance Infratel. The matter is pending before the Kerala High Court. The amount involved in the matter is approximately Rs. 126.46 million. Additional interest may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of the relevant State VAT legislations.
- 3.39** In addition to the above litigation, various State tax authorities have initiated proceedings or issued notices of demand against our Company and some of its Subsidiaries in relation to levy of VAT under the relevant State VAT legislations including of the States of Assam, Bihar, Kerala, Maharashtra, Orissa, Rajasthan, Uttar Pradesh, Uttarakhand and West Bengal. There are over 33 cases relating to levy of VAT pending before various departmental authorities, State tribunals and High Courts. The aggregate amount involved in the matters is approximately Rs. 211.78 million. Additional interest may be levied on the tax demands by the departmental authorities or the courts and the tribunals in accordance with the provisions of the relevant State VAT legislations.
- 3.40** Reliance Telecom filed an appeal before the West Bengal Commercial Taxes Appellate Revision Board (the “**Board**”) against the action of the Deputy Commissioner of Sales Tax, West Bengal. The Deputy Commissioner of Sales Tax, West Bengal rejected the form “F” filed by Reliance Telecom in connection with inter-State movement of stock which is not for the purposes of sale. Under the Central sales tax (“**CST**”) regime in India, such inter-State movement is exempted. The matter is pending before the Board. The amount involved in the matter is approximately Rs. 50.43 million. Additional interest may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of Central Sales Tax Act, 1956 (the “**CST Act**”).

- 3.41** In addition to the above proceedings, various tax authorities have initiated proceedings or issued notices of demand, against our Company and some of its Subsidiaries, in relation to payment of CST. There are over 13 cases relating to levy of CST pending before various departmental authorities and the State tax tribunals. The amount involved in the matter is approximately Rs. 55.46 million. Additional interest may be levied on the tax demands by the departmental authorities or the courts and the tribunals in accordance with the provisions of the CST Act.
- 3.42** Our Company, Reliance Telecom, RCIL and Reliance Infratel (together, the “**Entry Tax Assesseees**”) have received notices of demands of entry tax from authorities in the States of Assam, Bihar, Chhattisgarh, Madhya Pradesh, Meghalaya, Orissa, Rajasthan and Uttar Pradesh for the payment of entry tax on plant and machinery (including electrical machinery and optic fibre cables) imported by the Entry Tax Assesseees for the telecommunication operations into the relevant State territory. There are over 79 cases relating to levy of entry taxes against the Entry Tax Assesseees pending before various departmental authorities, the State tribunals, the High Courts, and the Supreme Court including the following proceedings: (i) proceedings initiated against Reliance Infratel by the Assam State tax authorities. The amount involved in the matter is approximately Rs. 97.32 million. The matter is pending before the Supreme Court; (ii) proceedings initiated against RCIL by the Madhya Pradesh State tax authorities. The amount involved in the matter is approximately Rs. 55.93 million. RCIL has filed a special leave petition to the Supreme Court, appealing against the order passed by the Madhya Pradesh High Court. The matter is pending before the Supreme Court; and (iii) two proceedings (for various assessment years) initiated by the Rajasthan State tax authorities against our Company. The amounts involved in the matters are approximately Rs. 154.45 million and Rs. 139.57 aggregating to Rs. 294.08 million. The matters are pending before the Rajasthan High Court; and (iv) proceedings initiated by the Rajasthan State tax authorities against Reliance Infratel. The amount involved in the matter is approximately Rs. 124.77. The matter is pending before the Rajasthan High Court. The aggregate amount involved in these matters is approximately Rs. 1,080.49 million. Additional interest may be levied on the tax demands by the departmental authorities or the courts and the tribunals in accordance with the relevant provisions of State entry tax legislations.
- 3.43** Our Company and some of its Subsidiaries (in certain instances) have challenged the legality and constitutional validity of the levy of entry tax by States, in various High Courts including the Patna High Court, the Himachal Pradesh High Court, the Jammu and Kashmir High Court, the Madhya Pradesh High Court, the Punjab and Haryana High Court and the Rajasthan High Court. Our Company and some of its Subsidiaries have also filed special leave petitions before the Supreme Court in connection with the constitutional validity of the levy of entry taxes by the States. The Supreme Court has constituted a larger bench to decide the issue.
- 3.44** RCIL filed an appeal before the CESTAT at Mumbai against an order of the Commissioner of Customs (Imports) (the “**Commissioner**”), Nhava Sheva, relating to a dispute on the classification of optical fibres imported by RCIL, for use in telecommunication operations. The Commissioner had re-classified the optic fibre cables imported by RCIL as industrial/medical grade fibres. RCIL disputed the re-classification claiming that the re-classification was erroneous as the imported optic fibre cables were ‘individually sheathed optic fibres’ (for which payment of customs duty was exempted). The amount involved in the matter is approximately Rs. 104 million. Additional interest may be levied on the tax demand by the departmental authorities or the courts and the tribunals in accordance with the provisions of Customs Act, 1962.

- 3.45** Reliance Big TV Limited filed two special leave petitions before the Supreme Court appealing against the decisions of the Jharkhand High Court and the Allahabad High Court, which upheld the levy of entertainment tax on DTH services in the States of Jharkhand and Uttar Pradesh.
- 3.46** Our Company and Reliance Infratel (the “**Petitioners**”) filed special leave petitions before the Supreme Court against the Bombay High Court’s orders dated April 22, 2013 and April 30, 2013 in relation to property taxes being levied on telegraph equipment including posts, antennas, etc. installed on immovable property by municipal authorities in and around Mumbai, Maharashtra. The Petitioners have submitted that the telegraph equipment installed on immovable property pursuant to a UASL and a certificate for infrastructure provider category- 1 should not be considered a “building” and should not be assessed for property tax under the Bombay Provincial Municipal Corporations Act, 1949. Specifically, the Navi Mumbai Municipal Corporation has demanded approximately Rs. 99 million from our Company and Reliance Infratel. The aggregate amount involved in all special leave petitions is approximately Rs. 154.6 million. The matters are pending before the Supreme Court.
- 3.47** Reliance Telecom has filed a writ petition before the Patna High Court challenging the levy of Rs. 5000 per kilometre, per annum, for laying of optic fibre cable network in Bihar. The levy was pursuant to a notification dated March 20, 2008 issued by the Road Construction Department, Bihar. A single judge bench of the Patna High Court by its order dated March 21, 2013 dismissed the Reliance Telecom’s writ petition. Reliance Telecom has filed a letters patent appeal (before a division bench) against the dismissal of the writ petition. The matter is pending before the division bench of the Patna High Court. The amount involved in the matter is approximately Rs. 222.19 million.
- 3.48** Reliance Telecom has filed a writ petition before the Madhya Pradesh High Court challenging the constitutional validity of Madhya Pradesh Vilasita, Manoranjan, Amod, Evam Vigyapan Kar Adhiniyam 2011 (the “**MP Entertainment Tax Act**”). The challenge was pursuant to levy of entertainment tax, by the Madhya Pradesh State tax authorities, under the MP Entertainment Tax Act, on the value added services provided by Reliance Telecom including ringtones, music, videos, jokes, characterising provision of such services as entertainment. The matter is pending before the Madhya Pradesh High Court. The amount involved in the matter is approximately Rs. 248.60 million.
- 3.49** Our Company and Reliance Infratel have filed a writ petition before the Bombay High Court challenging the levy of property taxes on mobile towers by the Municipal Corporation for Greater Mumbai pursuant to the provisions of the Bombay Municipal Corporation Act, 1888. The aggregate amount involved is approximately Rs. 118.2 million. The matter is pending before the Bombay High Court.
- 3.50** Various writ petitions were filed before the Gujarat High Court by different parties, including our Company and Reliance Infratel challenging the validity of the amendment to the Gujarat Local Authorities Laws (Amendment) Act, 2011, whereby municipal authorities were permitted to levy property taxes under Gujarat Provincial Municipal Corporation Act, 1949, Gujarat Municipalities Act, 1963 and the Gujarat Panchayat Act, 1993 in respect of mobile telecommunications towers installed by telecommunications service providers. By way of the writ petition, our Company and RITL have sought a refund of the property tax levied and already paid by them. The writs were partly allowed by the Gujarat High Court, by an order dated April 24- 25, 2013, which held that though municipal corporations could not levy property tax on mobile towers, the cabins constructed next to the towers could be subject to

such a levy. The municipal corporations of Ahmedabad and Surat challenged the Gujarat High Court's decision before the Supreme Court through various special leave petitions. An interim stay was granted by the Supreme Court in relation to the refund claimed by the companies, subject to the relevant municipalities depositing the amount with the Supreme Court. The aggregate amount involved is approximately Rs. 76.60 million. The matter is pending before the Supreme Court.

- 3.51** In addition to the tax proceedings disclosed above, our Company and its Subsidiaries are involved in various other tax proceedings which arise in ordinary course of business.

MISCELLANEOUS MATTERS

4 Miscellaneous matters involving our Company and its Subsidiaries

- 4.1** There are over 520 civil cases filed against our Company and its Subsidiaries in relation to their telecommunication infrastructure such as towers, cable network and other infrastructure equipment, owned, installed or used by it. These relate to, *inter alia*, illegal construction of towers or laying of cable networks resulting in radiation, health hazards, nuisance, damage to property, the non-payment of taxes or fees or obtaining permissions in relation to such towers and cables, etc.
- 4.2** The Company and Reliance Telecom (together, the “**Claimants**”) have initiated arbitration proceedings against the DoT under the agreements executed with the Government to provide mobile telecommunication services to designated rural areas, under the ‘universal service obligation’ initiative of the Government, to increase telecommunication penetration in India. The arbitration proceedings initiated by the Claimants relate to: (i) discharge of the Claimants’ obligations to provide mobile telephony services in designated rural areas (the “**Telephony Dispute**”). An arbitral award dated December 11, 2013 was passed by the sole arbitrator in connection with the Telephony Dispute, upholding the claims of the Claimants (the “**Award**”), which has been challenged by the Government before the Delhi High Court. The matter is currently pending before the Delhi High Court.
- 4.3** The Company is involved in arbitration proceedings with the DoT, under the agreement executed between them, to provide fixed telephone lines in designated rural areas, in connection with the implementation of the ‘universal service obligations’ initiative of the Government. The dispute arose, *inter alia*, on account of a demand raised by the DoT, for refund of alleged excess subsidy payments received by our Company for providing/installing fixed telephone lines in designated rural areas (the “**Subsidy Dispute**”). The arbitration proceedings in relation to the Subsidy Dispute are ongoing. The aggregate amount involved in the matter is approximately Rs. 315.3 million (which includes the interest calculated, as on October 2012, on the refund sought by the DoT).
- 4.4** On July 28, 2010, the State Industries Promotion Corporation of Tamil Nadu Limited (the “**SIPCOT**”) issued an order for our Company to pay rent for using RCC cable duct at a rate of Rs. 1.5 million per kilometre per annum in areas where the cable ducts had been installed. In a writ petition filed by our Company before the Madras High Court, the Madras High Court set aside the SIPCOT’s order. The SIPCOT has filed an appeal before the Madras High Court challenging the order of the Madras High Court. The aggregate amount involved is approximately Rs. 1.5 million per kilometer per annum for a total length of 9.48 kilometres. The matter is pending before the Madras High Court.

- 4.5 On April 1, 2006, the Government of Maharashtra announced its policy to grant the right of way to all telecommunications service providers' cables, ducts, conduits, etc. It declared that the Directorate of Information Technology would be the sole authority to grant such right of way. Pursuant to an agreement between the State Government and Giga Solutions Private Limited ("**Giga**") dated November 19, 2005, Giga has been given a right of way for 15 years against the payment of a one-time charge. However, on September 17, 2009, the Pune Municipal Corporation (the "**PMC**") issued a letter to Giga demanding a one-time rental of Rs. 200 million for laying cables and a compounding fee of Rs. 600 million for alleged unauthorized laying of aerial cables. Giga and our Company, which supplies infrastructure to Giga (together, the "**Petitioners**"), have challenged this demand of the PMC by way of a writ petition before the Bombay High Court. By an interim order dated August 5, 2013, the Bombay High Court has restrained the PMC from taking any coercive action against the Petitioners.
- 4.6 Our Company has filed writ petitions before the Andhra Pradesh High Court against the Government of Andhra Pradesh and the Greater Hyderabad Municipal Corporation against orders issued by the said municipal bodies to telecommunications service providers pursuant to which service providers are required to pay Rs. 0.1 million for the installation of each tower. Our Company has challenged the legality of these demands on grounds, *inter alia*, that these demands are arbitrary and unjust. The aggregate amount involved is approximately 65 million. The matters are pending before the Andhra Pradesh High Court. Similar notices have also been received from the Greater Vishakapatnam Municipal Corporation.
- 4.7 Reliance Infratel has filed a writ petition before the Chhattisgarh High Court against the Department of Urban Administration and Development, Chhattisgarh and others challenging the circular dated November 18, 2009 (the "**Circular**") which imposes scrutiny charges and permit fees on Reliance Infratel for installing telecommunications towers in the State of Chhattisgarh. Pursuant to the Circular, the Municipal Corporation of Raipur issued demand notices on Reliance Infratel for payment of compounding and renewal fees for regularisation of towers. Upon Reliance Infratel's failure to pay, the Municipal Corporation of Raipur sealed Reliance Infratel's towers within its jurisdiction. Reliance Infratel sought an interim order for unsealing the towers, pursuant to which the Chhattisgarh High Court has directed the Municipal Corporation to unseal one of the towers sealed in Raipur. The Circular has since been superseded by a notification dated September 24, 2010 issued by the State of Chhattisgarh under which the Chhattisgarh Municipal Corporation (Erection of Temporary Towers and Structures for Cellular Mobile Phone) Rules 2010 (the "**Rules**") have been framed. The Company has challenged the constitutional validity of the Rules before the Chhattisgarh High Court, on the basis that, *inter alia*, the State of Chhattisgarh does not have the legislative competence to make laws on towers which fall within the ambit of "telegraph" which is a subject on which only the Union Parliament can legislate. The matter is pending before the Chhattisgarh High Court.
- 4.8 There are over 450 consumer disputes filed against our Company and some of its Subsidiaries. These relate to, *inter alia*, deficiency in products or services, wrong billing, disconnection of telecommunication connections, etc.
- 4.9 There are over 90 labour disputes filed against our Company and some of its Subsidiaries. These relate to, *inter alia*, non-payment of wages, employment benefits or wrongful termination of employment, etc.

- 4.10** There are 48 investor complaints against our Company as of May 31, 2014. These were filed after the demerger of our Company from Reliance Industries Limited, where parties have claimed to have lost shares pursuant to the said demerger.
- 4.11** Apart from the above, there are over 260 civil proceedings filed against our Company and some of its Subsidiaries in relation to various miscellaneous issues. These relate to, *inter alia*, payment of correct stamp duty on land acquired by it, disputes relating to real estate acquired by our Company and its Subsidiaries, suits for recovery of money, etc.

PROMOTER LITIGATION

5 Criminal cases filed against the Promoters

- 5.1** There are 29 criminal cases filed against Reliance Capital Limited (“**Reliance Capital**”) by its customers in various courts in respect of disbursement of loan amounts. These cases are pending at various stages of adjudication. A majority of these cases are the appeals/revisions in respect of *cases filed* against borrowers’ under Section 138 of the Negotiable Instruments Act, 1881. These matters are currently pending.
- 5.2** There are 12 criminal cases in which Mr. Anil D. Ambani has been impleaded as a party. 10 of these cases are included in paragraph 1 of “Legal Proceedings” section. The two other cases are in relation to non-compliance with the Minimum Wages Act, 1948 and non-payment in relation to a franchisee agreement.

6 Civil cases filed against the Promoters

- 6.1** Bharatiben and others (as legal heirs and representatives of late Manubhai Maneklal) (the “**Plaintiffs**”) have filed a suit before the Bombay High Court against Reliance Capital for recovery of equity shares delivered by Manubhai Maneklal and the Plaintiffs to Reliance Capital as a custodian in relation to transactions undertaken by Reliance Enterprises Limited. The aggregate amount involved in this matter is Rs. 75.7 million. The matter is currently pending.
- 6.2** Adil Patrawala has filed a civil case before the Company Law Board, Mumbai against Quant Capital Private Limited and Reliance Capital under Sections 397 and 398 of the Companies Act, 1956 claiming mismanagement in the affairs of Quant Capital Private Limited and oppression of the minority shareholder. Reliance Capital has been made a party to the suit as it is a majority shareholder having 74% stake in Quant Capital Private Limited. The matter is currently pending before the Company Law Board, Mumbai.
- 6.3** The SEBI filed *prima facie* charges against certain entities and executives of the Reliance Group and Mr. Anil D. Ambani (together, the “**Applicants**”) in relation to alleged dealings in the Equity Shares by the Applicants in violation of certain provisions of the Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and the Listing Agreement. While show cause proceedings against the Applicants had commenced, the Applicants suggested settling the charges by way of a SEBI consent order. Pursuant to recommendations of a High Powered Advisory Committee constituted by the SEBI, the terms of the consent order dated January 14, 2011 issued, *inter alia*, against Mr. Anil D. Ambani were as follows: (i) prohibition on investments in the secondary market (other than mutual funds) until December 2011; (ii) payment of Rs. 250 million as settlement charges as a director of Reliance Infrastructure Limited (jointly and severally with the other individual Applicants); (iii) payment of Rs. 250 million as settlement charges as a director of

Reliance Natural Resources Limited. The Applicants have paid the settlement charges and the proceedings against the Applicants have been disposed of.

OFFSHORE COMPANIES LITIGATION

7 Matters concerning Offshore Subsidiaries

- 7.1** On August 20, 2002, Reliance Globalcom (UK) Limited received a notice from the UK Office of Fair Trading (“**OFT**”) requiring the production of certain documents and the provision of information under section 26 of the Competition Act 1998, in connection with an enquiry instituted by the OFT, following a formal complaint by Cityhook Limited and Cityhook (Cornwall) Limited (“**Cityhook**”), alleging infringements of the Competition Act by members of the UK Cable Protection Committee (“**UKCPC**”) and others. On January 24, 2006, formal notification from the OFT was received, to the effect that the OFT would not be proceeding with the investigation, for administrative reasons.

Having effectively failed to achieve any redress via the Competition Appeals Tribunal (“**CAT**”) (where the case was rejected per the CAT judgment published on April 3, 2007), or via the subsequent Judicial Review of the original OFT decision, the only remaining avenue for Cityhook was a private action commenced on July 20, 2006 in the Chancery Division of the High Court against a number of defendants (from UKCPC and otherwise), including the Reliance Group and Reliance Globalcom Limited; such suit alleging an infringement of Article 81(1) EC Treaty and/or the Chapter I prohibition of the Competition Act 1998. This action was stayed pending the outcome of proceedings before the CAT, and then until the conclusion of Judicial Review proceedings.

- 7.2** In February 2002, SAIF Holding Limited (“**SAIF**”) and Reliance FLAG Telecom Ireland Limited (“**RFTIL**”) entered into a one year letter agreement, whereby, it was agreed that RFTIL will pay SAIF a commission of 5% (five percent) of the cash revenue received by RFTIL under the terms of the VPOP Agreement entered into between RFTIL and Pakistan Tele Communications Limited. This letter agreement was wrongfully renewed by unauthorized employee of the Company which resulted in the amount to be paid by RFTIL aggregating US\$ 183,672 and the same has been claimed by SAIF. However, RFTIL has withheld such payments on the basis that the letter extending the agreement was issued from a non-authorized employee of the Company. SAIF filed a petition before the Islamabad Court. The matter is pending before court.

- 7.3** On September 2, 2012, Reliance Globalcom (UK) Limited was served with a judicial letter from the Malta Resources Authority (“**MRA**”), announcing the MRA's intention to issue a formal claim in the event the Company did not pay an annual 'licence fee' for the crossing of the Maltese continental shelf by the Hawk cable system. The amount of the claim (covering the fees for a 3 year period) is Euro 349,500. The imposition of a licence fee is illegal and contrary to the provisions of the United Nations Convention on the Law of the Sea, to which convention Malta has acceded. Reliance Globalcom (UK) Limited has filed a response to the letter with the Malta court, denying the claim.

- 7.4** Reliance Flag Atlantic France was the subject of a special tax audit from the French tax administration, covering the period April 2007 to March 2010, which resulted in the rejection of the deductibility of backbone expenses relating to the FA-1 cable, due to insufficient documentation. The total amount of recoveries chargeable to the company amounted to €60 million. Reliance Flag Atlantic France disputes the legitimacy of the decision of the tax administration. In this respect:

- With a view to achieving a fast settlement of this dispute, however, a proposal was transmitted to the tax administration on March 21, 2013, based on the implementation of a new method of transfer prices for the FA-1 cable (using a cost plus method), and resulting in a total amount payable of Euro 7.6 million. This proposal was refused by the tax authorities.
- The procedure for contesting the original assessment is in progress, as part of which Reliance Flag Atlantic France has requested a reassessment for the year 2008, from the applicable departmental committee for such taxes.
- Reassessments related to the years 2009 and 2010 (via a unilateral taxation procedure) were issued in June, 2013, for an amount of Euro 44 million. In relation to these, Reliance Flag Atlantic France confirms its rejection of the conclusions of the tax administration, and restates its intention to contest the claim.
- Reliance Flag Atlantic France has therefore decided to limit the amount of the corresponding provision to Euro 7.6 million in the annual financial accounts, as it considers that adequate support for the transfer pricing methodology exists, so as to prove that (i) all transactions were at arm's length and (ii) by reference to the corresponding income, as presented in the course of the contentious procedure, the amount of Euro 7.6 million constitutes the maximum amount of tax which the company is able to justify regarding transfer prices, in relation to any non contentious settlement of the dispute.

INDEPENDENT AUDITORS

Our Company's consolidated financial statements for the financial years 2012, 2013 and 2014, have been included in this Placement Document. The Financial Statements are prepared in accordance with Indian GAAP as applicable to us.

Chaturvedi & Shah, Chartered Accountants and BSR & Co. LLP, Chartered Accountants, (which has been converted from BSR & Co. into BSR & Co. LLP (a limited liability partnership) with effect from October 14, 2013), the joint statutory auditors of our Company (the "**Auditors**"), have audited the Financial Statements as of and for the financial years 2012, 2013 and 2014. See "Financial Statements – Independent Auditors' Report".

GENERAL INFORMATION

1. Our Company was incorporated on July 15, 2004 in India under corporate identification number L45309MH2004PLC147531. The Registered Office is at H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai 400 710.
2. The authorized share capital of our Company is Rs. 25,000 million consisting of 5,000,000,000 Equity Shares of Rs. 5 each. The issued, subscribed and paid-up capital of our Company is Rs. 10,320.13 million divided into 2,064,026,881 Equity Shares of Rs. 5 each.
3. For the main objects of our Company, please refer to the Memorandum.
4. The Issue was authorized and approved by the Board on June 24, 2014 and approved by the Shareholders on August 27, 2013 for an issue size of up to 25% of the then issued and subscribed equity share capital of the Company.
5. Our Company received in-principle approvals from the Stock Exchanges under Clause 24(a) of the Listing Agreement for listing of the Equity Shares on June 24, 2014.
6. Copies of the Memorandum and Articles will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at the Registered Office.
7. Except as disclosed in this Placement Document, our Company has obtained necessary consents, approvals and authorizations required in connection with the Issue.
8. Except as disclosed in this Placement Document, there has been no significant change in the Group's financial position since March 31, 2014, the date of its last published financial results.
9. Except as disclosed in this Placement Document, there are no litigation or arbitration proceedings pending against or affecting our Company or our Company's assets or revenues, nor is our Company aware of any threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue.
10. Chaturvedi & Shah, Chartered Accountants and BSR & Co. LLP, Chartered Accountants have audited our Financial Statements for the financial years ended and as of March 31, 2014, 2013 and 2012 and they have consented to the inclusion of their report in this Placement Document.
11. Our Company confirms that it is in compliance with the minimum public shareholding requirements as required under the terms of the Listing Agreement.
12. The Floor Price for the Issue of Equity Shares is Rs. 149.61 per Equity Share calculated in accordance with the provisions of Chapter VIII of the SEBI Regulations.

FINANCIAL STATEMENTS

Particulars	Page Number
Financial Statements as of and for the financial year ended March 31, 2014	F-1
Financial Statements as of and for the financial year ended March 31, 2013	F-35
Financial Statements as of and for the financial year ended March 31, 2012	F-72

Reliance Communications Limited

Independent Auditors' Report on Consolidated Financial Statements

To the Board of Directors of Reliance Communications Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Reliance Communications Limited ("the Company") and its subsidiaries and associates (collectively referred to as "the Group"), which comprise of the consolidated balance sheet as at 31 March 2014, the consolidated statement of profit and loss and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS 21) on Consolidated Financial Statements and Accounting Standard (AS 23)- Accounting for Investment in Associates in Consolidated Financial Statements as prescribed by the Companies (Accounting Standards) Rules, 2006.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial results are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, 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 2014;
- (ii) in the case of consolidated statement of profit and loss, of the profit of the Group for the year ended on that date; and
- (iii) in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

Emphasis of Matter

1. We draw your attention to Note 2.38 of the consolidated financial statements regarding the Schemes of Arrangement ('the Schemes') sanctioned by the Hon'ble High Court of Judicature at Mumbai, permit the Company and three of its subsidiaries, namely, Reliance Communication Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited to adjust expenses and/or losses identified by the respective Board of the Company and its three subsidiaries, which are required to be debited/ credited to the Statement of profit and loss by a corresponding withdrawal or credit from/ to General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company and its three subsidiaries have identified exchange variations incurred during the year of ₹ 155 crore (previous year ₹ 203 crore), fuel cost of ₹ Nil (previous year ₹ 62 crore), depreciation on exchange losses capitalised of ₹ 385 crore (previous year ₹ 275 crore), capital work in progress written off of ₹ Nil (previous year ₹ 325 crore), amortization of Foreign Currency Monetary Items Translation Difference Account (FCMITDA) of ₹ 440 crore (previous year ₹ 638 crore), as in the opinion of the respective Boards, such exchange loss, provisions and costs are considered to be of an exceptional nature and accordingly, these expenses and deferred tax charge of ₹ Nil (previous year ₹ 354 crore) of one of its subsidiaries have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses, losses and deferred tax charge not been met from General Reserve, the consolidated financial statements would have reflected a profit after tax of ₹ 67 crore (previous year loss ₹ 1,185 crore) and the consequential effect of this on the consolidated profit after tax would have been of ₹ 980 crore (previous year ₹ 1,857 crore). We have not qualified our opinion on this matter.
2. We draw your attention to Note 2.34 (v) of the consolidated financial statements regarding investigations by an investigating agency (CBI) and framing of certain preliminary charges by a Trial Court in October, 2011 against a director of a subsidiary Company and the subsidiary

Independent Auditor's Report on Consolidated Financial Statements

Company, against which the subsidiary Company has filed a writ petition in October, 2013 in Hon'ble Supreme Court of India, which is pending for hearing as set out in the aforesaid note.

Other matters

1. 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.
2. 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 2014 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 ₹ 8,408 crore as at 31 March 2014, revenues of ₹ 4,617 crore and cash outflows amounting to ₹ 54 crore in respect of the aforementioned subsidiaries for the year then ended.
3. The financial statements of certain subsidiaries for the year ended 31 March 2014 have been audited by one of the joint auditors, Chaturvedi & Shah, Chartered Accountants. The attached consolidated financial statements include assets of ₹ 17,896 crore as at 31 March 2014, revenues of ₹ 6,037 crore and cash outflows amounting to ₹ 18 crore in respect

of the aforementioned subsidiaries for the year then ended.

4. We have relied on the unaudited financial statements of the subsidiaries and associates whose financial statements reflect total assets of ₹ 3,762 crore as at 31 March 2014, total revenue of ₹ 58 crore and cash outflows amounting to ₹ 47 crore for the year ending 31 March 2014. 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.

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

C D Lala
Partner
Membership No: 35671
Mumbai
2 May 2014

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Reliance Communications Limited

Consolidated Balance Sheet as at March 31, 2014

	Notes	As at March 31, 2014		(₹ in Crore) As at March 31, 2013	
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	2.01	1,021		1,032	
Reserves and Surplus	2.02	31,388	32,409	32,818	33,850
Minority Interest			743		725
Non Current Liabilities					
(a) Long Term Borrowings	2.03	27,913		28,678	
(b) Deferred Tax Liabilities (Net)	2.04	1,803		1,372	
(c) Other Long Term Liabilities	2.05	915		1,233	
(d) Long Term Provisions	2.06	1,031	31,662	885	32,168
Current Liabilities					
(a) Short Term Borrowings	2.07	8,909		8,800	
(b) Trade Payables	2.08	3,516		2,364	
(c) Other Current Liabilities	2.09	11,856		10,401	
(d) Short Term Provisions	2.10	1,257	25,538	1,874	23,439
TOTAL			90,352		90,182
ASSETS					
Non Current Assets					
(a) Fixed Assets	2.11				
(i) Tangible Assets		43,934		44,339	
(ii) Intangible Assets		19,319		21,049	
(iii) Capital Work in Progress		3,190		3,864	
		66,443		69,252	
(b) Goodwill		5,300		5,125	
(c) Non Current Investments	2.12	118		111	
(d) Deferred Tax Assets (Net)	2.04	1,488		-	
(e) Long Term Loans and Advances	2.13	3,542		3,210	
(f) Other Non Current Assets	2.14	84	76,975	223	77,921
Current Assets					
(a) Current Investments	2.15	605		551	
(b) Inventories	2.16	415		497	
(c) Trade Receivables	2.17	3,919		3,911	
(d) Cash and Bank Balances	2.18	504		731	
(e) Short Term Loans and Advances	2.19	5,828		4,581	
(f) Other Current Assets	2.20	2,106	13,377	1,990	12,261
TOTAL			90,352		90,182

Significant Accounting Policies

1

Notes on Accounts

2

The Notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date

For and on behalf of the Board

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

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

Chairman

Anil D. Ambani

Directors

J. Ramachandran
A. K. Purwar
R. N. Bhardwaj

C.D. Lala
Partner
Membership No: 35671
Mumbai
May 2, 2014

Bhavesh Dhupelia
Partner
Membership No: 042070

Company Secretary and Manager

Prakash Shenoy

Reliance Communications Limited

Consolidated Statement of Profit and Loss for the year ended March 31, 2014

	Notes	For the year ended March 31, 2014	(₹ in Crore) For the year ended March 31, 2013
INCOME			
Revenue from Operations	2.21	21,238	20,561
Other Income	2.22	1,083	1,217
Total Income		22,321	21,778
EXPENDITURE			
Access Charges, License Fees and Network Expenses	2.23	10,550	10,368
Employee Benefits Expenses	2.24	1,025	1,189
Finance Costs	2.25	3,019	2,499
Depreciation, Impairment and Amortisation	2.11	5,939	5,331
Depreciation and Amortisation adjusted by/transfer from :			
Provision for Business Restructuring (Refer Note 2.30 (iii))		(47)	(99)
General Reserve (Refer Note 2.30 (vi))		(132)	(123)
General Reserve (Refer Note 2.30 (iii))		(1,225)	(1,264)
Sales and General Administration Expenses	2.26	3,020	3,062
Total Expenses		22,149	20,963
Profit before Exceptional Items, Adjustments and Tax		172	815
Exceptional Items			
Capital Work in Progress written off	2.38	-	325
Equivalent amount withdrawn from General Reserve		-	(325)
Depreciation on account of Change in exchange rate		385	275
Equivalent amount withdrawn from General Reserve		(385)	(275)
Foreign Currency Exchange Fluctuation Loss (net)		595	841
Equivalent amount withdrawn from General Reserve		(595)	(841)
Fuel Expenses		-	62
Equivalent amount withdrawn from General Reserve		-	(62)
Prior Period Adjustments (Refer Note 2.31)		56	-
Profit Before Tax		116	815
Provision for:			
- Current Tax		46	71
Less: MAT Credit Entitlement		(10)	-
		36	71
- Deferred Tax (net)	2.04	(1,057)	354
- Equivalent amount withdrawn from General Reserve	2.38	-	(354)
Profit After Tax (before adjustment of Minority Interest/ Associates)		1,137	744
Less: Share of Profit transferred to Minority		92	73
Less: Share of Loss/ (Profit) of Associates		(2)	(1)
Profit After Tax (after adjustment of Minority Interest/ Associates)		1,047	672
Earnings per Share of ₹ 5 each fully paid up (before and after Exceptional Items)	2.37		
- Basic (₹)		5.07	3.26
- Diluted (₹)		5.07	3.26

Significant Accounting Policies

1

Notes on Accounts

2

The Notes referred to above form an integral part of the Consolidated Financial Statements.

As per our report of even date

For and on behalf of the Board

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

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

Chairman

Anil D. Ambani

Directors

J. Ramachandran
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R. N. Bhardwaj

C.D. Lala
Partner
Membership No: 35671
Mumbai
May 2, 2014

Bhavesh Dhupelia
Partner
Membership No: 042070

Company Secretary and Manager

Prakash Shenoy

Reliance Communications Limited

Consolidated Cash Flow Statement for the year ended March 31, 2014

	For the year ended March 31, 2014	(₹ in Crore) For the year ended March 31, 2013
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	116	815
Adjusted for:		
Provision for Doubtful Debts, Loans and Advances	289	108
Depreciation/Impairment and Amortisation	4,535	3,845
Prior Period Adjustment	56	-
Effect of changes in Foreign Exchange Rate (net)	(38)	(12)
(Profit) /Loss on Sale of Assets and Capital Work in Progress (net)	20	28
Net gain on Sale of Investments	(9)	(35)
Finance Costs	3,019	2,499
Writeback of Provision towards Business Restructuring	(441)	(550)
Writeback of Provision towards Liabilities no longer required	(450)	(192)
Interest Income	(47)	(11)
	6,934	5,680
Operating Profit before Working Capital Changes	7,050	6,495
Adjusted for:		
Receivables and other Advances	(581)	(553)
Inventories	82	70
Trade Payables and other Liabilities	559	(2,391)
	60	(2,874)
Cash Generated from Operations	7,110	3,621
Income Tax Refund	250	477
Income Tax Paid	(521)	(273)
Net Cash from Operating Activities	6,839	3,825
B CASH FLOW FROM INVESTING ACTIVITIES		
Additions of Fixed Assets and Capital Work in Progress (including Realised exchange variation Capitalised)	(2,165)	(2,114)
Purchase of Investments	(11,588)	(12,876)
Sale of Investments	11,604	12,911
Interest Income	49	10
Net Cash Used in Investing Activities	(2,100)	(2,069)
C CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from / (Repayment of) Short term Borrowings (Net)	132	3,268
Realised foreign exchange loss	(524)	(1,266)
Proceeds from Long Term Borrowings	2,499	1,476
Repayment of Long Term Borrowings	(3,995)	(2,529)
Dividend Paid (Including tax on dividend)	(61)	(60)
Finance Costs	(3,018)	(2,465)
Net Cash used in Financing Activities	(4,967)	(1,576)
Net Increase/ (Decrease) in Cash and Cash Equivalents	(228)	180
Opening Balance of Cash and Cash Equivalents	731	550
Effect of Exchange Gain/ (Loss) on Cash and Cash Equivalents	1	1
Closing Balance of Cash and Cash Equivalents (Refer Note 2.18)	504	731

Note: Cash and Cash Equivalents include cash on hand, cheques on hand, remittances- in-transit and bank balance including Fixed Deposits with Banks.

As per our report of even date

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

C.D. Lala
Partner
Membership No: 35671
Mumbai
May 2, 2014

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

Bhavesh Dhupelia
Partner
Membership No: 042070

For and on behalf of the Board

Chairman

Anil D. Ambani

Directors

J. Ramachandran
A. K. Purwar
R. N. Bhardwaj

Company Secretary and Manager

Prakash Shenoy

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 1

1.1 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 Standard Rules, 2006 (Accounting Standards 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 operation is recognised in the Statement of Profit and Loss 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 preceeding 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 on the date of disposal, is recognised in the Consolidated Statement of Profit and Loss as 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 Statement of Profit and Loss, to the extent such change is attributable to the associates' Statement of Profit and Loss, based on available information.
- (h) Interest in a jointly controlled entity is reported using proportionate consolidation in accordance with the Accounting Standard ("AS") 27 "Financial Reporting of Interests in Joint Ventures" as referred to in Accounting Standards Rules.
- (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.

1.2 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.

1.3 Other Significant Accounting Policies

(a) Basis of Preparation of Consolidated Financial Statements

The financial statements are prepared under historical cost convention/ fair valuation under a Scheme approved by the High Court, in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 2013 (to the extent notified) and the provisions of the Companies Act, 1956 (to the extent applicable) read with the Companies Accounting Standard Rules as well as applicable pronouncements of the Institute of Chartered Accountants of India (ICAI).

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Schedule VI to the Companies Act, 1956. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

(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

Fixed Assets are divided into Tangible Assets and Intangible 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 asset 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 or at cost as applicable less accumulated amortisation.

Reliance Communications Limited

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (v) Indefeasable Right of Connectivity (IRC) are stated at cost less accumulated amortisation.
- (vi) In respect of accounting period commencing on or after April 1, 2011, consequent to the insertion of para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates', related to acquisition of depreciable assets pursuant to notifications dated December 29, 2011 and August 9, 2012 issued by Ministry of Corporate Affairs (MCA), under the Companies (Accounting Standard) (Second Amendment) Rules 2011, the cost of depreciable capital assets includes foreign exchange differences arising on translation of long term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisition of such assets.
- (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 the Statement of Profit and Loss.
 - (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) Telecom Electronic Equipments - 18 years
 - (b) Telecom Towers - 35 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) Sub Marine Cable Network - Shorter of 25 years or remaining useful life
 - (h) Terrestrial Network - Shorter of 15 years or remaining useful life
 - (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 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 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 foreign exchange differences including attributable to interest capitalised pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' vide notifications dated December 29, 2011 and August 9, 2012 by Ministry of Corporate Affairs (MCA), under the Companies (Accounting Standards) (Second amendment) Rules, 2011, is provided over the balance useful life of depreciable capital assets.
 - (vii) 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 management, 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 Statement of Profit and Loss 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

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

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.

(j) **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 recognized as an expense during the period.

Long term employee benefits

(i) **Defined contribution plan**

The Company's contribution towards Employees' Superannuation Plan is recognized 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 recognized 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 recognized immediately in the Statement of Profit and Loss.

(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 recognized 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.

(k) **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.

(l) **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 in case of monetary items other than mentioned above, either on settlement or on translation, is recognised in the Statement of Profit and Loss.

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

(vi) All long term foreign currency monetary items consisting of loans which relate to acquisition of depreciable capital assets at the end of the period/ year have been restated at the rate prevailing at the Balance Sheet date. The exchange difference including attributable to interest arising as a result has been added to or deducted from the cost of the assets as per the notification issued by the Ministry of Company Affairs (MCA) dated December 29, 2011 and August 9, 2012 and depreciated over balance life of capital asset. Exchange difference on other long term foreign currency loans is accumulated in "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)" which will be amortized over the balance period of monetary assets or liabilities.

(m) **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

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

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) 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.
- (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) Sale of 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) Tower 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.
- (n) **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.
- (o) **Miscellaneous Expenditure**
Miscellaneous Expenditure is charged to the Statement of Profit and Loss as and when it is incurred.
- (p) **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.
- (q) **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.
- (r) **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.
- (s) **Earning per Share**
In determining Earning per Share, the Group considers the net profit after tax and includes the post tax effect of any extra-ordinary / exceptional item. The number of shares used in computing Basic Earnings per Share is the weighted average number of shares, including owned by the Trust, 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.
- (t) **Employee Stock Option Scheme**
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.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	(₹ in Crore)	
	As at March 31, 2014	As at March 31, 2013
Note : 2.01		
Share Capital		
Authorised:		
5,00,00,00,000 Equity Shares of ₹ 5 each (5,00,00,00,000)	<u>2,500</u>	<u>2,500</u>
	<u>2,500</u>	<u>2,500</u>
Issued, Subscribed and Paid up		
2,06,40,26,881 Equity Shares of ₹ 5 each fully paid up (2,06,40,26,881)	1,032	1,032
Less: 2,12,79,000 Equity Shares of ₹ 5 each fully paid up held by RCOM ESOS Trust (Refer Note 5 below)	11	-
	<u>1,021</u>	<u>1,032</u>

(1) Shares held by Holding/ Ultimate Holding Company and/ or their subsidiaries/ associates

	No of Shares	No of Shares
(a) Reliance Innoventures Private Limited, Holding Company	1,23,79,001	1,23,79,001
(b) AAA Communication Private Limited, Subsidiary of Holding Company	72,31,10,172	72,31,10,172
(c) AAA Industries Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000
(d) ADA Enterprises and Ventures Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000
(e) Reliance Capital Limited, Subsidiary of Holding Company	2,96,95,295	3,10,95,295

(2) Details of Shareholders holding more than 5% shares in the Company

	No of Shares	%	No of Shares	%
(a) AAA Communication Private Limited	72,31,10,172	35.03	72,31,10,172	35.03
(b) AAA Industries Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(c) ADA Enterprises and Ventures Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(d) Life Insurance Corporation of India	16,46,90,275	7.98	14,96,03,497	7.25

(3) The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

During the previous year ended March 31, 2013, the amount of per share dividend recognised as distributable to equity shareholders was ₹ 0.25.

(4) Reconciliation of shares outstanding at the beginning and at the end of the reporting period,

	March 31, 2014		March 31, 2013	
	Number	(₹ in Crore)	Number	(₹ in Crore)
Equity Shares				
At the beginning of the year	2,06,40,26,881	1,032	2,06,40,26,881	1,032
Add/ (Less) : Changes during the year	-	-	-	-
At the end of the year	<u>2,06,40,26,881</u>	<u>1,032</u>	<u>2,06,40,26,881</u>	<u>1,032</u>

(5) Consolidation of RCOM ESOS TRUST (Trust)

The Company has consolidated financial statements of RCOM ESOS Trust as at March 31, 2014 with Standalone Financial Statements of the Company in terms of SEBI (ESOS and ESPS) Guidelines, 1999 and recent opinion of the Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India (the ICAI).

The said Trust is holding 2,12,79,000 no. of equity shares of ₹ 5 each of the Company. ₹11 crore being the face value of such equity shares is presented as deduction from the paid up share capital.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2014

As at
March 31, 2013

Note : 2.02

Reserves and Surplus

Statutory Reserve Fund

As per last Balance Sheet ₹ 6,13,000 (Previous year ₹ 6,13,000)

-

-

Capital Reserve

As per last Balance Sheet ₹ 5,00,000 (Previous year ₹ 5,00,000)

-

-

Debenture Redemption Reserve

As per last Balance Sheet

441

173

Add: Transferred from Surplus in Statement of Profit and Loss

179

620

268

441

Exchange Fluctuation Reserve

901

377

Securities Premium Account

As per last Balance Sheet

8,047

8,047

Less: Premium on Equity Shares held by RCOM ESOS Trust (Refer Note 2.41)

380

7,667

-

8,047

General Reserve

As per last Balance Sheet

10,788

13,418

Add : Amount credited on reversal of withdrawal in previous year on account of foreign exchange variance attributable to interest (Refer Note 2.29)

-

992

Less: As per the Scheme of Amalgamation and Arrangement (Refer Note 2.30 (vii))

-

470

Transferred to Statement of Profit and Loss (Refer Note 2.38)

-

325

Transferred to Statement of Profit and Loss (Refer Note 2.04 & 2.38)

-

354

Transferred to Statement of Profit and Loss (Refer Note 2.38)

980

1,116

Transferred to Statement of Profit and Loss (Refer Note 2.30(vi))

132

123

Transferred to Statement of Profit and Loss (Refer Note 2.38)

-

62

Transferred to Statement of Profit and Loss (Refer Note 2.30(iii))

1,225

1,264

Add : Minority Interest

10

8,461

92

10,788

Reserve for Business Restructuring

1,287

1,287

Foreign Currency Monetary Items Translation Difference Account

(984)

(686)

Surplus in the Statement of Profit and Loss

As per last Balance Sheet

12,564

12,221

Add: Profit during the year

1,047

672

Add: Effect of Consolidation of RCOM ESOS Trust (Refer Note 2.41)

4

-

Less : Transferred to Debenture Redemption Reserve

179

268

: Proposed Dividend on Equity Shares

-

52

: Tax on Proposed Dividend

-

13,436

9

12,564

31,388

32,818

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	(₹ in Crore)	
	As at March 31, 2014	As at March 31, 2013
Note : 2.03		
Long Term Borrowings		
Debentures		
Secured		
3,000 (3,000), 11.20 % Redeemable, Non Convertible Debentures of ₹ 1 crore each	3,000	3,000
5,000 (5,000), 11.60 % Redeemable, Non Convertible Debentures of ₹ 10 lac each	500	500
1,500 (1,500) , 11.25 % Redeemable, Non Convertible Debentures of ₹ 1 crore each	1,500	1,500
Term Loans		
Secured		
Foreign Currency Loans from Banks	21,745	23,658
Rupee Term Loans from Banks	520	20
Rupee Loans from Others	<u>300</u>	<u>-</u>
	22,565	23,678
Unsecured		
Rupee Term Loans	<u>348</u>	<u>-</u>
	27,913	28,678

2.03.1 Debentures and Term Loans

During the earlier year, the Company, on March 2, 2009, allotted, 3,000, 11.20% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each, aggregating to ₹ 3,000 crore to be redeemed at the end of 10th year from the date of allotment thereof. On February 7, 2012, the Company also allotted, 1,500, 11.25% and 5,000, 11.60% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each and ₹ 10,00,000 each respectively, aggregating to ₹ 2,000 crore. Redemption of NCDs of ₹ 1,500 crore shall be in four annual equal installments starting at the end of fourth year from the date of allotment thereof and NCDs of ₹ 500 crore shall be redeemed at the end of 5th year from the date of allotment thereof.

NCDs along with foreign currency loans and rupee term loans ("the said secured loans") have been secured by first pari passu charge on the whole of the movable plant and machinery, of the Company including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), Capital Work in Progress (pertaining to movable fixed assets) both present and future including all the rights, title, interest, benefits, claims and demands in respect of all insurance contracts relating thereto of the RCOM Group ("the Borrower Group"); comprising of the Company and its subsidiary companies namely; Reliance Telecom Limited (RTL), Reliance Infratel Limited (RITL) and Reliance Communications Infrastructure Limited (RCIL) in favour of the Security Trustee for the benefit of the NCD Holders and the Lenders of the said Secured Loans. The said loans also include ₹ 8,896 crore (Previous year ₹ 9,195 crore) which are guaranteed. The Company, for the benefit of the Lenders of foreign currency loans, rupee term loans of ₹ 20 crore and 5,000, 11.60%, NCDs aggregating to ₹ 500 crore had, apart from the above, also assigned 20 telecom licenses for services under Unified Access Services (UAS), National Long Distance (NLD) and International Long Distance (ILD) by execution of Tripartite Agreements with Department of Telecommunications (DoT) and IDBI Bank, being the agent acting on their behalf. Similarly, RTL, a subsidiary of the Company has apart from the above also for the benefit of its lenders of foreign currency loans and rupee term loan assigned 8 Telecom Licenses for services under UAS.

Assignment of Telecom Licenses of the Company for 1,500, 11.25% NCDs aggregating to ₹ 1,500 crore and rupee loan from others of ₹ 300 crore are pending to be executed. The Company, for the benefit of the Lenders of foreign currency loans, rupee term loans of ₹ 20 crore, 3,000, 11.20%, NCDs of the face value of ₹ 1,00,00,000 each aggregating to ₹ 3,000 crore and 5,000, 11.60%, NCDs aggregating to ₹ 500 crore, has, apart from the above, also pledged equity shares held by the Company and Reliance Infocomm Infrastructure Private Limited (RIIPL) in RCIL and RTL respectively by execution of the Share Pledge Agreement with the Share Pledge Security Trustee.

Reliance Globalcom B.V. (RGBV), the Netherlands, a Subsidiary of the Company, during the previous year, availed facility of USD 200 million in addition to USD 500 million, against pledge of shares of material subsidiaries of RGBV. RGBV has repaid USD 233 million during the year.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

2.03.2 Repayment Schedule of Long Term Loans

(a) Debentures

(₹ in Crore)

Rate of Interest	Repayment Schedule			
	2015-16	2016-17	2017-18	2018-19
11.20%	-	-	-	3,000
11.60%	-	500	-	-
11.25%	375	375	375	375

(b) Foreign Currency Loans

(₹ in Crore)

Rate of Interest	Repayment Schedule						
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
0.50%	65	65	65	69	74	25	7
2.10%	38	19	-	-	-	-	-
2.15%	1,078	1,078	629	315	-	-	-
2.44%	107	107	334	364	288	212	-
2.75%	509	509	-	-	-	-	-
3.11%	1,497	-	-	-	-	-	-
3.19%	600	-	-	-	-	-	-
3.34%	218	-	-	-	-	-	-
3.35%	414	-	-	-	-	-	-
3.49%	637	717	1,434	1,434	1,434	1,515	-
4.95%	1,397	-	-	-	-	-	-
5.08%	333	998	1,386	1,774	-	-	-

(c) Rupee Term Loans

(₹ in Crore)

Rate of Interest	Repayment Schedule			
	2015-16	2016-17	2017-18	2018-19
11.50%	63	-	-	-
11.75%	244	41	-	-
12.25%	-	83	83	84
12.50%	-	83	83	84
12.75%	20	-	-	-
13.70%	25	100	100	75

As at
March 31, 2014

(₹ in Crore)
As at
March 31, 2013

Note : 2.04

Deferred Tax Assets and Liabilities

The Deferred Tax Liabilities relating to RITL, a subsidiary of the Company comprise of the following.

(i)	Deferred Tax Liabilities				
	Lease Rent Equalisation	2,097		1,839	
	Related to timing difference on depreciation on fixed assets	350	2,447	372	2,211
(ii)	Deferred Tax Assets				
	Related to carried forward loss	644		839	
			644		839
	Net Deferred Tax Liabilities		1,803		1,372

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

		(₹ in Crore)
	As at March 31, 2014	As at March 31, 2013
The Deferred Tax Assets of the Company and its subsidiaries comprise of the following.		
(i) Deferred Tax Assets		
Related to carried forward loss	2,236	2,175
Related to timing difference on depreciation / amortisation	547	675
Disallowances, if any, under the Income Tax Act, 1961	855	778
Lease Rent Equalisation	<u>2,097</u>	<u>1,839</u>
	5,735	5,467
(ii) Deferred Tax Liabilities		
Related to timing difference on depreciation on fixed assets	<u>2,298</u>	<u>1,706</u>
Net Deferred Tax Assets *	<u>3,437</u>	<u>3,761</u>

* In view of the confirmed profitable orders pursuant to agreement with the customer for sharing of infrastructure, which shall result into additional revenue and savings of cost, the Company has recognised Deferred Tax Assets of ₹ 1,488 crore as at March 31, 2014. This will get further supported by decision of structuring of its business through various measures including schemes of merger and/or demerger etc. so as to bring revenue and profit earned by the respective subsidiaries into the Company, subject to approvals, under applicable rules and regulations.

* During the Previous year, in absence of virtual certainty of realisability of deferred tax assets, the company on a conservative basis had restricted deferred tax asset to Nil.

Deferred Tax Liability of ₹ 431 crore has been provided by Reliance Infratel Limited (RITL). During the previous year Deferred Tax Liability of ₹ 354 crore was provided by RITL and adjusted by withdrawing an equivalent amount from General Reserve pursuant to the Scheme of Amalgamation between RITL and erstwhile Reliance Global IDC Limited (RGIDCL), a Wholly Owned Subsidiary of RITL into RITL sanctioned by the Hon'ble High Court of Bombay vide order dated May 6, 2011, leaving no impact on profit for the year.

	As at March 31, 2014	(₹ in Crore) As at March 31, 2013
Note : 2.05		
Other Long Term Liabilities		
Liability for leased assets	271	294
Security Deposits	51	50
Unearned Income	397	746
Capital Creditors	194	143
Others	2	-
	915	1,233

Note : 2.06

Long Term Provisions

Provision for Income Tax	82	20
Provision for Employee Benefits	53	53

Others

Asset Retirement Obligations (Refer Note 2.33(i))	<u>896</u>	<u>812</u>
	<u>1,031</u>	<u>885</u>

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2014

As at
March 31, 2013

Note : 2.07

Short Term Borrowings (Unsecured unless stated otherwise)

From Banks

Cash Credit (Secured)	1,000	1,251
Foreign Currency Loans	656	1,407
Rupee Loans (Secured)	5,480	5,205
Rupee Loans	1,500	500
Commercial Papers	-	100
Non Convertible Debentures (Secured)	-	87

From Others (Secured) - 250

From Others	273	8,909	-	8,800
		8,909		8,800

2.07.01 Cash Credit and Rupee Loans from Banks

Cash Credit from Banks as above are secured by first pari passu charge over current assets comprising of Stock and receivables of the Company ("Current Assets"). Apart from this, Cash Credit from Banks is secured by second pari passu charge on whole of the movable plant and machinery, including (without limitation) the tower assets and optic fibre cables, if any (whether attached or otherwise), Capital Work in Progress (pertaining to movable fixed assets) both present and future including all the rights, title, interest, benefits relating thereto of the Borrower Group ("Movable Fixed Assets of the Borrower Group").

The Company and its subsidiary have been sanctioned rupee loans of ₹ 6,750 crore (Term Loan Facility) under consortium banking arrangement on the terms and conditions as set out in sanction letters. Certain Lenders have, pursuant to the sanction letters for Term Loan Facility, agreed to grant ₹ 5,155 crore as interim disbursement/ short term loan (Interim Facility) of the Term Loan Facility, pending the finalization and execution, of definitive documents for converting in regular Term Loan facility. The said interim facility shall be converted in Long Term Loan within its tenure with availment of the Term Loan Facility upon execution of definitive documents and accordingly, has been classified as part of Short Term Borrowings. Interim Facility includes loans of ₹ 4,830 crore secured by first pari passu charge on Movable Fixed Assets of the Borrower Group. The Term Loan Facility is, inter alia, secured by first pari passu charge on Movable Fixed Assets of the Borrower Group, including claims and demands in respect of all insurance contracts relating thereto. Apart from the above, the Term Loan Facility has also been secured by assignment of telecom licenses of the Company and its subsidiary and pledge of equity shares held by the Company and Reliance Infocomm Infrastructure Private Limited in RCIL and RTL respectively. The Company has created first pari passu charge on Movable Fixed Assets of the Borrower Group for the said Interim Loans. The balance ₹ 650 crore of Interim/ Short Term Loan is secured by second pari passu charge on Movable Fixed Assets of Borrower Group.

(₹ in Crore)

As at
March 31, 2014

As at
March 31, 2013

Note : 2.08

Trade Payables

Due to Micro and Small Enterprises	105	157
Others	3,411	2,207
	3,516	2,364
	3,516	2,364

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 2nd October, 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.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2014	(₹ in Crore) As at March 31, 2013
(i) Principal amount due to any supplier as at the year end	103	141
(ii) Interest due on the principal amount unpaid at the year end to any supplier	38	56
(iii) 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	-	-
(iv) Payment made to the enterprises beyond appointed date under Section 16 of MSMED	182	208
(v) 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	26	21
(vi) Amount of interest accrued and remaining unpaid at the end of each accounting year	64	77
(vii) 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	35	45

Note : 2.09

Other Current liabilities (Unsecured unless stated otherwise)

Current Maturities of Long Term Debts

Foreign Currency Loan from Banks (Secured) (Refer Note 2.03.1)	4,634	4,069
Rupee Term Loan	402	-
Non Convertible Debentures (Secured)*	120	-

Others

Interest accrued but not due on loans	162	153
Unclaimed Dividend	10	9
Employees Stock Option	3	3
Capital Creditors	854	1,146
Other Payables	4,704	4,059
Advance from Customers and Income Received in Advance	967	962
	6,700	6,332
	11,856	10,401

*Non Convertible Debentures are secured by second pari-pasu charge over the movable fixed assets (Plant and Machinery and Capital Work in Progress) of Borrowers Group.

Note : 2.10

Short Term Provisions

(a) Provision for Employee Benefits

Retirement Benefits	34	29
---------------------	----	----

(b) Others

Disputed and Other Claims (Refer Note 2.33 (i))	1,215	1,215
Business Restructuring (Refer Note 2.33 (ii))	-	488
Income Tax (net of advance tax)	6	79
Fringe Benefit Tax (net of taxes paid)	1	1
Wealth Tax (net of taxes paid)	1	1
Proposed Dividend on Equity Shares	-	52
Tax on Proposed Dividend	-	9
	1,223	1,845
	1,257	1,874

(₹ in Crore)

(₹ in Crore)

Notes:
2.1.1 (a) Freehold Land includes ₹ 55,808 (Previous year ₹ 55,808) acquired from Karnataka Industrial Area Development Board (a Government of Karnataka Undertaking) Transfer of ownership is under process.

2.11.2 Buildings include:

(b) ₹ 2,00,000 (Previous year ₹ 2,00,000) towards cost of Shares acquired in a company (held by Reliance Communications Infrastructure Limited).

Plant and Machinery includes Electrical equipments of ₹ 3 crore (Previous year ₹ 3 crore) which are under custody and control of Maharashtra State Electricity Distribution Company Limited. (b) ₹ 2,00,000 (Previous year ₹ 2,00,000) towards cost of shares acquired in a company (held by Reliance Communications Infrastructure Limited).

Plant and Machinery includes electrical equipments of ₹ 3 crore (Previous year ₹ 3 crore), which are under custody and control of Maharashtra State Electricity Distribution Company Limited.

Plant and Machinery includes Asset Retirement Obligations (ARO) Gross Block ₹ 896 crore (Previous year ₹ 812 crore), Accumulated Depreciation ₹ 317 crore (Previous year ₹ 248 crore) and Net Block ₹ 579 crore (Previous year ₹ 564 crore).

(a) Gross Block includes ₹ 3,585 crore being the amount added on revaluation as on January 1, 2006.

(a) Gross Block includes ₹ 3,585 crore being the amount added on revaluation as on January 1, 2006.

(b) Gross Block for the previous years includes ₹ 1,963 crore, being an amount added on fair valuation as on April 10, 2007.

(b) Gross Block for the previous years includes ₹ 1,96.3 crore, being an amount added on fair valuation as on April 10, 2007. During the year, addition to Plant and Machinery includes ₹ 1,700 crore (Previous year ₹ 1,789 crore) on account of foreign exchange variation.

211.6 During the year, addition to Plant and Machinery includes ₹ 1,700 crore (Previous year ₹ 1,789 crore) on account of foreign exchange variation.

211.7 Assets taken on finance lease:

(a) Plant and Machinery includes Gross Block ₹ 453 crore (Previous year ₹ 436 crore), Accumulated Depreciation ₹ 145 crore (Previous year ₹ 114 crore) and Net Block ₹ 308 crore (Previous year ₹ 322 crore).

(a) Plant and Machinery includes Gross Block ₹ 453 crore (Previous year ₹ 436 crore), Accumulated Depreciation ₹ 145 crore (Previous year ₹ 144 crore), and Net Block ₹ 308 crore (Previous year ₹ 292 crore).

(b) Vehicles includes Gross Block ₹ 1 crore (Previous year ₹ 1 crore), Accumulated Depreciation ₹ 1 crore (Previous year ₹ 1 crore) and Net Block ₹ 15,11,416 (Previous year ₹ 26,60,888).

2.11.8 Capital Work-in-Progress includes:
(b) Vehicles includes Gross Block ₹ 1 crore (Previous year ₹ 1 crore), Accumulated Depreciation ₹ 0.00 (Previous year ₹ 0.00).

(a) ₹ 50 crore (Previous year ₹ 296 crore) on account of project development.

(a) ₹ 30 crore (Previous year ₹ 298 crore) on account of project development expenditure.

(b) ₹ 175 crore (Previous year ₹ 43 crore) on account of materials at site.

(c) Net of Capital Work in Progress written off of ₹ Nil (Previous year ₹ 325 crore)

2.11.9 Transfer of title of certain land and buildings received from Reliance Industries Limited (C) Net of Capital work in Progress written off to ₹ Nil (Previous year ₹ 325 crore)

Transfer of title of certain land and buildings received from Reliance Industries Limited pursuant to the Schemes of Arrangement is under process.

2.1.9

2.1.10 Deductions / Adjustments include exchange fluctuation on account of currency translation of foreign subsidiaries.

Refer Note 2.03.1 and 2.07.01 for security in favour of the Lenders.

Refer Note 2.03.1 and 2.07.01 for security in favour of the Lenders.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

		As at March 31, 2014	(₹ in Crore) As at March 31, 2013
Note:2.12			
Non Current Investments			
Trade Investment (Valued at cost unless stated otherwise)			
In Equity Shares of Companies			
Quoted, fully paidup			
39,342	Group INC–Class A Common Stock of USD 0.0001 each	14	13
(39,342)			
5,95,074	Sequans Communications SA of Euro 0.02 each	22	20
(5,95,074)			
86,879	Bank of Cyprus Limited of Euro 1 each	1	-
(Nil)			
		37	33
Other Investments			
Unquoted, fully Paidup			
6,50,25,000	Warf Telecom International Private Limited of ₹ 1 each	22	22
(6,50,25,000)	Less : Share of Loss of Associates	(9)	(11)
		13	11
13,000	Mumbai Metro Transport Private Limited of ₹ 10 each	-	-
(13,000)	₹ 1,22,807 (Previous year ₹ 1,22,807)		
1,600	Macronet Private Limited of ₹ 10 each	-	-
(1,600)	₹ 16,000 (Previous year ₹ 16,000)		
1,600	Macronet Mercantile Private Limited of ₹ 10 each	-	-
(1,600)	₹ 16,000 (Previous year ₹ 16,000)		
(Nil)	Reliance Composite Insurance Broking Limited of ₹ 10 each	-	-
(1,00,000)	Nil (Previous year ₹ 10,00,000)		
(Nil)	Noida Global SEZ Private Limited of ₹ 10 each	-	-
(100)	Nil (Previous year ₹ 1,000)	-	11
In Preference Shares of Companies			
Unquoted, fully Paidup			
20,45,455	Series D Preferred Stock of Stoke Inc. of USD 2.2 each	26	25
(20,45,455)			
5,85,993	Series A Preferred Stock of Scalable Display Technologies Inc. of USD 1.62 each	6	5
(5,85,993)			
14,63,415	Series C Preferred Stock of Stoke Inc. of USD 2.05 each	18	16
(14,63,415)			
84,74,576	Series B Preferred Stock of E Band Communications Corporation of USD 0.354 each	18	16
(84,74,576)			
		68	62
In Partnership Firm			
Unquoted, fully paid up			
	Tip Top Typography	-	5
	Less: Share of Loss in the Partnership Firm	-	-
	(Previous year ₹ 19,47,920)		
		-	5
Other Investments			
In Government Bonds			
Unquoted fully paid up			
	6 Year National Savings Certificates (Lodged with Sales Tax Department)	-	-
	₹ 2,49,500 (Previous year ₹ 2,49,500)		
	5 1/2 years Kisan Vikas Patra (Lodged with Chennai Metropolitan Development Authority)	-	-
	₹ 5,000 (Previous year ₹ 5,000)		
		118	111
Aggregate Book Value of Investments			
	Unquoted	81	78
	Quoted	37	33
		118	111

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2014	(₹ in Crore) As at March 31, 2013
Note : 2.13		
Long Term Loans and Advances		
(Unsecured, Considered good – unless stated otherwise)		
Capital Advances	1,944	1,577
Security Deposits	224	65
MAT Credit Entitlement	97	87
Advance Income Tax	937	714
Unamortised Arranger's Fees	228	257
Other Loans and Advances	-	387
Prepaid Expenses	112	123
	<u>3,542</u>	<u>3,210</u>
Note : 2.14		
Other Non Current Assets		
(Unsecured, Considered good – unless stated otherwise)		
Deposit with Bank (Margin Money Deposits)	5	-
Deposits	79	223
Bank Deposits with Maturity for more than 12 months	-	-
₹ 19,84,878 (Previous year ₹ 47,87,148)	<u>-</u>	<u>-</u>
	<u>84</u>	<u>223</u>
Note: 2.15		
Current Investment (valued at lower of cost and market value)		
In Units of Mutual Funds		
Quoted		
34,000 6.83% GOI Bonds – 2039 of ₹ 100 each fully paid up	-	-
(34,000) ₹ 26,02,283 (Previous year ₹ 29,07,000)		
Unquoted		
121 Reliance Liquidity Fund – Growth of ₹ 10 each	-	-
(113) ₹ 1,84,707 (Previous year ₹ 1,72,652)		
2,67,343 BlackRock US Dollar Liquidity First Fund – Institutional Share	2	4
(6,88,192) Class of USD 1 each		
15,721 BlackRock US Dollar Liquid Investment Fund of USD 1 each	603	547
(15,721)	<u>605</u>	<u>551</u>
Aggregate Book Value of Investments		
Unquoted	605	551
Quoted ₹ 30,52,000 (Previous year ₹ 30,52,000)	-	-
	<u>605</u>	<u>551</u>
Note : 2.16		
Inventories		
Stores and Spares	335	371
Stock in Trade (Communication Devices and Accessories)	80	126
	<u>415</u>	<u>497</u>

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2014	(₹ in Crore) As at March 31, 2013
Note : 2.17		
Trade Receivables (Unsecured)		
Due for more than six months from the date they are due for payment		
Considered Good	1,127	1,574
Considered Doubtful	1,509	1,253
	2,636	2,827
Less: Provision for doubtful receivables	1,509	1,253
	1,127	1,574
Others		
Considered Good	2,792	2,337
Considered Doubtful	89	54
	2,881	2,391
Less: Provision for doubtful receivables	89	54
	2,792	2,337
	3,919	3,911
Note : 2.18		
Cash and Bank Balances		
Cash on hand ₹ 2,89,315 (Previous year ₹ 2,87,295)	-	-
Cheques on hand	82	79
Balance with Banks	398	637
Earmarked Balances – Unpaid Dividend	10	9
Balances held due to Repatriation Restrictions	10	3
Bank deposits with less than 3 months' maturity	4	3
	504	731
Note : 2.19		
Short Term Loans and Advances		
(Unsecured, Considered good – unless stated otherwise)		
Other Loans and Advances		
Considered good	5,579	4,293
Considered doubtful	124	123
	5,703	4,416
Less: Provision for doubtful advances	124	123
Balance with Customs, Central Excise Authorities etc.	249	288
	5,828	4,581
Note : 2.20		
Other Current Assets		
Deposits *	1,683	1,709
Interest accrued on Investments ₹ 31,88,402	-	1
Unbilled Revenue	406	245
Others	17	35
	2,106	1,990

* Deposits include ₹ 1,582 crore (Previous year ₹ 1,574 crore) paid against disputed claims.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

For the year ended
March 31, 2014

For the year ended
March 31, 2013

Note : 2.21

Revenue from Operations

Sale of Services	23,964		22,319	
Less: Service Tax	<u>3,024</u>		<u>3,025</u>	
	20,940			19,294
Other Operating Income*	298			1,267
(*includes realisation from telecom terminals and accessories etc.)				
	<u>21,238</u>			<u>20,561</u>

Note : 2.22

Other Income

Net Gain on Sale of Investments	9			35
Interest Income	47			165
Miscellaneous Income (Refer Note 2.33 (ii))	<u>1,027</u>			<u>1,017</u>
	<u>1,083</u>			<u>1,217</u>

Note : 2.23

Access Charges, Licence Fees and Network Expenses

Access Charges	2,791			2,676
License Fees	1,203			1,115
Rent, Rates and Taxes	900			965
Network Repairs and Maintenance	1,660			1,595
Stores and Spares Consumed	45			106
Power, Fuel and Utilities	1,856			1,697
Cost of Service Contents and Applications	302			370
Other Network Operating Expenses	<u>1,793</u>			<u>1,844</u>
	<u>10,550</u>			<u>10,368</u>

Note : 2.24

Employee Benefits Expenses

Salaries (Including Managerial Remuneration)	875			1,057
Contribution to Provident, Gratuity and Superannuation Fund	56			53
Employee Welfare and Other Amenities	95			81
Write back of compensation under Employee Stock Option Scheme	<u>(1)</u>			<u>(2)</u>
	<u>1,025</u>			<u>1,189</u>

Note : 2.25

Finance Costs

Interest and Other charges on Term Loans	1,540		1,132	
Interest on other loans	<u>1,250</u>	2,790	<u>1,133</u>	2,265
Other Financial Cost		229		234
		<u>3,019</u>		<u>2,499</u>

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

For the year ended
March 31, 2014

For the year ended
March 31, 2013

Note : 2.26

Sales and General Administration Expenses

Selling Expenses

Commission	569		592	
Selling and Marketing	456		528	
Advertisement	164		163	
Customer Acquisition and Customer Care	94		149	
Cost of Sale of Telecom Terminals and Accessories	260	1,543	422	1,854

Provision for Doubtful Debts, Loans and Advances

289 108

General Administration Expenses

Insurance	17		17	
Rent, Rates and Taxes	191		207	
Repairs and Maintenance				
- Machinery	48		81	
- Others	34		37	
Travelling	62		56	
Professional Fees	187		161	
Foreign Exchange (Gain) / Loss (Net)	63		(1)	
Loss on Sale/Discarding of Assets/Capital work in progress	20		30	
Hire Charges	225		364	
Other General and Administrative Expenses	332		139	
Wealth Tax ₹ 40,00,000 (Previous year ₹ 5,50,000)	-	1,179	-	1,091

Payment to Auditors

9 9
3,020 3,062

Note : 2.27

Previous Year

The financial statements has been prepared as per Revised Schedule VI under the Companies Act, 1956. Figures of the previous year have been regrouped and reclassified, wherever required. Amount in financial statements are presented in Rupee in crore, except as otherwise stated.

Note : 2.28

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	100.00%

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
8	Reliance Telecom Limited	India	100.00%
9	Reliance Communications Infrastructure Limited	India	100.00%
10	Reliance IDC Limited (formerly Reliance Communications Investment and Leasing Limited)	India	100.00%
11	Reliance Infratel Limited	India	90.45%
12	Reliance Mobile Commerce Limited	India	100.00%
13	Reliance BPO Private Limited	India	100.00%
14	Reliance Globalcom Limited	India	99.95%
15	Reliance Globalcom B.V.	The Netherlands	100.00%
16	Reliance Communications (UK) Limited	United Kingdom	100.00%
17	Reliance Communications (Hong Kong) Limited	Hong Kong	100.00%
18	Reliance Communications (Singapore) Pte. Limited	Singapore	100.00%
19	Reliance Communications (New Zealand) Pte Limited	New Zealand	100.00%
20	Reliance Communications (Australia) Pty Limited	Australia	100.00%
21	Anupam Global Soft (U) Limited	Uganda	90.00%
22	Gateway Net Trading Pte Limited	Singapore	100.00%
23	Reliance Globalcom Limited	Bermuda	99.95%
24	FLAG Telecom Singapore Pte. Limited	Singapore	99.95%
25	FLAG Atlantic UK Limited	United Kingdom	99.95%
26	Reliance FLAG Atlantic France SAS	France	99.95%
27	FLAG Telecom Taiwan Limited	Taiwan	59.97%
28	Reliance FLAG Pacific Holdings Limited	Bermuda	100.00%
29	FLAG Telecom Group Services Limited	Bermuda	100.00%
30	FLAG Telecom Deutschland GmbH	Germany	99.95%
31	FLAG Telecom Hellas AE	Greece	99.95%
32	FLAG Telecom Asia Limited	Hong Kong	99.95%
33	FLAG Telecom Nederland B.V.	The Netherlands	99.95%
34	Reliance Globalcom (UK) Limited	United Kingdom	99.95%
35	Yipes Holdings Inc.	USA	100.00%
36	Reliance Globalcom Services Inc.	USA	100.00%
37	YTV Inc.	USA	100.00%
38	Reliance Infocom Inc.	USA	100.00%
39	Reliance Communications Inc.	USA	100.00%
40	Reliance Communications International Inc.	USA	100.00%
41	Reliance Communications Canada Inc.	USA	100.00%
42	Bonn Investment Inc.	USA	100.00%
43	FLAG Telecom Development Limited	Bermuda	99.95%
44	FLAG Telecom Development Services Company LLC	Egypt	99.95%
45	FLAG Telecom Network Services Limited	Ireland	99.95%
46	Reliance FLAG Telecom Ireland Limited	Ireland	99.95%
47	FLAG Telecom Japan Limited	Japan	99.95%
48	FLAG Telecom Ireland Network Limited	Ireland	99.95%

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
49	FLAG Telecom Network USA Limited	USA	99.95%
50	FLAG Telecom Espana Network SAU	Spain	99.95%
51	Reliance Vanco Group Limited	United Kingdom	100.00%
52	Euronet Spain SA	Spain	100.00%
53	Net Direct SA (Proprietary) Ltd. (Under liquidation)	South Africa	100.00%
54	Vanco (Shanghai) Co Ltd.	China	100.00%
55	Vanco (Asia Pacific) Pte. Limited	Singapore	100.00%
56	Vanco Australasia Pty. Ltd.	Australia	100.00%
57	Vanco Sp Zoo	Poland	100.00%
58	Vanco Gmbh	Germany	100.00%
59	Vanco Japan KK	Japan	100.00%
60	Vanco NV	Belgium	100.00%
61	Vanco SAS	France	100.00%
62	Vanco South America Ltda	Brazil	100.00%
63	Vanco Srl	Italy	100.00%
64	Vanco Sweden AB	Sweden	100.00%
65	Vanco Switzerland AG	Switzerland	100.00%
66	Vanco Deutschland GmbH	Germany	100.00%
67	Vanco BV	The Netherlands	100.00%
68	Vanco Benelux BV	The Netherlands	100.00%
69	Vanco UK Ltd	United Kingdom	100.00%
70	Vanco International Ltd	United Kingdom	100.00%
71	Vanco Row Limited	United Kingdom	100.00%
72	Vanco Global Ltd	United Kingdom	100.00%
73	VNO Direct Ltd	United Kingdom	100.00%
74	Vanco US LLC	USA	100.00%
75	Vanco Solutions Inc	USA	100.00%

(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	48.98%
2	FLAG Holdings (Taiwan) Limited	Taiwan	49.97%
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%

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(d) The following subsidiary companies/ associates acquired during the year also form part of Consolidated Financial Statements

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
1	Reliance Communications Tamilnadu Private Limited - w.e.f. November 15, 2013	India	90.45%
2	Global Cloud Xchange Limited - w.e.f. March 26, 2014	Bermuda	100.00%
3	GCX Limited - w.e.f. March 26, 2014	Bermuda	100.00%

(e) The following subsidiary companies/ companies controlled/ companies consolidated/ joint venture ceased to remain subsidiaries/ controlled/ joint venture/ consolidated during the year.

Sr. No.	Name of the Company		
1	Vanco EpE w.e.f. April 1, 2013	Greece	100.00%
2	Kerala Communication Network Private Limited - w.e.f. February 10, 2014	India	100.00%
3	MP Network Private Limited - w.e.f. February 10, 2014	India	100.00%

Note 2.29

Foreign Currency Monetary Items; Long Term

In view of the Option allowed pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs (MCA), Government of India, for the year ended on March 31, 2014, the Company has added ₹ 1,700 crore (Previous year ₹ 1,084 crore), of exchange differences on long term borrowing relating to acquisition of depreciable capital assets to the cost of capitalised assets. Further, the Company has accumulated foreign currency variations of ₹ 738 crore (Previous year ₹ 615 crore) arising on other long term foreign currency monetary items in FCMITDA, and ₹ 440 crore (Previous year ₹ 638 crore) has been amortised during the year, leaving balance to be amortised over the balance period of loans.

In accordance with the notification issued by the MCA on August 9, 2012, the Company had, during the previous year, added ₹ 705 crore to the cost of capitalised assets and ₹ 287 crore to the FCMITDA by reversing the exchange difference regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates in accordance with para 4(e) of Accounting Standard 16 "Borrowing Costs". The said interest was adjusted by withdrawal of an equivalent amount from General Reserve during the earlier year ended March 31, 2012 and hence, it had been credited to General Reserve.

Note 2.30

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 Court 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. Reserves, pursuant to the said Schemes, include;

- ₹ 8,047 crore being Securities Premium Account, which was part of the Securities Premium of erstwhile Reliance Infocomm Limited (RIC), the transferor company.
- ₹ 12,345 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.
- Additional depreciation arising on fair value of the assets has been adjusted from General Reserve and from Provision for Business Restructuring.
- ₹ 1,287 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.
- ₹ 7 crore being Goodwill arising on consolidation pursuant to the Scheme of Amalgamation between subsidiaries has been debited during the previous year to General Reserve.
- Additional depreciation of subsidiaries consequent upon revaluation of assets carried out has been adjusted to General Reserve.
- ₹ 470 crore being excess of liabilities over assets has been adjusted from General Reserve pursuant to demerger of BPO division to RCIL during the previous year.
- Pursuant to the said Scheme of Amalgamation (Refer Note (ii) above), on account of the fair valuation during the year ended on 31st March, 2009, additions/ adjustments to the fixed assets included increase in Freehold Land by ₹ 225 crore, Buildings by ₹ 130 crore and Telecom Licenses by ₹ 14,145 crore.
- Pursuant to the demerger, the Company computed goodwill of ₹ 2,659 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.
- Also refer note 2.38 "Exceptional Items" below.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note 2.31

Prior Period Adjustments

Accounting effect arising upon audit of earlier years of its certain subsidiaries Reliance Communications (Hongkong) Limited and Gateway Net Trading Pte. Limited of ₹ 56 crore is considered as Prior Period adjustments in the Statement of Profit and Loss.

Note 2.32

Project Development Expenditure

(i) Details of Project Development Expenditure (Included under Capital Work-in-Progress) :		(₹. in Crore)
	For the year ended March 31, 2014	For the year ended March 31, 2013
Opening Balance	296	361
Add:		
Expenditure incurred during the year	66	100
	<u>362</u>	<u>461</u>
Less:		
Capitalized during the year	312	165
Closing Balance	<u>50</u>	<u>296</u>

Note 2.33

Provisions

- (i) Provisions include, provision for disputed claims for verification of customer ₹ 9 crore (Previous year ₹ 9 crore) and others of ₹ 1,206 crore (Previous year ₹ 1,206 crore) and reversal of disputed liabilities of ₹ Nil (Previous year ₹ 147 crore), provisions for Asset Retirement Obligation (ARO) made by the Company's subsidiary in respect of undersea cables and equipments of ₹ 896 crore (Previous year ₹ 812 crore).

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

- (ii) Pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved Hon'ble High Court of Judicature at Bombay vide orders dated July 21, 2006 and August 10, 2006 (revised) and by Hon'ble High Court of Gujarat vide order dated July 18, 2006, out of the excess of fair value of assets over liabilities, ₹ 3,000 crore was credited to and held as Provision for Business Restructuring (PBR) to meet increased depreciation cost, expenses and losses including on account of impairment or write down of assets which would be suffered by the Company, pursuant to the Scheme or otherwise in course of its business or in carrying out such restructuring of the operations of the Company or its Subsidiaries. The Company has reassessed the requirement for maintaining such PBR and based thereon, reversed balance of ₹ 441 crore (Previous year ₹ 550 crore) during the year as no longer required, The said amount on reversal of PBR has been reflected as part of Other Income.

Note 2.34

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

	As at March 31, 2014	As at March 31, 2013
(i) Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for	708	638
(ii) Disputed Liabilities not provided for		
- Sales Tax and VAT	61	66
- Custom, Excise and Service Tax	1,136	409
- Entry Tax and Octroi	67	62
- Income Tax	730	618
- Other Litigations	1,376	1,103
(iii) Claims against the Company not acknowledged as debts	794	306
(iv) Guarantees given including on behalf of other companies for business purpose	132	3
(v) Consequent to the investigations by an investigative agency (CBI) in relation to the entire telecom sector in India, certain preliminary charges have been framed by a Trial Court in October, 2011 against Reliance Telecom Limited (RTL), a Wholly Owned Subsidiary of the Company, and three of the executives of the Group. The charges so framed are preliminary in nature based on investigations only, 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 a writ petition is filed in October, 2013 in the Hon'ble Supreme Court against charges framed by the Trial Court, which is pending for hearing. These preliminary charges have no impact on the business, operations, and/or licenses of RTL and of the Company and, even more so, are not connected in any manner to any other listed group companies.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(vi) License Fees

The Hon'ble Supreme Court of India, vide its judgment dated October 11, 2011, has set aside the Order of the Hon'ble Telecom Disputes Settlement and Appellate Tribunal (TDSAT) dated August 30, 2007 and allowed time to the licensees to raise their disputes before the Hon'ble TDSAT w.r.t. the demands already raised by Department of Telecommunications (DoT). The Hon'ble Supreme Court of India, in the meanwhile, also restrained DoT from enforcing its demands already raised. Subsequently, Hon'ble TDSAT granted all licensees/ operators the liberty to file additional affidavits thereby bringing on record the material facts including the subsequent events with respect to the petitions already pending before Hon'ble TDSAT which got revived post AGR judgment of Hon'ble Supreme Court of India dated October 11, 2011. On April 12, 2012, all the petitions (both old and new of all the operators including the Company's) were heard and interim order of protection, earlier passed by Hon'ble TDSAT was extended to the new petitions also. The matter is now pending for hearing before Hon'ble TDSAT and accordingly, no additional provision is required in this regard.

(vii) Spectrum Charges

Department of Telecommunication (DoT) has, during the previous year, issued demand on the Company for ₹ 1,758 crore towards levy of one time Spectrum Charges, being the prospective charges for holding CDMA Spectrum beyond 2.5 MHz for the period from January 1, 2013 till the expiry of the initial terms of the respective Licenses. DoT has also issued a demand on the Subsidiary of the Company for one time Spectrum Charges, being retrospective charges of ₹ 5 crore for holding GSM Spectrum beyond 6.2 MHz for the period from July 1, 2008 to December 31, 2012 and prospective charge of ₹ 169 crore for GSM spectrum held beyond 4.4 MHz for the period from January 1, 2013 till the expiry of the initial terms of the respective Licenses. Based on a petition filed by the Company and its subsidiary, the Hon'ble High Court of Kolkata, vide its orders dated February 14, and April 19, 2013 has stayed the operation of the impugned demand till further order. The Company is of the opinion that the said demand, inter alia, is an alteration of financial terms of the licenses issued in the past and has also been legally advised. Accordingly, no provision in this regard is required.

(viii) Special Audit

Pursuant to the Telecom License Agreement, 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 Company and its subsidiary had received show cause notices dated January 31, 2012 and subsequently received demand note dated November 8, 2012 based on report of the Special Audit directed by DoT relating to alleged shortfall of license fees of ₹ 314 crore and interest thereon as applicable. The Company has challenged the Special audit demand notices dated November 11, 2012, inter alia demanding license fee on non telecom revenue based on Special Audit Report before the Hon'ble TDSAT and also before the Hon'ble High Court of Kerala. Both the Courts have stayed the operation of such impugned demand during the pendency of the Petitions before them. The Company is confident that based on advice and, 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, there shall not be any liability in this regard and hence, no provision is required in the accounts of the Company.

Note 2.35

(₹ in Crore)

Leases

(a) Operating Lease

For the year ended
March 31, 2014

For the year ended
March 31, 2013

Estimated future minimum payments under non cancellable operating leases.

(i) Not later than one year	32	31
(ii) Later than one year and not later than five years	46	58
(iii) Later than five years	8	1

(b) Finance Lease

The details of minimum lease rentals outstanding as at March 31, 2014 in respect of fixed assets acquired on or after April 1, 2001

(₹ in Crore)

	Minimum Lease payment		Present Value of Minimum Lease payment	
	As March 31		As at March 31	
	2014	2013	2014	2013
(i) Not later than one year	37	36	20	18
(ii) Later than one year and not later than five years	149	144	95	85
(iii) Later than five years	209	248	175	203
(iv) Total	395	428	290	306
(v) Less : Finance Cost	105	122		
(vi) Present value of minimum lease payments	290	306		
Disclosed under				
Other Long Term Liabilities	271	294		
Other Current Liabilities	19	12		
Total	290	306		

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (ii) General description of the significant leasing arrangements is as mentioned below.
- The lease agreement is valid for a fixed non cancellable period from the date of commencement of lease rentals.
 - Upon termination of the lease agreement, the Company shall return the assets to the lessor.
 - 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.

Note 2.36

Particulars of Derivative Instruments

Particulars of Derivative Instruments acquired for hedging

	For the year ended March 31, 2014			For the year ended March 31, 2013		
	No. of Instruments	Value		No. of Instruments	Value	
		(US \$ crore)	(₹ in Crore)		(US \$ crore)	(₹ in Crore)
Principal Only Swap	1	2	127	1	1	54
Interest Rate Swaps FC	5	16	947	19	80	4,359
Interest Rate Swaps INR	3	4	225	13	9	500
Options FC	-	-	-	2	13	684

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 \$ 404 crore (Previous year US \$ 481 crore), equivalent to ₹ 24,180 crore (Previous year ₹ 26,119 crore), Pounds 4,000 (Previous year Pounds 12,410), equivalent to ₹ 1,67,557 (Previous year ₹ 10,20,442) and Euro 38,378 (Previous year Euro 8,354), equivalent to ₹ 31,73,289 (Previous year ₹ 5,80,561)

The unamortised premium of Buyers' Line of Credit to be recognised is ₹ 4 crore (Previous year ₹ 2 crore) for one or more subsequent accounting periods.

Note 2.37

Earnings per Share (EPS)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Basic and Diluted EPS after Exceptional Items		
(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	1,047	672
(b) Weighted average number of Equity Shares (used as denominator for calculating Basic EPS)	2,06,40,26,881	2,06,40,26,881
(c) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	1,047	672
(d) Weighted average number of Equity Shares (used as denominator for calculating Diluted EPS)	2,064,026,881	2,064,026,881
(e) Basic Earnings per Share of ₹ 5 each (₹)	5.07	3.26
(f) Diluted Earnings per Share of ₹ 5 each (₹)	5.07	3.26

Note 2.38

Exceptional Items

Pursuant to the direction of the Hon'ble High Court of Judicature at Bombay and option exercised by the Boards of the respective companies, in accordance with and as per the scheme of arrangements approved by the Hon'ble High Court under different Schemes of Arrangement binding on the Company and three of its subsidiaries, namely, RCIL, RITL and RTL, expenses and/ or losses, identified by the Boards of the respective companies as being exceptional or otherwise subject to the accounting treatment prescribed in the Schemes of Arrangement sanctioned by the Hon'ble High Court and comprising of ₹ Nil (Previous year ₹ 325 crore) by write off of capital work in progress, ₹ 385 crore (Previous year ₹ 275 crore) of depreciation consequent to addition of exchange differences on long term borrowing relating to capital assets to the cost of capitalised assets, as also ₹ 155 crore (Previous year ₹ 203 crore) of exchange variations (net), ₹ 440 crore (Previous year ₹ 638 crore) being amortisation of Foreign Currency Monetary Items Translation Difference Account (FCMITDA), excluding the portion added to the cost of fixed assets or carried forward as FCMITDA in accordance with Para 46 A inserted into Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates" in context of unprecedented volatility in exchange rates during the year, ₹ Nil (Previous year

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

₹ 62 crore) fuel cost considered to be incremental and arising from the non availability of contracted or expected power, ₹ Nil (Previous year ₹ 354 crore) deferred tax charge have been met by withdrawal from corresponding General Reserves, leaving no impact on profit for the year ended March 31, 2014. Such withdrawals have been included/ reflected in the Statement of Profit and Loss. While the Company has been legally advised that such inclusion in the Statement of Profit and Loss is in accordance with Revised Schedule VI of the Companies Act, 1956, the Company has also sought clarification from ICAI that such inclusion in the Statement of Profit and Loss is not contrary to Revised Schedule VI.

Had such write off of expenses and losses and deferred tax (refer note no. 2.04) not been met from General Reserves, the consolidated financial statements would have reflected a profit / (loss) after tax of ₹ 67 crore (Previous year ₹ (1,185) crore) and the consequential effect of this on consolidated profit after tax would have been of ₹ 980 crore (Previous year ₹ 1,857 crore).

Note 2.39

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 erstwhile Reliance Gateway Net Limited.

Note 2.40

1 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) AAA Communication Private Limited	Fellow subsidiary
(iii) AAA Industries Private Limited	Fellow subsidiary
(iv) ADA Enterprises and Ventures Private Limited	Fellow subsidiary
(v) Reliance Capital Limited	Fellow subsidiary
(vi) Reliance General Insurance Company Limited	Fellow subsidiary
(vii) Shri Anil D. Ambani	Person having control during the year
(viii) Shri Prakash Shenoy	Key Managerial Personnel

B Transactions during the year with related parties

(Figures in bracket represent Previous year)

	Holding Company	Fellow Subsidiaries	Others	Total
(₹ in Crore)				
1 Reliance Capital Limited				
(i) Loans taken				
Opening Balance as on April 1, 2013	-	-	-	-
	-	(-)	-	(-)
Taken during the year	-	175	-	175
	-	(-)	-	(-)
Repaid during the year	-	175	-	175
	-	(-)	-	(-)
Closing Balance as on March 31, 2014	-	-	-	-
	-	(-)	-	(-)
(ii) Advances				
Opening Balance as on April 1, 2013	-	-	-	-
₹ 30,89,108 (Previous year ₹ 30,89,108)	-	(-)	-	(-)
Add :Advances made during the year	-	-	-	-
₹ Nil (Previous year ₹ Nil)	-	(-)	-	(-)
Less : Repayment during the year	-	-	-	-
	-	(-)	-	(-)
Closing Balance as on March 31, 2014	-	-	-	-
₹ 30,89,108 (Previous year ₹ 30,89,108)	-	(-)	-	(-)
(included in Note 2.13)				

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

B Transactions during the year with related parties

(Figures in bracket represent Previous year)

(₹ in Crore)

	Holding Company	Fellow Subsidiaries	Others	Total
(iii) Trade Receivable	-	2	-	2
	-	(2)	-	(2)
(iv) Income				
Service Income	-	-	-	-
₹ 4,33,514 (Previous year ₹ 3,78,371)	-	(-)	-	(-)
(v) Dividend paid	-	-	-	-
	-	(1)	-	(1)
2 Reliance General Insurance Company Limited				
(i) Trade Receivable	-	4	-	4
	-	(3)	-	(3)
(ii) Trade Payable	-	1	-	1
	-	(-)	-	(-)
(iii) Income				
Service Income	-	1	-	1
(Previous year ₹ 46,60,255)	-	(-)	-	(-)
(iv) General and Administration Expenses	-	-	-	-
	-	(2)	-	(2)
3 Reliance Innoventures Private Limited				
Dividend paid	-	-	-	-
(Previous year ₹ 30,94,750)	(-)	(-)	-	(-)
4 AAA Communication Private Limited				
Dividend paid	-	-	-	-
	-	(18)	-	(18)
5 ADA Enterprises and Ventures Private Limited				
Dividend paid	-	-	-	-
	-	(8)	-	(8)
6 AAA Industries Private Limited				
Dividend paid	-	-	-	-
	-	(8)	-	(8)
7 Person having control during the year				
Shri Anil D. Ambani - Sitting fees	-	-	-	-
₹ 2,00,000 (Previous year ₹ 2,20,000), Dividend paid	-	-	(-)	(-)
₹ Nil (Previous year ₹ 4,64,793)				
8 Key Managerial Personnel				
Managerial Remuneration				
Shri Prakash Shenoy	-	-	-	-
₹ 22,16,809 (Previous year ₹ 22,42,618)	-	-	(-)	(-)

Note 2.41

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 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.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

The Company has established a Trust for the implementation and management of ESOS for the benefit of its present and future employees. Advance of ₹ 387 crore (Previous year ₹ 387 crore) has been granted to the Trust and the said amount has been utilised by the Trust for purchasing 2.13 crore (Previous year 2.13 crore) Equity Shares during the period upto March 31, 2014. (Refer Note 2.01(5)).

Amortization of compensation includes write back of ₹ 1 crore (Previous year ₹ 2 crore) based on intrinsic value of Options which has been vested under ESOS Plan 2008 and reflected in Statement of Profit and Loss under Employees Benefits Expenses. 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	3 91 465	460	30 17 764	206
Number of Options granted	Nil	-	Nil	-
Total number of Options surrendered		-		-
Number of Options vested during the year	Nil	-	Nil	-
Total number of Options exercised	Nil	-	Nil	-
Total number of Options forfeited/ lapsed	53 050	423	12 04 774	206
Number of Options outstanding at the end of the year	3 38 415	466	18 12 990	206

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, 2014 for ESOS Plan 2008 and ESOS Plan 2009 would have been ₹ 3 crore and ₹ 6 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	8.79%	8.90%
Expected life	4 years	5 years
Expected volatility	54.14%	54.14%
Expected dividend yield	0.02%	0.07%
Price of the underlying share in market at the time of grant of option	₹ 541	₹ 174

Pursuant to consolidation of financial statements of RCOM ESOS Trust (Trust) as at March 31, 2014 with Standalone Financial Statements of the Company in terms of SEBI (ESOS and ESPS) Guidelines, 1999 and recent opinion of the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (the ICAI), balance ₹ 380 crore being an amount exceeding the face value of equity shares held by the Trust is presented as deduction from Securities Premium with corresponding adjustment to the loan receivable from the Trust and ₹ 4 crore of opening balance of Trust Fund is considered in Surplus in Statement of Profit and Loss.

Note 2.42

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. The Company has fulfilled its export obligation under the aforesaid license as on March 31, 2014 and has submitted the necessary documents to DGFT for availing redemption letter for completion of export obligation amounting to ₹ 334 crore (Previous year ₹ 334 crore). Balance export obligations outstanding as on March 31, 2014 in case of its subsidiaries namely; RCIL and RITL under the aforesaid licenses/ authorisations is ₹ 472 crore and ₹ 1,100 crore respectively (Previous year ₹ 619 crore and ₹ 1,293 crore) respectively.

Note 2.43

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.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

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

Particulars	Gratuity*		Leave Encashment	
	As at March 31, 2014	March 31, 2013	As at March 31, 2014	March 31, 2013
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
Obligation at beginning of the year	39	34	54	67
Service cost	6	8	4	4
Interest cost	3	3	4	6
Actuarial (gain)/ loss	8	1	6	(12)
Benefits paid	(8)	(7)	(16)	(11)
Liabilities Extinguished on Settlement	(7)	-	(7)	-
Obligation at year end	41	39	45	54
*Defined benefit obligation liability as at the balance sheet is wholly funded by the Company				
(ii) Change in plan assets				
Plan assets at beginning of the year, at fair value	29	31	1	-
Expected return on plan assets	2	3	-	-
Actuarial (gain)/ loss	(1)	-	-	-
Contributions	-	3	2	16
Benefits	(7)	(8)	(2)	(15)
Assets distributed on settlement	(7)	-	-	-
Plan assets at year end, at fair value	16	29	1	1
(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	16	29	1	1
Present value of the defined benefit obligations at the end of the year	41	39	45	54
Liability recognised in the Balance Sheet	25	10	44	53
(iv) Cost for the year				
Service Cost	6	8	4	4
Interest Cost	3	3	4	6
Expected return on plan assets	(2)	(3)	(0)	-
Actuarial (gain)/ loss	8	-	6	(12)
Net Gratuity Cost	15	8	14	(2)
(v) Experience adjustment				
On Plan Liabilities (Gain)/Loss	6	1	N.A	N.A
On Plan Assets Gain / (Loss)	(1)	-	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	2	3	-	-
(viii) Assumptions				
Interest rate	9.30%	8.10%	9.30%	8.10%
Estimated return on plan assets	9.30%	8.70%	-	-
Salary Growth rate	8.00%	6.00%	8.00%	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				
	As at March 31,				
	2014	2013	2012	2011	2010
Present Value of benefit obligation	41	39	35	38	35
Fair value of plan assets	16	29	31	32	36
Excess of obligation over plan assets / (plan assets over obligation)	25	10	4	6	(1)

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

The expected contribution is based on the same assumptions used to measure the company's gratuity obligations as of March 31, 2014.

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 recompensed are to be considered as / in defined benefit plans. The employee and employer each make monthly contribution to the plan equal to 12% of the covered employee's salary. Contributions are made to the trust established by the Company. During the year ended March 31, 2012, the Actuarial Society of India issued the final guidance for measurement of provident fund liabilities. As at March 31, 2014, Fair value of plan assets is ₹ 298 crore (Previous year ₹ 311 crore), the present value of defined benefit obligation is ₹ 298 crore (Previous year ₹ 311 crore). For the year ended March 31, 2014, the Company has contributed ₹ 18 crore (Previous year ₹ 21 crore) towards Provident Fund. The Employee Benefits as disclosed herein pertain to the Company and its significant subsidiaries.

The assumptions made for the above are Discount rate of 9.25%, average remaining tenure of Investment Portfolio is 6 years and guaranteed rate of return is 8.75%.

Note 2.44

Consolidated Segment Information:

The Company has, during the year, reorganized its internal financial reporting, performance evaluation and organisational structure by geographical locations of its operations, where its service rendering activities are based. Accordingly, the Company has identified geographic segments as primary segments and disclosed segment information, for the year and restated for previous year, as "India Operations" and "Global Operations". The said change will not leave any impact on reported revenue and profitability. As the change in primary segments is from business segments to geographic segments, the effects of financial disclosure arising due to such change would not be meaningful, not reasonably determinable and accordingly not disclosed. The accounting policies adopted for segment reporting are in line with the accounting policy of the Company with following additional policies for segment reporting.

- 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".
- 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

(₹ in Crore)

Particulars	India Operations	Global Operations	Unallocable	Eliminations	Total
Segment Revenue					
External Revenue	17,843	4,037	441	-	22,321
	16,950	4,278	550	-	21,778
Inter Segment Revenue	726	584	-	(1,310)	-
	834	650	-	(1,484)	-
Total Revenue	18,569	4,621	441	(1,310)	22,321
	17,784	4,928	550	(1,484)	21,778
Segment Result before Exceptional and non recurring items, interest & taxes	2,385	365	441	-	3,191
	1,808	956	550	-	3,314
Less: Finance Costs	-	-	3,019	-	3,019
	-	-	2,499	-	2,499
Segment Result before Exceptional and non recurring items, taxes	2,385	365	(2,578)	-	172
	1,808	956	(1,949)	-	815
Less: Provisions, Exceptional and Non Recurring items	-	-	-	-	-
	-	-	-	-	-
Less: Provision for Taxation	-	-	(1,021)	-	(1,021)
	-	-	71	-	71
Less: Prior Period Adjustment	-	-	56	-	56
	-	-	-	-	-
Segment Result after Tax	2,385	365	(1,613)	-	1,137
	1,808	956	(2,020)	-	744

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(i) Primary Segment Information

(₹ in Crore)

Particulars	India Operations	Global Operations	Unallocable	Eliminations	Total
Other Information					
Segment Assets	76,745	11,064	3,749	(1,206)	90,352
	78,151	11,528	2,194	(1,691)	90,182
Segment Liabilities	10,608	3,661	43,780	(849)	57,200
	10,399	3,989	42,918	(1,699)	55,607
Capital Expenditure	3,214	128	-	-	3,342
	3,334	587	-	-	3,921
Depreciation	3,979	556	-	-	4,535
	3,383	462	-	-	3,845

(c) The reportable Segments are further described below:

- The India Operations includes operations of the Company and its subsidiaries in India, Reliance Communications Infrastructure Limited, Reliance Telecom Limited, Reliance Infratel Limited, Reliance Webstore Limited, Reliance Big TV Limited, Reliance Infocomm Infrastructure Private Limited and Reliance IDC Limited.
- The Global Operations includes the retail operations outside India of Reliance Communications (UK) Limited, Reliance Communications International Inc., Reliance Communications Canada Inc., Reliance Communications (Australia) Pty. Limited, Reliance Communications (New Zealand) Pte. Limited and wholesale operations outside India of its subsidiary viz. Reliance Globalcom BV and its subsidiaries.

(ii) Secondary Segment Information

Secondary segment relates to Telecommunication product wise segments viz. Voice and Non-voice.

(₹ in Crore)

	Voice	Non Voice	Total
Segment Revenue - External Turnover	14,196	8,125	22,321
	13,216	8,562	21,778

Fixed Assets used by the Company's business or liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between the segments. Accordingly no disclosure relating to any segment assets and liabilities are made.

The reportable secondary segments are further described below.

- The "Voice" segment includes the operations of the Company and its subsidiaries relating to Call usage, Voice carrier and Inter Usage Connectivity etc in India and Outside India.
- The "Non Voice " segment includes the operations of the Company and its subsidiaries relating to Data/ Broadband Services, Tower Infrastructure, Handsets, Optic Fiber Cables, Direct To Home Services, Internet Data Center, Marketing, Infrastructure Services etc.

As per our report of even date

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

C.D. Lala
Partner
Membership No: 35671
Mumbai
May 2, 2014

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

Bhavesh Dhupelia
Partner
Membership No: 042070

For and on behalf of the Board

Chairman

Anil D. Ambani

Directors

J. Ramachandran
A. K. Purwar
R. N. Bhardwaj

Company Secretary and Manager

Prakash Shenoy

Reliance Communications Limited

Independent Auditors' Report on Consolidated Financial Statements

To The Board of Directors of Reliance Communications Limited

We have audited the accompanying consolidated financial statements of Reliance Communications Limited ("the Company") and its subsidiaries, associates and joint ventures (collectively referred to as "the Group"), which comprise of the consolidated balance sheet as at 31 March 2013, the consolidated statement of profit and loss and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

The consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS 21) on Consolidated Financial Statements, Accounting Standard (AS 23)- Accounting for Investments in Associates in Consolidated Financial Statements and (AS 27) on Financial reporting of interests in Joint Ventures as prescribed by the Companies (Accounting Standard's) Rules, 2006.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration

of the reports of the other auditors on the financial statements of the subsidiaries, as noted below, 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 2013;
- (ii) in the case of consolidated statement of profit and loss, of the profit for the year ended on that date; and
- (iii) in the case of consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

Emphasis of Matter

- 1 We draw your attention to Note 2.39 of the consolidated financial statements regarding the Schemes of Arrangement ('the Schemes') sanctioned by the Hon'ble High Court of Judicature at Mumbai, permit the Company and three of its subsidiaries, namely, Reliance Communications Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited to adjust expenses and/or losses identified by the respective Board of the Company and its three subsidiaries, which are required to be debited/ credited to the Statement of profit and loss by a corresponding withdrawal or credit from/ to General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company and its three subsidiaries have identified exchange variations incurred during the year of ₹ 203 crore (previous year ₹ 1,528 crore), fuel cost of ₹ 62 crore (previous year ₹ 70 crore), provision for doubtful debts and subsidy receivable of ₹ Nil (previous year ₹ 1,107 crore), depreciation on exchange losses capitalised of ₹ 275 crore (previous year ₹ Nil), capital work in progress written off of ₹ 325 crore (previous year ₹ Nil), amortization of Foreign Currency Monetary Items Translation Difference Account (FCMITDA) of ₹ 638 crore (previous year ₹ 45 crore), as in the opinion of the respective Boards, such exchange loss, provisions and costs are considered to be of an exceptional nature and accordingly, these expenses and deferred tax liability of ₹ 354 crore (previous year ₹ 651 crore) of one of its subsidiary have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses, losses and deferred taxes not been met from General Reserve, the consolidated financial statements would have reflected a loss after tax of ₹ 1,185 crore (previous year ₹ 2,473 crore) and the consequential effect of this on the consolidated profit after tax would have been of ₹ 1,857 crore (previous year ₹ 3,401 crore). Our opinion is not qualified in respect of this matter.
- 2 We draw your attention to Note 2.35 of the consolidated financial statements regarding investigations by an investigating agency (CBI) and framing of certain preliminary charges by a Trial Court in October, 2011 against a director of Company's subsidiary and the subsidiary company, against which the subsidiary company has filed a writ petition in October, 2011 in Hon'ble High Court of Delhi, which is pending for hearing as set out in the aforesaid note. Our opinion is not qualified in respect of this matter.

Reliance Communications Limited

Independent Auditors' Report on Consolidated Financial Statements

Other matters

1. 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.
2. 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 2013 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 ₹ 8,299 crores as at 31 March 2013, revenues of ₹ 4,675 crores and cash inflows amounting to ₹ 61 crores in respect of the aforementioned subsidiaries for the year then ended.
3. The financial statements of certain subsidiaries for the year ended 31 March 2013 have been audited by one of the joint auditors, Chaturvedi & Shah, Chartered Accountants. The attached consolidated financial statements include assets of ₹ 17,380 crores as at 31 March 2013, revenues of ₹ 6,477 crores and cash inflows amounting to ₹ 48 crores in respect of the aforementioned subsidiaries for the year then ended.
4. We have relied on the unaudited financial statements of the subsidiaries, joint ventures and associates, whose financial statements reflect total assets of ₹ 3,654 crores as at 31 March 2013, total revenue of ₹ 128 crores and cash inflows amounting to ₹ 16 crores for the year ended 31 March 2013. 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.

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

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

C. D. Lala
Partner
Membership No: 35671
Mumbai
10 May 2013

Bhavesh Dhupelia
Partner
Membership No: 042070

Reliance Communications Limited

Consolidated Balance Sheet as at March 31, 2013

	Notes		As at March 31, 2013	(₹ in Crore) As at March 31, 2012
EQUITY AND LIABILITIES				
Shareholders' Funds				
Share Capital	2.01	1,032	1,032	
Reserves and Surplus	2.02	32,818	33,850	36,296
			725	860
Minority Interest				
Non Current Liabilities				
(a) Long Term Borrowings	2.03	28,678	29,646	
(b) Deferred Tax Liabilities (net)	2.04	1,372	1,018	
(c) Other Long Term Liabilities	2.05	1,233	1,217	
(d) Long Term Provisions	2.06	885	32,168	32,705
Current Liabilities				
(a) Short Term Borrowings	2.07	8,800	5,539	
(b) Trade Payables	2.08	2,364	2,318	
(c) Other Current Liabilities	2.09	10,401	11,881	
(d) Short Term Provisions	2.10	1,874	23,439	22,404
TOTAL			90,182	92,265
ASSETS				
Non Current Assets				
(a) Fixed Assets	2.11			
(i) Tangible Assets		44,339	43,551	
(ii) Intangible Assets		21,049	22,901	
(iii) Capital Work in Progress		3,864	5,026	
		69,252	71,478	
(b) Goodwill		5,125	5,009	
(c) Non Current Investments	2.12	111	133	
(d) Long Term Loans and Advances	2.13	3,210	2,482	
(e) Other Non Current Assets	2.14	223	77,921	79,720
Current Assets				
(a) Current Investments	2.15	551	519	
(b) Inventories	2.16	497	566	
(c) Trade Receivables	2.17	3,911	3,584	
(d) Cash and Bank Balances	2.18	731	550	
(e) Short Term Loans and Advances	2.19	4,581	4,988	
(f) Other Current Assets	2.20	1,990	12,261	12,545
TOTAL			90,182	92,265
Significant Accounting Policies	1			
Notes on Accounts	2			

The Notes referred to above form an integral part of the Consolidated Financial Statements.

As per our Report of even date

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

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

For and on behalf of the Board

Chairman

Anil D. Ambani

C. D. Lala
Partner
Membership No. 35671
Mumbai
May 10, 2013

Bhavesh Dhupelia
Partner
Membership No. 042070

Directors

{ **J. Ramachandran**
Deepak Shourie

Company Secretary and Manager

Prakash Shenoy

Reliance Communications Limited

Consolidated Statement of Profit and Loss for the year ended March 31, 2013

	Notes	For the year ended March 31, 2013	(₹ in Crore) For the year ended March 31, 2012
INCOME			
Revenue from Operations	2.21	20,561	19,677
Other Income	2.22	1,217	705
Total Revenue		21,778	20,382
EXPENDITURE			
Access Charges, License Fees and Network Expenses	2.23	10,368	9,652
Employee Benefits Expenses	2.24	1,189	1,283
Finance Costs	2.25	2,499	1,630
Depreciation, Impairment and Amortisation	2.11 & 2.32	5,331	5,450
Depreciation adjusted by/transfer from :			
Provision for Business Restructuring (Refer Note 2.30 (iii))		(99)	(102)
General Reserve (Refer Note 2.30 (vi))		(123)	(113)
General Reserve (Refer Note 2.30 (iii))		(1,264)	(1,257)
Sales and General Administration Expenses	2.26	3,062	2,957
Total Expenses		20,963	19,500
Profit before Exceptional Items, Tax and Adjustment		815	882
Exceptional Items			
Bad debts and subsidy written off	2.39	-	1,107
Equivalent amount withdrawn from General Reserve		-	(1,107)
Capital Work in Progress written off		325	-
Equivalent amount withdrawn from General Reserve		(325)	-
Depreciation on account of change in exchange rate		275	-
Equivalent amount withdrawn from General Reserve		(275)	-
Foreign Currency Exchange Fluctuation Loss (net)		841	1,573
Equivalent amount withdrawn from General Reserve		(841)	(1,573)
Fuel Expenses		62	70
Equivalent amount withdrawn from General Reserve		(62)	(70)
Profit Before Tax		815	882
Provision for:			
- Current Tax		71	(106)
- Deferred Tax	2.04	354	651
- Equivalent amount withdrawn from General Reserve	2.39	(354)	(651)
Profit After Tax (before adjustment of Minority Interest/ Associates)		744	988
Less: Share of Profit transferred to Minority		73	61
Less: Share of Loss/ (Profit) of Associates		(1)	(1)
Profit After Tax (after adjustment of Minority Interest/ Associates)		672	928
Earnings per Share of ₹ 5 each fully paid up (before and after Exceptional Items)	2.38		
- Basic (₹)		3.26	4.50
- Diluted (₹)		3.26	4.41
Significant Accounting Policies	1		
Notes on Accounts	2		

The Notes referred to above form an integral part of the Consolidated Financial Statements.

As per our Report of even date

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

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

For and on behalf of the Board

Chairman

Anil D. Ambani

C. D. Lala
Partner
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Bhavesh Dhupelia
Partner
Membership No. 042070

Directors

{ **J. Ramachandran**
Deepak Shourie

Mumbai
May 10, 2013

Company Secretary and Manager

Prakash Shenoy

Reliance Communications Limited

Consolidated Cash Flow Statement for the year ended March 31, 2013

	For the year ended March 31, 2013	(₹ in Crore) For the year ended March 31, 2012
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	815	882
Adjusted for:		
Provision for Doubtful Debts, Loans and Advances	108	60
Depreciation, Impairment and Amortisation	3,845	3,978
Effect of changes in Foreign Exchange Rate (net)	(12)	(136)
(Profit)/ Loss on Sale of Fixed Assets and Capital Work in Progress	28	(7)
Net gain on Sale of Investments	(35)	(23)
Finance Costs	2,499	1,630
Write back of Provision for Business Restructuring	(550)	-
Write back of Provision for Liabilities no longer required	(192)	-
Interest Income	(11)	(40)
	5,680	5,462
Operating Profit before Working Capital Changes	6,495	6,344
Adjusted for:		
Receivables and other Advances	(553)	(2,423)
Inventories	70	(49)
Trade Payables and other liabilities	(2,391)	1,798
	(2,874)	(674)
Cash Generated from Operations	3,621	5,670
Income Tax Refund	477	470
Income Tax Paid	(273)	(389)
Net Cash from Operating Activities	3,825	5,751
B CASH FLOW FROM INVESTING ACTIVITIES		
Additions of Fixed Assets and Capital Work in Progress (including realised variation capitalised)	(2,114)	(4,850)
Sale of Fixed Assets and Capital Work in Progress	-	216
Purchase of Investments	(12,876)	(26,941)
Sale of Investments	12,911	26,964
Interest Income	10	40
Net Cash used in Investing Activities	(2,069)	(4,571)
C CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from/ (Repayment of) Short term Borrowings (net)	3,268	(5,211)
Expenses on FCCBs (withholding tax)	-	(177)
Realised Foreign Exchange Loss	(1,266)	(167)
Proceeds from Long Term Borrowings	1,476	10,756
Repayment of Long Term Borrowings	(2,529)	(8,861)
Dividend Paid (Including tax on dividend)	(60)	(119)
Finance Costs	(2,465)	(1,718)
Net Cash from/ (used in) Financing Activities	(1,576)	(5,497)
Net Increase/ (Decrease) in Cash and Cash Equivalents	180	(4,317)
Opening Balance of Cash and Cash Equivalents	550	4,866
Effect of Exchange Gain/ (Loss) on Cash and Cash Equivalents	1	1
Closing Balance of Cash and Cash Equivalents (Refer Note 2.18)	731	550

Note:

Cash and Cash Equivalents include cash on hand, cheques on hand, remittances- in-transit and bank balance including Fixed Deposits with Banks.

As per our Report of even date

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

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

For and on behalf of the Board

Chairman

Anil D. Ambani

C. D. Lala
Partner
Membership No. 35671

Mumbai
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Bhavesh Dhupelia
Partner
Membership No. 042070

Directors

Company Secretary and Manager

J. Ramachandran
Deepak Shourie

Prakash Shenoy

Note 1

1.1 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 Standard 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 operation is recognised in the Statement of Profit and Loss 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 preceeding 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 on the date of disposal, is recognised in the Consolidated Statement of Profit and Loss as 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 Statement of Profit and Loss, to the extent such change is attributable to the associates' Statement of Profit and Loss, based on available information.
 - (h) Interest in a jointly controlled entity is reported using proportionate consolidation in accordance with the Accounting Standard ("AS") 27 "Financial Reporting of Interests in Joint Ventures" as referred to in Accounting Standards Rules.
 - (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.
- 1.2 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.

1.3 Other Significant Accounting Policies

(a) Basis of Preparation of Consolidated Financial Statements

The financial statements are prepared under historical cost convention/ 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 Standard Rules as well as applicable pronouncements of the Institute of Chartered Accountants of India (ICAI).

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

(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.

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(c) Fixed Assets

Fixed Assets are divided into Tangible Assets and Intangible 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 or at cost as applicable less accumulated amortisation.
- (v) Indefeasable Right of Connectivity (IRC) are stated at cost less accumulated amortisation.
- (vi) In respect of accounting period commencing on or after April 1, 2011, consequent to the insertion of para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates', related to acquisition of depreciable assets capitalised pursuant to notifications dated December 29, 2011 and August 9, 2012 issued by Ministry of Corporate Affairs (MCA), under the Companies (Accounting Standards) (Second Amendment) Rules 2011, the cost of depreciable capital assets includes foreign exchange differences arising on translation of long term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisitions of such assets.

(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 the Statement of Profit and Loss.

- (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) Telecom Electronic Equipments – 18 years
 - (b) Telecom Towers – 35 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 life

In 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 over the balance period of Licenses. IRC and Software are amortized from the date of acquisition or commencement of commercial

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

services, whichever is later. 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 foreign exchange differences, capitalised pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' vide notifications dated December 29, 2011 and August 9, 2012 by Ministry of Corporate Affairs (MCA), under the Companies (Accounting Standards) (Second Amendment) Rules, 2011, is provided over the balance useful life of depreciable capital assets.
- (vii) 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 management, 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 Statement of Profit and Loss 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.

(j) 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 recognized as an expense during the period.

Long term employee benefits

(i) Defined contribution plan

The Company's contribution towards Employees' Superannuation Plan is recognized 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 recognized 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.

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

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 recognized immediately in the Statement of Profit and Loss.

(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 recognized 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.

(k) **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.

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

The Premium payable/ paid 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.

(m) **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 in case of monetary items other than mentioned above, either on settlement or on translation, is recognised in the Statement of Profit and Loss.
- (v) Any loss arising out of marking a class derivative contracts to market price is recognised in the Statement of Profit and Loss. Income, if any, arising out of marking a class of derivative contracts to market price is not recognised in the Statement of Profit and Loss.
- (vi) All long term foreign currency monetary items consisting of liabilities which relate to acquisition of depreciable capital assets at the end of the period/ year have been restated at the rate prevailing at the Balance Sheet date. The exchange difference, arising as a result has been added or deducted from the cost of the assets as per the notifications issued by the Ministry of Corporate Affairs (MCA) dated December 29, 2011 and August 9, 2012. Exchange difference on other long term foreign currency monetary items is accumulated in "Foreign Currency Monetary Items Translation Difference Account (FCMITDA)" which will be amortized over the balance period of monetary assets or liabilities.

(n) **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) 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.
- (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.

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (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) Sale of 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) Tower 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 and carriage fees 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.
- (o) **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.
- (p) **Miscellaneous Expenditure**

Miscellaneous Expenditure is charged to the Statement of Profit and Loss as and when it is incurred.
- (q) **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.
- (r) **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.
- (s) **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.
- (t) **Earning per Share**

In determining Earning per Share, the Group considers the net profit after tax and includes the post tax effect of any extra-ordinary/ 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.
- (u) **Employee Stock Option Scheme**

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.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2013

As at
March 31, 2012

Note : 2.01

Share Capital

Authorised

5,00,00,00,000 Equity Shares of ₹ 5 each 2,500 1,500
(3,00,00,00,000)

2,500 1,500

Issued, Subscribed and Paid up

2,06,40,26,881 Equity Shares of ₹ 5 each fully paid up 1,032 1,032
(2,06,40,26,881)

1,032 1,032

(1) Shares held by Holding/ Ultimate Holding Company and/ or their subsidiaries/ associates

	No of Shares	No of Shares
(a) Reliance Innoventures Private Limited, Holding Company	1,23,79,001	1,23,79,001
(b) AAA Communication Private Limited, Subsidiary of Holding Company	72,31,10,172	72,31,10,172
(c) AAA Industries Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000
(d) ADA Enterprises and Ventures Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000

(2) Details of Shareholders holding more than 5% shares in the Company

	No of Shares	%	No of Shares	%
(a) AAA Communication Private Limited	72,31,10,172	35.03	72,31,10,172	35.03
(b) AAA Industries Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(c) ADA Enterprises and Ventures Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(d) Life Insurance Corporation of India	14,96,03,497	7.25	14,96,03,497	7.25

- (3) The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

During the year ended March 31, 2013, the amount of per share dividend recognised as distributable to equity shareholders is ₹ 0.25 (March 31, 2012: ₹ 0.25). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

- (4) Reconciliation of shares outstanding at the beginning and at the end of the reporting period,

	March 31, 2013		March 31, 2012	
	Number	(₹ in Crore)	Number	(₹ in Crore)
Equity Shares				
At the beginning of the year	2,06,40,26,881	1,032	2,06,40,26,881	1,032
Add/ Less : Changes during the year	-	-	-	-
At the end of the year	2,06,40,26,881	1,032	2,06,40,26,881	1,032

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

			(₹ in Crore)	
		As at March 31, 2013	As at March 31, 2012	
Note : 2.02				
Reserves and Surplus				
Statutory Reserve Fund				
As per last Balance Sheet (₹ 6,13,000, Previous year ₹ 6,13,000)		-	-	
Capital Reserve				
As per last Balance Sheet (₹ 5,00,000, Previous year ₹ 5,00,000)		-	-	
Debenture Redemption Reserve				
As per last Balance Sheet	173		82	
Add: Transferred from Surplus in Statement of Profit and Loss	268	441	91	173
		377		543
Exchange Fluctuation Reserve				
Securities Premium Account				
As per last Balance Sheet	8,047		8,581	
Less : Withholding tax paid on Redemption of FCCBs	-		177	
: Premium on Redemption of FCCBs (Refer Note 2.30 (ix))	-	8,047	357	8,047
General Reserve				
As per last Balance Sheet	13,418		18,175	
Add : Amount credited on reversal of withdrawal in previous year on account of foreign exchange variance attributable to interest (Refer Note 2.29)	992		-	
Less : As per the Scheme of Arrangement (Refer Note 2.31)	470		-	
Transferred to Statement of Profit and Loss (Refer Note 2.39)	325		-	
Transferred to Statement of Profit and Loss (Refer Note 2.39)	-		1,107	
Transferred to Statement of Profit and Loss (Refer Note 2.04 and 2.39)	354		651	
Transferred to Statement of Profit and Loss (Refer Note 2.39)	1,116		1,573	
Transferred to Statement of Profit and Loss (Refer Note 2.30(vi))	123		113	
Transferred to Statement of Profit and Loss (Refer Note 2.39)	62		70	
Transferred to Statement of Profit and Loss (Refer Note 2.30(iii))	1,264		1,257	
Add : Minority Interest	92	10,788	14	13,418
Reserve for Business Restructuring		1,287		1,287
Foreign Currency Monetary Items Translation Difference Account		(686)		(425)
Surplus in the Statement of Profit and Loss				
As per last Balance Sheet	12,221		11,444	
Add: Profit during the year	672		928	
Less : Transferred to Debenture Redemption Reserve	268		91	
: Proposed Dividend on Equity Shares	52		52	
: Tax on Proposed Dividend	9	12,564	8	12,221
		32,818		35,264

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2013

As at
March 31, 2012

Note : 2.03

Long Term Borrowings

Debentures

Secured

3,000 (3,000), 11.20 % Redeemable, Non Convertible Debentures of ₹ 1 crore each	3,000	3,000
5,000 (5,000), 11.60 % Redeemable, Non Convertible Debentures of ₹ 10 lac each	500	500
1,500 (1,500) , 11.25 % Redeemable, Non Convertible Debentures of ₹ 1 crore each	1,500	1,500

Term Loans from Banks

Secured

Foreign Currency Loans from Banks	23,658	24,626
Rupee Term Loans	20	24,646
	<u>23,678</u>	<u>24,646</u>
	<u>28,678</u>	<u>29,646</u>

2.03.1 Debentures and Term Loans

During the earlier year, the Company, on March 2, 2009, allotted , 3,000, 11.20% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each, aggregating to ₹ 3,000 crore to be redeemed at the end of 10th year from the date of allotment thereof. On February 7, 2012, the Company also allotted, 1,500, 11.25% and 5,000, 11.60% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each and ₹ 10,00,000 each respectively, aggregating to ₹ 2,000 crore. Redemption of NCDs of ₹ 1,500 crore shall be in four annual equal installments starting at the end of fourth year from the date of allotment thereof and NCDs of ₹ 500 crore shall be at the end of 5th year from the date of allotment thereof.

Secured Redeemable, Non Convertible Debentures along with foreign currency loans and rupee term loans ("the said secured loans") have been secured by first pari passu charge on the whole of the movable plant and machinery, of the Company including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), Capital Work in Progress (pertaining to movable fixed assets) both present and future including all the rights, title, interest, benefits, claims and demands in respect of all insurance contracts relating thereto of the RCOM Group ("the Borrower Group"); comprising of the Company and its subsidiary companies namely; Reliance Telecom Limited (RTL), Reliance Infratel Limited (RITL) and Reliance Communications Infrastructure Limited (RCIL) in favour of the Security Trustee for the benefit of the NCD Holders and the Lenders of the said Secured Loans. The said loans also include ₹ 9,195 crore (Previous year ₹ 9,342 crore) guaranteed. The Company, for the benefit of the Lenders of foreign currency loans, rupee term loans and 11.60%, 5,000 Secured Redeemable, Non Convertible Debentures aggregating to ₹ 500 crore has, apart from the above, also assigned 20 Telecom Licenses for services under Unified Access Services (UAS), National Long Distance (NLD) and International Long Distance (ILD) by execution of Tripartite Agreements with Department of Telecommunications (DoT) and IDBI Bank, being the agent acting on their behalf. Similarly, RTL, a subsidiary of the Company has, apart from the above, also for the benefit of its Lenders of foreign currency loans and rupee term loan assigned 8 Telecom Licenses for services under UAS.

Assignment of Telecom Licenses of the Company for 1,500, 11.25% Secured Redeemable, Non Convertible Debentures aggregating to ₹ 1,500 crore is pending to be executed. The Company, for the benefit of the Lenders of foreign currency loans, rupee term loans, 11.20%, 3000, Secured Redeemable NCDs of the face value of ₹ 1,00,00,000 each aggregating to ₹ 3,000 crore and 11.60%, 5,000 Secured Redeemable NCDs aggregating to ₹ 500 crore has, apart from the above, also pledged equity shares held by the Company and Reliance Infocomm Infrastructure Private Limited in RCIL and RTL by execution of the Share Pledge Agreement with the Share Pledge Security Trustee.

Reliance Globalcom B.V. (RGBV), the Netherlands, a Subsidiary of the Company, during the year, availed facility of USD 200 million in addition to USD 500 million against pledge of shares of material subsidiaries of Reliance Globalcom Limited, Bermuda, a subsidiary of RGBV.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

2.03.2 Repayment Schedule of Long Term Loans

(a) Debentures

(₹ in Crore)

Rate of Interest	Repayment Schedule			
	2015-16	2016-17	2017-18	2018-19
11.20%	-	-	-	3,000
11.60%	-	500	-	-
11.25%	375	375	375	375

(b) Foreign Currency Loans

(₹ in Crore)

Rate of Interest	Repayment Schedule							
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
0.89%	59	59	59	59	63	67	22	6
1.24%	562	375	-	-	-	-	-	-
1.27%	329	164	-	-	-	-	-	-
2.33%	550	977	977	570	285	-	-	-
2.28%	-	34	17	-	-	-	-	-
2.48%	8	11	11	35	38	30	22	-
2.51%	48	68	68	213	233	184	135	-
2.80%	461	461	461	-	-	-	-	-
3.46%	-	1,358	-	-	-	-	-	-
3.24%	-	271	-	-	-	-	-	-
3.25%	-	271	-	-	-	-	-	-
3.53%	433	578	650	1,300	1,300	1,300	1,372	-
4.95%	1,267	1,267	-	-	-	-	-	-
5.20%	502	301	904	1,256	1,607	-	-	-

(c) Rupee Term Loans

(₹ in Crore)

Rate of Interest	Repayment Schedule	
	2015-16	
12.50%	20	

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

		As at March 31, 2013	(₹ in Crore) As at March 31, 2012
Note : 2.04			
Deferred Tax Assets and Liabilities			
The Deferred Tax Liabilities relating to subsidiary of the Company comprise of the following.			
(i) Deferred Tax Liabilities			
Lease Rent Equalisation	1,839		1,389
Related to timing difference on depreciation/ amortisation	372	2,211	274
(ii) Deferred Tax Assets			
Related to carried forward losses		839	645
Net Deferred Tax Liabilities		1,372	1,018
The Deferred Tax Assets of the Company and its subsidiaries comprise of the following.			
(i) Deferred Tax Assets			
Related to carried forward losses	2,175		1,230
Related to timing difference on depreciation/ amortisation	675		678
Disallowances, if any, under the Income Tax Act, 1961	778		760
Lease Rent Equalisation	1,839	5,467	1,389
(ii) Deferred Tax Liabilities			
Related to timing difference on depreciation/ amortisation	748		433
Interest capitalised	75		72
Impairment/ Loss on sale of capital assets	883	1,706	841
Net Deferred Tax Assets *		3,761	2,711

* In absence of virtual certainty of realisability of deferred tax assets, the Company on a conservative basis has restricted deferred tax asset to ₹ Nil.

Deferred Tax Liability of ₹ 354 crore (Previous year ₹ 651 crore) has been provided by Reliance Infratel Limited (RITL) and adjusted by withdrawing an equivalent amount from General Reserve pursuant to the Scheme of Amalgamation between RITL and erstwhile Reliance Global IDC Limited (RGIDCL), a Wholly Owned Subsidiary of RITL into RITL sanctioned by the Hon'ble High Court of Bombay vide order dated May 6, 2011, leaving no impact on profit for the year.

	As at March 31, 2013	(₹ in Crore) As at March 31, 2012
Note : 2.05		
Other Long Term Liabilities		
Advance from Customers	-	98
Liability for leased assets	294	267
Security Deposits	50	-
Unearned Income	746	852
Capital Creditors	143	-
	1,233	1,217

Note : 2.06

Long Term Provisions

Provision for Income Tax	20	-
Provision for Employee Benefit	53	63
Others		
Asset Retirement Obligations	812	761
	885	824

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2013

As at
March 31, 2012

Note : 2.07

Short Term Borrowings (Unsecured unless stated otherwise)

From Banks

Cash Credit (Secured)	1,251	300
Foreign Currency Loans	1,407	1,385
Rupee Loans (Secured)	5,205	2,900
Rupee Loans	500	-
Commercial Papers	100	945
Non Convertible Debentures (Secured)	87	-

From Others (Secured) 250 -

From Others	-	8,800	9	5,539
		8,800		5,539

2.07.01 Cash Credit and Rupee Loans from Banks

Cash Credit from Banks and Rupee Loan from Others as above are secured by first pari passu charge over current assets comprising of stock and receivables of the Company ("Current Assets"). Apart from this, Cash Credit from Banks is secured by second pari passu charge on whole of the movable plant and machinery, including (without limitation) the tower assets and optic fibre cables, if any (whether attached or otherwise), capital work in progress (pertaining to movable fixed assets) both present and future including all the rights, title, interest, benefits relating thereto of the Borrower Group ("Fixed Assets of the Borrower Group"). Cash Credit from Banks of ₹ 1,251 crore and Loan from Others of ₹ 250 crore are pending creation of first pari passu charge over Current Assets.

The Company and its subsidiary have been sanctioned Rupee Loans of ₹ 6,550 crore (Term Loan Facility) under consortium banking arrangement on the terms and conditions as set out in sanction letters. Certain Lenders have, pursuant to the sanction letters for Term Loan Facility, agreed to grant ₹ 4,455 crore as interim disbursement/ short term loan (Interim Facility) of the Term Loan Facility, pending the finalization and execution, of definitive documents within twelve months from the drawdown of the said Interim Facility, for availing the Term Loan Facility. The said Interim Facility, shall be repaid within its tenure with availment of the Term Loan Facility upon execution of definitive documents and accordingly, has been classified as part of Short Term Borrowings. Interim Facility includes loans of ₹ 1,425 crore secured by second pari passu charge on Fixed Assets of the Borrower Group. The Term Loan Facility and Non Convertible Debentures aggregating to ₹ 87 crore are, inter alia, secured by first pari passu charge on Fixed Assets of the Borrower Group, including claims and demands in respect of all insurance contracts relating thereto. Apart from the above, the Term Loan Facility has also been secured by assignment of telecom licenses of the Company and its subsidiary and pledge of equity shares held by the Company and Reliance Infocomm Infrastructure Private Limited in RCIL and RTL. The Company is in process of creating such security. Rupee Loans also include ₹ 250 crore secured by first pari passu charge over Current Assets, and ₹ 500 crore secured by second pari passu charge on Fixed Assets of the Borrower Group.

(₹ in Crore)

As at
March 31, 2013

As at
March 31, 2012

Note : 2.08

Trade Payables

Due to Micro, Small and Medium Enterprises	157	156
Others	2,207	2,162
	2,364	2,318

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.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2013	(₹ in Crore) As at March 31, 2012
(i) Principal amount due to any supplier as at the year end	141	156
(ii) Interest due on the principal amount unpaid at the year end to any supplier	56	38
(iii) 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	-	-
(iv) Payment made to the enterprises beyond appointed date under Section 16 of MSMED	208	252
(v) 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	21	7
(vi) Amount of interest accrued and remaining unpaid at the end of each accounting year	77	46
(vii) 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	45	15

Note : 2.09

Other Current liabilities (Unsecured unless stated otherwise)

Current Maturities of Long Term Debts

Foreign Currency Loan (Secured) (Refer Note 2.03.1)	4,069	3,118
Others		
Interest accrued but not due on loans	153	119
Unclaimed Dividend	9	9
Employees Stock Option	3	5
Capital Creditors	1,146	1,829
Liability for Leased Assets	-	2
Other Payables	4,059	5,574
Advance from Customers and Income Received in Advance	962	8,763
	6,332	1,225
	10,401	11,881

Note : 2.10

Short Term Provisions

(a) Provision for Employee Benefits

Retirement Benefits	29	53
---------------------	----	----

(b) Others

Disputed and Other Claims (Refer Note 2.34)	1,215	1,362
Business Restructuring (Refer Note 2.34)	488	1,137
Income Tax (net of advance tax)	79	52
Fringe Benefit Tax (net of taxes paid)	1	1
Wealth Tax (net of taxes paid)	1	1
Proposed Dividend on Equity Shares	52	52
Tax on Proposed Dividend	9	8
	1,845	2,613
	1,874	2,666

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

**Note 2.11
Fixed Assets**

Fixed Assets										(₹ in Crore)
Description	Gross Block			Depreciation/ Amortisation			Net Block			
	As at April 1, 2012	Additions/ Adjustments	(Deductions)/ Including on Account of CTR	As at March 31, 2013	Transfer from Reserves	Depreciation for the year	(Deductions)/ Adjustment	As at March 31, 2013	As at March 31, 2012	
Tangible Assets										
Leasehold Land	25	-	-	25	-	-	-	23	23	
Leasehold Improvement	171	-	4	175	-	11	4	150	25	
Freehold Land	485	1	-	486	-	-	-	480	479	
Buildings	2,396	6	2	2,404	58	63	1	793	1,725	
Plant and Machinery	65,358	4,246	590	70,194	1,428	2,085	371	28,079	41,163	
Office Equipment	133	5	(17)	121	-	8	1	87	55	
Furniture and Fixtures	190	2	(4)	188	-	15	(3)	142	60	
Vehicles	74	-	-	74	-	1	4	69	10	
Sub Total	68,832	4,260	575	73,667	1,486	2,183	378	29,328	44,339	
Previous Year	60,961	7,572	299	68,832	1,473	1,637	497	25,281	43,551	
Intangible Assets										
Entry fee for Telecom Licence	28,047	-	-	28,047	-	1,713	(1)	7,373	20,674	
Indefeasible Right of Connectivity	1,668	94	47	1,809	-	102	99	1,788	81	
Software	438	31	10	479	-	56	3	332	147	
Brand Licence	354	-	-	354	-	32	-	192	162	
Licence and Knowhow	223	-	14	237	-	34	10	192	75	
Sub Total	30,730	125	71	30,926	-	1,937	111	9,877	21,049	
Previous Year	21,130	9,352	248	30,730	-	1,971	192	7,829	22,901	
Grand Total	99,562	4,385	646	1,04,593	1,486	4,120	489	39,205	65,388	
Previous Year	82,091	16,924	547	99,562	1,473	3,608	689	33,110	66,452	
Capital Work in Progress										
								3,864	5,026	

2.11.1 (a) Freehold Land includes ₹ 55,808 (Previous year ₹ 55,808) acquired from Karnataka Industrial Area Development Board (a Government of Karnataka Undertaking). Transfer of ownership is under process.

(b) Freehold Land includes ₹ 1 crore (Previous year ₹ 1 crore) towards land acquired, the transfer of ownership is under process.

2.11.2 Buildings include:

(a) ₹ 250 (Previous year ₹ 250) towards cost of Shares in Co-operative Society (held by Reliance Telecom Limited).

(b) ₹ 2,00,000 (Previous year ₹ 2,00,000) towards cost of Shares acquired in a company (held by Reliance Communications Infrastructure Limited).

2.11.3 Plant and Machinery includes Electrical equipments of ₹ 3 crore (Previous year ₹ 3 crore), which are under custody and control of Maharashtra State Electricity Distribution Company Limited.

2.11.4 Plant and Machinery includes Asset Retirement Obligations (ARO) Gross Block ₹ 812 crore (Previous year ₹ 761 crore), Accumulated Depreciation ₹ 248 crore (Previous year ₹ 195 crore) and Net Block ₹ 564 crore (Previous year ₹ 566 crore).

2.11.5 (a) Gross Block includes ₹ 3,585 crore being the amount added on revaluation as on January 1, 2006.

(b) Gross Block for the previous years includes ₹ 1,963 crore, being an amount added on fair valuation as on April 10, 2007.

2.11.6 During the year, addition to Plant and Machinery and Telecom License includes ₹ 1,789 crore and ₹ Nil crore respectively (Previous year ₹ 1,586 crore and ₹ 163 crore) on account of foreign exchange variations.

2.11.7 Capital Work-in-Progress includes:

(a) ₹ 296 crore (Previous year ₹ 361 crore) on account of project development expenditure.

(b) ₹ 43 crore (Previous year ₹ 57 crore) on account of materials at site.

(c) Net of Capital Work in Progress written off of ₹ 325 crore (Previous year ₹ 370 crore)

2.11.8 Transfer of title of certain land and buildings received from Reliance Industries Limited pursuant to the Schemes of Arrangement is under process.

2.11.9 Deductions/ Adjustments include exchange fluctuation on account of currency translation of foreign subsidiaries.

2.11.10 Refer Note 2.03.1 and 2.07.01 for security in favour of the Lenders.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2013

As at
March 31, 2012

Note: 2.12

Non Current Investments

Trade Investment (Valued at cost unless stated otherwise)

In Equity Shares of Companies

Quoted, fully paid up

39 342	Groupon INC–Class A Common Stock of USD 0.0001	13	12
(39 342)	each		

5 95 074	Sequans Communications SA of Euro 0.02 each	20	18
(5 95 074)			

33 **30**

Other Investments

Unquoted, fully Paidup

6 50 25 000	Warf Telecom International Private Limited of MRf 1	22	22
	each		

(6 50 25 000)	Less : Share of Loss of Associates	(11)	(12)
---------------	------------------------------------	------	------

11 **10**

Nil	Ordinary Share in eWave China of No Par Value	-	23
(4 000)			

13 000	Mumbai Metro Transport Private Limited of ₹ 10 each	-	-
(13 000)	₹ 1,22,807 (Previous year ₹ 1,28,788)		

Nil	International Convention Centre Construction Private	-	-
(5 000)	Limited of ₹ 10 each (Previous year ₹ 50,000)		

1 600	Macronet Private Limited of ₹ 10 each	-	-
(1 600)	₹ 16,000 (Previous year ₹ 16,000)		

1 600	Macronet Mercantile Private Limited of ₹ 10 each	-	-
(1 600)	₹ 16,000 (Previous year ₹ 16,000)		

1 00 000	Reliance Composite Insurance Broking Limited of ₹ 10	-	-
(Nil)	each ₹ 10,00,000 (Previous year ₹ Nil)		

100	Nodia Global SEZ Private Limited of ₹ 10 each	-	11	-	33
(100)	₹ 1,000 (Previous year ₹ 1,000)				

In Preference Shares of Companies

Unquoted, fully Paidup

(Nil)	9% Redeemable Preference Shares of Reliance BPO	-	5
(10 00 000)	Private Limited of ₹ 10 each		

20 45 455	Series D Preferred Stock of Stoke Inc. of USD 2.2	25	25
(20 45 455)	each		

5 85 993	Series A Preferred Stock of Scalable Display	5	5
(5 85 993)	Technologies Inc. of USD 1.62 each		

14 63 415	Series C Preferred Stock of Stoke Inc. of USD 2.05	16	15
(14 63 415)	each		

84 74 576	Series B Preferred Stock of E Band Communications	16	62	15	65
(84 74 576)	Corporation of USD 0.354 each				

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2013

As at
March 31, 2012

In Partnership Firm

Unquoted, fully paid up

Tip Top Typography	5	5
Less: Share of Loss in the Partnership Firm	-	-
₹ 19,47,920 (Previous year ₹ 1,22,674)		5

In Government Bonds

Unquoted fully paid up

6 Year National Savings Certificates (Lodged with Sales Tax Department) ₹ 2,49,500 (Previous year ₹ 2,49,500)	-	-
5 1/2 years Kisan Vikas Patra (Lodged with Chennai Metropolitan Development Authority) ₹ 5,000 (Previous year ₹ 5,000)	-	-
	111	133
Aggregate Book Value of Investments		
Unquoted	78	103
Quoted	33	30
	111	133

Partners Capital Account Details

A Tip Top Typography

Name of the Partners and share in profits	Capital (in ₹)	Share (%)	Capital (in ₹)	Share (%)
Reliance Land Private Limited	11,79,066	34%	31,67,810	34%
AAA Entertainment Private Limited (formerly Swan Sorority Finance Private Limited)	(28,74,246)	33%	(9,26,326)	33%
Reliance Webstore Limited	4,98,40,630	33%	5,17,88,550	33%
Total Capital of the Firm	4,81,45,450	100%	5,40,30,034	100%

Note : 2.13

Long Term Loans and Advances

(Unsecured, Considered good – unless stated otherwise)

Capital Advances	1,577	898
Security Deposits	65	65
MAT Credit Entitlement	87	54
Advance Income Tax	714	718
Unamortised Arranger's Fees	257	245
Other Loans and Advances	387	389
Prepaid Expenses	123	113
Bank Deposits with Maturity for more than 12 months	-	-
₹ 47,87,148 (Previous year ₹ 31,41,206)	3,210	2,482

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2013	(₹ in Crore) As at March 31, 2012
Note : 2.14		
Other Non Current Assets		
(Unsecured, Considered good – unless stated otherwise)		
Deposits	223	230
Others	-	388
	<u>223</u>	<u>618</u>
Note: 2.15		
Current Investments (valued at lower of cost and market value)		
In Units of Mutual Funds		
Quoted		
34 000 6.83% GOI Bonds – 2039 of ₹ 100 each fully paid (34 000) up ₹ 29,07,000 (Previous year ₹ 27,26,726)	-	-
Unquoted		
113 Reliance Liquidity Fund – Growth of ₹ 10 each (Nil) ₹ 1,72,652 (Previous year ₹ Nil)	-	-
6 88 192 BlackRock US Dollar Liquidity First Fund – Institutional (12 12 461) Share Class of USD 1 each	4	6
15 721 BlackRock US Dollar Liquid Investment Fund of USD (15 721) 1 each	547	513
	<u>551</u>	<u>519</u>
Aggregate Book Value of Investments		
Unquoted	551	519
Quoted ₹ 30,52,000 (Previous year ₹ 30,52,000)	-	-
	<u>551</u>	<u>519</u>
Note : 2.16		
Inventories		
Stores and Spares	371	427
Stock in Trade (Communication Devices and Accessories)	126	139
	<u>497</u>	<u>566</u>

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2013	(₹ in Crore) As at March 31, 2012
Note : 2.17		
Trade Receivables (Unsecured)		
Due for more than six months from the date they are due for payment		
Considered Good	1,574	1,842
Considered Doubtful	1,253	1,038
	<u>2,827</u>	<u>2,880</u>
Less: Provision for doubtful receivables	1,253	1,038
	<u>1,574</u>	<u>1,842</u>
Others		
Considered Good	2,337	1,742
Considered Doubtful	54	161
	<u>2,391</u>	<u>1,903</u>
Less: Provision for doubtful receivables	54	161
	<u>2,337</u>	<u>1,742</u>
	<u>3,911</u>	<u>3,584</u>
Note : 2.18		
Cash and Bank Balances		
Cash on hand (₹ 2,87,295, Previous year ₹ 2,05,851)	-	-
Cheques on hand	79	87
Balance with Banks	637	327
Earmarked Balances – Unpaid Dividend	9	9
Balances held as Margin Money	-	120
Balances held due to Repatriation Restrictions	3	7
Bank deposits with less than 3 months' maturity	3	-
	<u>731</u>	<u>550</u>
Note : 2.19		
Short Term Loans and Advances		
(Unsecured, Considered good – unless stated otherwise)		
Other Loans and Advances		
Considered good	4,293	4,959
Considered doubtful	123	133
	<u>4,416</u>	<u>5,092</u>
Less: Provision for doubtful advances	123	133
	<u>4,293</u>	<u>4,959</u>
Balance with Customs, Central Excise Authorities etc.	288	29
	<u>4,581</u>	<u>4,988</u>
Note : 2.20		
Other Current Assets		
Deposits *	1,709	1,733
Interest accrued on Investments (Previous year ₹ 16,05,894)	1	-
Unbilled Revenue	245	280
Others	35	325
	<u>1,990</u>	<u>2,338</u>

* Deposits include ₹ 1,574 crore (Previous year ₹ 1,527 crore) paid against disputed claims.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

For the year ended
March 31, 2013

For the year ended
March 31, 2012

Note : 2.21

Revenue from Operations

Sale of services	22,319	21,172
Less: Service Tax	3,025	2,456
	19,294	18,716
Other Operating Income*	1,267	961
(*includes realisation from telecom terminals and accessories etc.)		
	20,561	19,677

Note : 2.22

Other Income

Net Gain on Sale of Investments	35	23
Profit on Disposal of Fixed Assets	-	7
Interest Income	165	40
Dividend Income (₹ 11,000, Previous year ₹ Nil)	-	-
Miscellaneous Income (Refer Note 2.34 (ii))	1,017	635
	1,217	705

Note : 2.23

Access Charges, Licence Fees and Network Expenses

Access Charges	2,676	2,477
License Fees	1,115	1,132
Rent, Rates and Taxes	965	826
Network Repairs and Maintenance	1,595	1,430
Stores and Spares Consumed	106	93
Power, Fuel and Utilities	1,697	1,662
Cost of Service Contents and Applications	370	412
Other Network Operating Expenses	1,844	1,620
	10,368	9,652

Note : 2.24

Employee Benefits Expenses

Salaries (including Managerial Remuneration)	1,057	1,148
Contribution to Provident, Superannuation and Gratuity Fund	53	53
Employee Welfare and Other Amenities	81	87
Write back of compensation under Employee Stock Option Scheme	(2)	(5)
	1,189	1,283

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

Note : 2.25

Finance Costs

	For the year ended March 31, 2013		For the year ended March 31, 2012
Interest and Other charges on Term Loans	1,132		859
Interest on other loans	1,133	2,265	618
Other Financial Cost		234	153
		2,499	1,630

Note : 2.26

Sales and General Administration Expenses

Selling Expenses

Commission	592		596
Selling and Marketing	528		655
Advertisement	163		127
Customer Acquisition and Customer Care	149		170
Cost of Sale of Telecom Terminals and Accessories	422	1,854	441
		108	61

Provision for Doubtful Debts, Loans and Advances

General Administration Expenses

Insurance	17		18
Rent, Rates and Taxes	207		184
Repairs and Maintenance			
– Machinery	81		17
– Buildings	-		13
– Others	37		34
Travelling	56		58
Professional Fees	161		136
Foreign Exchange (Gain)/ Loss (Net)	(1)		10
Loss on Sale/Discarding of Assets (Previous year ₹ 3,10,533)	30		-
Hire Charges	364		304
Other General and Administrative Expenses	139		123
Wealth Tax (₹ 5,50,000)	-	1,091	1
		9	9
		3,062	2,957

Note : 2.27

Previous Year

The consolidated financial statements has been prepared as per Revised Schedule VI under the Companies Act, 1956. Figures of the previous year have been regrouped and reclassified, wherever required. Amount in financial statements are presented in Rupee in crore, except as otherwise stated.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.28

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 IDC Limited (Formerly Reliance Communications Investment and Leasing Limited)	India	100.00%
11	Reliance Infratel Limited	India	89.71%
12	Reliance Mobile Commerce Limited	India	100.00%
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	99.95%
22	FLAG Telecom Singapore Pte. Limited	Singapore	99.95%
23	FLAG Atlantic UK Limited	United Kingdom	99.95%
24	Reliance FLAG Atlantic France SAS	France	99.95%
25	FLAG Telecom Taiwan Limited	Taiwan	59.97%
26	Reliance FLAG Pacific Holdings Limited	Bermuda	100.00%
27	FLAG Telecom Group Services Limited	Bermuda	100.00%
28	FLAG Telecom Deutschland GmbH	Germany	99.95%
29	FLAG Telecom Hellas AE	Greece	99.95%
30	FLAG Telecom Asia Limited	Hong Kong	99.95%
31	FLAG Telecom Nederland B.V.	The Netherlands	99.95%
32	Reliance Globalcom (UK) Limited	United Kingdom	99.95%
33	Yipes Holdings Inc.	USA	100.00%
34	Reliance Globalcom Services Inc.	USA	100.00%
35	YTV Inc.	USA	100.00%
36	Reliance Infocom Inc.	USA	100.00%
37	Reliance Communications Inc.	USA	100.00%
38	Reliance Communications International Inc.	USA	100.00%
39	Reliance Communications Canada Inc.	USA	100.00%
40	Bonn Investment Inc.	USA	100.00%
41	FLAG Telecom Development Limited	Bermuda	99.95%
42	FLAG Telecom Development Services Company LLC	Egypt	99.95%

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
43	FLAG Telecom Network Services Limited	Ireland	99.95%
44	Reliance FLAG Telecom Ireland Limited	Ireland	99.95%
45	FLAG Telecom Japan Limited	Japan	99.95%
46	FLAG Telecom Ireland Network Limited	Ireland	99.95%
47	FLAG Telecom Network USA Limited	USA	99.95%
48	FLAG Telecom Espana Network SAU	Spain	99.95%
49	Reliance Vanco Group Ltd	United Kingdom	100.00%
50	Euronet Spain SA	Spain	100.00%
51	Net Direct SA (Proprietary) Ltd. (Under liquidation)	South Africa	100.00%
52	Vanco (Shanghai) Co Ltd.	China	100.00%
53	Vanco (Asia Pacific) Pte. Ltd.	Singapore	100.00%
54	Vanco Australasia Pty. Ltd.	Australia	100.00%
55	Vanco EpE (Under Liquidation)	Greece	100.00%
56	Vanco Sp Zoo	Poland	100.00%
57	Vanco Gmbh	Germany	100.00%
58	Vanco Japan KK	Japan	100.00%
59	Vanco NV	Belgium	100.00%
60	Vanco SAS	France	100.00%
61	Vanco South America Ltda	Brazil	100.00%
62	Vanco Srl	Italy	100.00%
63	Vanco Sweden AB	Sweden	100.00%
64	Vanco Switzerland AG	Switzerland	100.00%
65	Vanco Deutschland GmbH	Germany	100.00%
66	Vanco BV	The Netherlands	100.00%
67	Vanco Benelux BV	The Netherlands	100.00%
68	Vanco UK Ltd	United Kingdom	100.00%
69	Vanco International Ltd	United Kingdom	100.00%
70	Vanco Row Limited	United Kingdom	100.00%
71	Vanco Global Ltd	United Kingdom	100.00%
72	VNO Direct Ltd	United Kingdom	100.00%
73	Vanco US LLC	USA	100.00%
74	Vanco Solutions Inc	USA	100.00%

- (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	48.98%
2	FLAG Holdings (Taiwan) Limited	Taiwan	49.97%
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%

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(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 Data Center Limited (Formerly known as Reliance Telephones Limited) (w.e.f April 1, 2012)	India	100.00%
2	Reliance BPO Private Limited (w.e.f. April 30, 2012)	India	100.00%
3	Reliance Globalcom Limited (w.e.f. July 3, 2012)	India	100.00%
4	Kerala Communication Network Private Limited (w.e.f. March 21, 2013)	India	100.00%
5	MP Network Private Limited (w.e.f. March 21, 2013)	India	100.00%

(e) The following subsidiary companies/ companies controlled/ companies consolidated/ joint venture ceased to remain subsidiaries/ controlled/ joint venture/ consolidated during the year.

Sr. No.	Name of the Company
1	Alcatel Lucent Managed Solutions India Private Limited has been ceased to be Joint Venture w.e.f. December 30, 2012
2	Reliance Data Center Limited (Formerly known as Reliance Telephones Limited) has been ceased to be subsidiary w.e.f. March 14, 2013
3	Reliance WiMAX World Limited BVI has been dissolved w.e.f. January 17, 2013
4	Reliance WiMAX World B.V. has been ceased to be subsidiary w.e.f. January 17, 2013
5	Reliance WiMAX World Limited has been ceased to be subsidiary w.e.f. January 17, 2013
6	Reliance WiMAX World LLC has been dissolved w.e.f. June 7, 2012
7	Reliance WiMAX Congo Brazzaville B.V. has been ceased to be subsidiary w.e.f. January 17, 2013
8	Interconnect Brazzaville S. A. has been ceased to be subsidiary w.e.f. January 17, 2013
9	Reliance WiMAX Guinea B.V. has been ceased to be subsidiary w.e.f. June 8, 2012
10	Acess Guinea SARL has been ceased to be subsidiary w.e.f. June 8, 2012
11	Reliance WiMAX Sierra Leone B. V. has been ceased to be subsidiary w.e.f. June 8, 2012
12	Equatorial Communications Limited has been ceased to be subsidiary w.e.f. June 8, 2012
13	Reliance WiMAX Cameroon B. V. has been ceased to be subsidiary w.e.f. January 17, 2013
14	Equatorial Communications SARL has been ceased to be subsidiary w.e.f. January 17, 2013
15	Reliance WiMax D.R.C. B.V. has been dissolved w.e.f. June 20, 2012
16	Reliance WiMax Gambia B.V. has been dissolved w.e.f. June 8, 2012
17	Reliance WiMax Mauritius B.V. has been dissolved w.e.f. September 14, 2012
18	Reliance WiMax Mozambique B.V. has been dissolved w.e.f. June 8, 2012
19	Reliance WiMax Niger B.V. has been dissolved w.e.f. September 14, 2012
20	Reliance WiMax Zambia B.V. has been dissolved w.e.f. June 8, 2012
21	Access Bissau LDA has been ceased to be subsidiary w.e.f. June 8, 2012

Note 2.29

Foreign Currency Monetary Items; Long Term

In view of the Option allowed pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs (MCA), Government of India, for the year ended on March 31, 2013, the Company has added ₹ 1,084 crore (Previous year ₹ 1,749 crore), including ₹ Nil (Previous year ₹ 163 crore) regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates, of exchange differences on long term borrowing relating to acquisition of depreciable capital assets to the cost of capitalised assets. Further, the Company has accumulated foreign currency variations of ₹ 615 crore (Previous year ₹ 470 crore) arising on other long term foreign currency monetary items in FCMITDA, and ₹ 638 crore (Previous year ₹ 45 crore) has been amortised during the year, leaving balance to be amortised over the balance period of loans.

In accordance with the notification issued by the MCA on August 9, 2012, the Company has, during the year, added ₹ 705 crore to the cost of capitalised assets and ₹ 287 crore to the FCMITDA by reversing the exchange difference regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates in accordance with para 4(e) of Accounting Standard 16 "Borrowing Costs". The said interest was adjusted by withdrawal of an equivalent amount from General Reserve during the previous year ended March 31, 2012 and hence, it has been credited to General Reserve.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note 2.30

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 Court 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. Reserves, pursuant to the said Schemes, include;

- (i) ₹ 8,047 crore being Securities Premium Account, which was part of the Securities Premium of erstwhile Reliance Infocomm Limited (RIC), the transferor company.
- (ii) ₹ 12,345 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) ₹ 1,287 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.
- (v) ₹ 7 crore being Goodwill arising on consolidation pursuant to the Scheme of Amalgamation between subsidiaries was debited during the earlier year to General Reserve.
- (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 (ii) above), on account of the fair valuation during the year ended on March 31, 2009, additions/ adjustments to the fixed assets included increase in Freehold Land by ₹ 225 crore, Buildings by ₹ 130 crore and Telecom Licenses by ₹ 14,145 crore.
- (viii) Pursuant to the demerger, the Company computed goodwill of ₹ 2,659 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.
- (ix) Premium of ₹ 357 crore paid on redemption of the FCCBs was charged to Securities Premium Account during the previous year.
- (x) Also refer note 2.39 "Exceptional Items" below.

Note 2.31

Scheme of Arrangement

- (i) Pursuant to the Scheme of Arrangement ("the Scheme") under Section 391 to 394, read with Sections 78, 100, 103 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Judicature at Mumbai vide Order dated December 20, 2012 with an Appointed Date being April 1, 2012, BPO Division of Reliance BPO Private Limited ("RBPO" or 'the Transferor Company'), a Wholly Owned Subsidiary of Reliance Communications Infrastructure Limited ("RCIL" or 'the Transferee Company'), a Wholly Owned Subsidiary of the Company, has been demerged into RCIL.

Upon the Scheme becoming effective on February 18, 2013, all the assets and liabilities as appearing in the books of account relating to BPO Division as on the Appointed Date have been recorded in the books of RCIL at their respective book values and investment in Preference Shares of RBPO is debited to Statement of Profit and Loss and adjusted by withdrawing an equivalent amount from Securities Premium Account. Excess of liabilities of ₹ 470 crore over assets has been charged to Securities Premium Account by RCIL and as required for consolidation to General Reserve.

Note 2.32

Depreciation, Impairment and Amortisation and Change in Method of Depreciation

- (i) During the previous year, pursuant to an approval by the Ministry of Corporate Affairs (MCA) under Section 205 (2) (d) of the Companies Act, 1956, Reliance Infratel Limited (RITL), a Subsidiary of the Company had provided depreciation on Telecom Towers at 2.72% under Straight Line Method (SLM) over the useful life of asset. As a result, depreciation charge in Consolidated Accounts for the previous year ended March 31, 2012 was lower by ₹ 173 crore and profit was higher by the said amount.
- (ii) During the previous year, Reliance Telecom Limited, a Wholly Owned Subsidiary of the Company had also aligned policy of depreciation with the Company and accordingly, provided depreciation based on SLM. As a result, in Consolidated Accounts, excess depreciation of ₹ 306 crore accounted during the previous period up to September 30, 2011 had been reversed during the previous year ended March 31, 2012. As a consequence, depreciation charge was lower and profit was higher by the said amount for the previous year ended March 31, 2012.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note 2.33

Project Development Expenditure

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

	(₹ in Crore)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
Opening Balance	361	600
Add:		
Expenditure incurred during the year	100	267
Interest on Term Loans	—	297
	461	564
		1,164
Less:		
Capitalized during the year	165	803
Closing Balance	296	361

Note 2.34

Provisions

(i) Provisions include, provision for disputed claims for verification of customer ₹ 9 crore (Previous year ₹ 9 crore) and others of ₹ 1,206 crore (Previous year ₹ 1,353 crore) and reversal of disputed liabilities of ₹ 147 crore (Previous year ₹ 46 crore), provisions for Asset Retirement Obligation (ARO) made by the Company's subsidiary in respect of undersea cables and equipments of ₹ 812 crore (Previous year ₹ 761 crore).

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

(ii) Pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved Hon'ble High Court of Judicature at Mumbai vide orders dated July 21, 2006 and August 10, 2006 (revised) and by Hon'ble High Court of Gujarat vide order dated July 18, 2006, out of the excess of fair value of assets over liabilities, ₹ 3,000 crore was credited to and held as Provision for Business Restructuring (PBR) to meet increased depreciation, cost, expenses and losses including on account of impairment or write down of assets which would be suffered by the Company, pursuant to the Scheme or otherwise in course of its business or in carrying out such restructuring of the operations of the Company or its Subsidiaries. The Company has reassessed the requirement for maintaining such PBR and based thereon, reversed ₹ 550 crore during the year as no longer required, leaving balance of ₹ 488 crore being dealt with in accordance with the said Scheme. The said amount on reversal of PBR has been reflected as part of Other Income.

Note 2.35

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

	(₹ in Crore)	
	As at March 31, 2013	As at March 31, 2012
(i) Estimated amount of contracts remaining to be executed on capital accounts and not provided for	638	657
(ii) Disputed Liabilities not provided for		
– Sales Tax and VAT	66	35
– Custom, Excise and Service Tax	409	12
– Entry Tax and Octroi	62	62
– Income Tax	618	16
– Other Litigations	1,103	439
(iii) Claims against the Company not acknowledged as debts	306	137
(iv) Guarantees given including on behalf of other companies for business purpose	3	51
(v) Consequent to the investigations by an investigative agency (CBI) in relation to the entire telecom sector in India, certain preliminary charges have been framed by a Trial Court in October, 2011 against Reliance Telecom Limited (RTL), a Subsidiary of the Company, and three of the executives of the Group. The charges so framed are preliminary in nature based on investigations only, 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 a writ petition for quashing the charges framed have been filed in October, 2011 in the Hon'ble High Court of Delhi has been objected by the investigative agency before Hon'ble Supreme Court for seeking stay thereagainst and transferring the matter thereto, which is pending for hearing. These preliminary charges have no impact on the business, operations, and/ or licenses of RTL and of the Company and, even more so, are not connected in any manner to any other listed group companies.		

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(vi) License Fees

The Hon'ble Supreme Court of India, vide its judgment dated October 11, 2011, has set aside the Order of the Hon'ble Telecom Disputes Settlement and Appellate Tribunal (TDSAT) dated August 30, 2007 and allowed time to the licensees to raise their disputes before the Hon'ble TDSAT w.r.t. the demands already raised by Department of Telecommunications (DoT). The Hon'ble Supreme Court of India, in the meanwhile, also restrained DoT from enforcing its demands already raised. Subsequently, Hon'ble TDSAT granted all licensees/ operators the liberty to file additional affidavits thereby bringing on record the material facts including the subsequent events with respect to the petitions already pending before Hon'ble TDSAT which got revived post AGR judgment of Hon'ble Supreme Court of India dated October 11, 2011. On April 12, 2012, all the petitions (both old and new of all the operators including the Company's) were heard and interim order of protection, earlier passed by Hon'ble TDSAT were also extended to the new AGR petitions. The matter is now pending before Hon'ble TDSAT. Accordingly no additional provision is required in this regard.

(vii) Spectrum Charges

Department of Telecommunication (DoT) has, during the year, issued demand on the Company for ₹ 1,758 crore towards levy of one time Spectrum Charges, being the prospective charges for holding CDMA Spectrum beyond 2.5 MHz for the period from January 1, 2013 till the expiry of the initial terms of the respective Licenses. DoT has also issued a demand on the Subsidiary of the Company for one time Spectrum Charges, being retrospective charges of ₹ 5 crore for holding GSM Spectrum beyond 6.2 MHz for the period from July 1, 2008 to December 31, 2012 and prospective charge of ₹ 169 crore for GSM spectrum held beyond 4.4 MHz for the period from January 1, 2013 till the expiry of the initial terms of the respective Licenses. Based on a petition filed by the Company and its subsidiary, the Hon'ble High Court of Kolkata, vide its orders dated February 14, and April 19, 2013 has stayed the operation of the impugned demand till further order. The Company is of the opinion that the said demand, inter alia, is an alteration of financial terms of the licenses issued in the past and has also been legally advised. Accordingly, no provision in this regard is required.

(viii) Access Deficit Charges (ADC)

The Hon'ble TDSAT and Hon'ble Supreme Court of India vide its judgment dated January 17, 2006 and April 30, 2008 respectively upheld the circular of the Bharat Sanchar Nigam Limited (BSNL) dated January 14, 2005 whereby and where under the Company's Fixed Wireless Phone (FWP) service was declared as limited mobile service. The period of claim, which was raised before the Hon'ble Supreme Court of India was for the period from November 14, 2004 to August 26, 2005. As directed by the Hon'ble Supreme Court on April 30, 2008, the Company moved before TDSAT for quantification of ADC for aforesaid period. The Hon'ble TDSAT vide its judgment dated April 17, 2012 confirmed the liability of the Company for the said period and for subsequent periods. The Company already has an adequate provision of ₹ 540 crore in the books for the liability which is determined to be payable. Further course of action including the financial impact, if any, for the balance amount, which is under dispute and shall be determined on completion of reconciliation with BSNL.

(ix) Special Audit

Pursuant to the Telecom License Agreement, 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 Company and its subsidiary had received show cause notices dated January 31, 2012 and subsequently received demand notice dated November 8, 2012 based on report of the Special Audit directed by DoT relating to alleged shortfall of license fees of ₹ 313 crore and interest thereon as applicable. The Company has challenged the said demand notices, inter alia demanding license fee on non telecom revenue based on Special Audit Report before the Hon'ble TDSAT and also before the Hon'ble High Court of Kerala. Both the Courts have stayed the operation of such impugned demand during the pendency of the Petitions before them. The Company is confident that based on advice and, 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, there shall not be any liability in this regard and hence, no provision is required in the accounts of the Company.

Note 2.36

Leases

Operating Lease

(₹ in Crore)

	As at March 31, 2013	As at March 31, 2012
Estimated future minimum payments under non cancellable operating leases.		
(i) Not later than one year	5	1
(ii) Later than one year and not later than five years	14	2
(iii) Later than five years	165	165

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note 2.37

Particulars of Derivative Instruments

Particulars of Derivative Instruments acquired for hedging	As at March 31, 2013			As at March 31, 2012		
	No. of Instruments	Value (US \$ Crore) (₹ in Crore)		No. of Instruments	Value (US \$ Crore) (₹ in Crore)	
Principal Only Swap	1	1	54	2	4	178
Interest Rate Swaps FC	19	80	4,359	14	44	2,228
Interest Rate Swaps INR	13	9	500	14	8	425
Options FC	2	13	684	3	31	1,570

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 \$ 481 crore (Previous year US \$ 547 crore), equivalent to ₹ 26,119 crore (Previous year ₹ 27,819 crore), Euro 8,354 (Previous year Euro 76,822), equivalent to ₹ 5,80,561 (Previous year ₹ 1 crore) and Pounds 12,410 (Previous year Pounds Nil), equivalent to ₹ 10,20,442 (Previous year ₹ Nil)

The unamortised premium of Buyers' Line of Credit to be recognised is ₹ 2 crore (Previous year ₹ 3 crore) for one or more subsequent accounting periods.

Note 2.38

Earnings per Share (EPS)	For the year ended March 31, 2013	For the year ended March 31, 2012
Basic and Diluted EPS before and after Exceptional Items		
(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	672	928
(b) Weighted average number of Equity Shares (used as denominator for calculating Basic EPS)	2,06,40,26,881	2,06,40,26,881
(c) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	672	928
(d) Add: Effect of potential Equity Shares to be issued under FCCBs	-	4,00,20,055
(e) Weighted average number of Equity Shares (used as denominator for calculating Diluted EPS)	2,06,40,26,881	2,10,40,46,936
(f) Basic Earnings per Share of ₹ 5 each (₹)	3.26	4.50
(g) Diluted Earnings per Share of ₹ 5 each (₹)	3.26	4.41

Note 2.39

Exceptional Items

Pursuant to the direction of the Hon'ble High Court of Judicature at Mumbai and option exercised by the Boards of the respective companies, in accordance with and as per the scheme of arrangements approved by the Hon'ble High Court under different Schemes of Arrangement binding on the Company and three of its subsidiaries, namely, RCIL, RITL and RTL, expenses and/ or losses, identified by the Boards of the respective companies as being exceptional or otherwise subject to the accounting treatment prescribed in the Schemes of Arrangement sanctioned by the Hon'ble High Court and comprising of ₹ Nil (Previous year ₹ 1,107 crore) of debts due and subsidy claimed from the Government, ₹ 325 (Previous year ₹ Nil) by writing off of capital work in progress, ₹ Nil (Previous year ₹ 951 crore) regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates, ₹ 275 crore (Previous year ₹ Nil) of depreciation consequent to addition of exchange differences on long term borrowing relating to capital assets to the cost of capitalised assets, as also ₹ 203 crore (Previous year ₹ 577 crore) of net losses on settlement of items recovered and/ or discharged in foreign currency, ₹ 638 crore (Previous year ₹ 45 crore) being amortisation of Foreign Currency Monetary Items Translation Difference Account (FCMITDA), excluding the portion added to the cost of fixed assets or carried forward as FCMITDA in accordance with Para 46 A inserted into Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates" in context of unprecedented volatility in exchange rates during the year, ₹ 62 crore (Previous year ₹ 70 crore) fuel cost considered to be incremental and arising from the non availability of contracted or expected power, ₹ 354 crore (Previous year ₹ 651 crore) deferred tax liability have been met by withdrawal from corresponding General Reserves, leaving no impact on profit for the year ended March 31, 2013. Such withdrawals have been included/ reflected in the Statement of Profit and Loss. While the Company has been legally advised that such

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

inclusion in the Statement of Profit and Loss is in accordance with Revised Schedule VI of the Companies Act, 1956, the Company has also sought clarification from ICAI that such inclusion in the Statement of Profit and Loss is not contrary to Revised Schedule VI. Had such write off of expenses, losses and deferred tax (refer note no. 2.04) not been met from General Reserves, the consolidated financial statements would have reflected a loss after tax of ₹ 1,185 crore (Previous year ₹ 2,473 crore) and the consequential effect of this on consolidated profit after tax would have been of ₹ 1,857 crore (Previous year ₹ 3,401 crore).

Note 2.40

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 Scheme of demerger of 'Telecommunication Undertaking' of RIL into the Company and the Schemes of Amalgamation and Arrangement of Group Companies respectively in earlier years. General Reserve III includes the reserve arising pursuant to the Scheme of Amalgamation with erstwhile Reliance Gateway Net Limited.

Note 2.41

1 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) AAA Communication Private Limited	Subsidiary of Holding Company
(iii) Reliance Capital Limited	Fellow subsidiary
(iv) Reliance General Insurance Company Limited	Fellow subsidiary
(v) Shri Anil D. Ambani	Person having control during the year
(vi) Shri Prakash Shenoy	Key Managerial Personnel

B Transactions during the year with related parties

(Figures in bracket represent Previous year)

			(₹ in Crore)
	Fellow Subsidiaries	Others	Total
1 Reliance Capital Limited			
(i) Advances			
Opening Balance as on April 1, 2012	-	-	-
₹ 30,89,108 (Previous year ₹ 29,60,936)	(-)	-	(-)
Add : Advances made during the year	-	-	-
₹ Nil (Previous year ₹ 1,28,172)	(-)	-	(-)
Less : Repayment during the year	-	-	-
	(-)	-	(-)
Closing Balance as on March 31, 2013	-	-	-
₹ 30,89,108 (Previous year ₹ 30,89,108)	(-)	-	(-)
(ii) Trade Receivables	2	-	2
	(2)	-	(2)
(iii) Income			
Service Income	-	-	-
₹ 3,78,371 (Previous year ₹ 4,48,788)	(-)	-	(-)
2 Reliance General Insurance Company Limited			
(i) Advances			
Balance as on April 1, 2012	-	-	-
	(1)	-	(1)
Add: Advances made during the year	-	-	-
	(3)	-	(3)
Less: Repayment during the year	-	-	-
	(4)	-	(4)
Balance as on March 31, 2013	-	-	-
	(-)	-	(-)

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

			(₹ in Crore)
	Fellow Subsidiaries	Others	Total
(ii) Trade Receivables	3 (3)	- -	3 (3)
(iii) Trade Payables	- (1)	- -	- (1)
(iv) Income			
Service Income	-	-	-
₹ 46,60,255 (Previous year ₹ Nil)	(-)	-	(-)
(v) General and Administration Expenses	2 (2)	- -	2 (2)
3 Person having control during the year			
Shri Anil D. Ambani – Sitting fees	-	-	-
₹ 2,20,000 (Previous year ₹ 2,60,000)	-	-	(-)
4 Key Managerial Personnel			
Managerial Remuneration			
Shri Prakash Shenoy ₹ 22,42,618 (Previous year ₹ 21,56,178)	-	-	-
Shri Hasit Shukla ₹ Nil (Previous year ₹ 6,58,398)	-	(-)	(-)

Note 2.42

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 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 ₹ 387 crore (Previous year ₹ 389 crore) has been granted to the Trust and the said amount has been utilised by the Trust for purchasing 2.13 crore (Previous year 2.13 crore) Equity Shares during the period upto March 31, 2013.

Amortization of compensation includes write back of ₹ 2 crore (Previous year ₹ 5 crore) based on intrinsic value of Options which has been vested under ESOS Plan 2008 and reflected in Statement of Profit and Loss under Employees Benefit Expenses. 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	5 69 194	448	39 12 214	206
Number of Options granted	Nil	-	Nil	-
Total number of Options surrendered	Nil	-	Nil	-
Number of Options vested during the year	Nil	-	Nil	-
Total number of Options exercised	Nil	-	Nil	-
Total number of Options forfeited/ lapsed	1 77 729	422	8 94 450	206
Number of Options outstanding at the end of the year	3 91 465	460	30 17 764	206

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

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, 2013 for ESOS Plan 2008 and ESOS Plan 2009 would have been ₹ 3 crore and ₹ 8 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	8.05%	8.05%
Expected life	5 years	6 years
Expected volatility	46.84%	46.84%
Expected dividend yield	0.02%	0.07%
Price of the underlying share in market at the time of grant of option	₹ 541	₹ 174

Note 2.43

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, 2013 in case of the Company and its subsidiaries namely; RCIL and RITL under the aforesaid licenses/ authorisations is ₹ 334 crore, ₹ 619 crore and ₹ 1,293 crore respectively (Previous year ₹ 334 crore, ₹ 619 crore and ₹ 2,030 crore respectively).

Note 2.44

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" (Revised).

Particulars	(₹ in Crore)			
	Gratuity*		Leave Encashment	
	As at	As at	As at	As at
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
Obligation at beginning of the year	34	38	67	87
Service cost	8	7	4	2
Interest cost	3	3	6	6
Actuarial (gain)/ loss	1	(4)	(12)	(2)
Benefits paid	(7)	(10)	(11)	(28)
Obligation at year end	39	34	54	65
* Defined benefit obligation liability as at the balance sheet is wholly funded by the Company				
(ii) Change in plan assets				
Plan assets at beginning of the year, at fair value	31	32	-	-
Expected return on plan assets	3	3	-	-
Actuarial (gain)/ loss	-	(2)	-	-
Contributions	3	8	16	28
Benefits	(8)	(10)	(15)	(28)
Plan assets at year end, at fair value	29	31	1	-

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

Particulars	Gratuity*		Leave Encashment	
	As at		As at	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
(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	29	31	1	-
Present value of the defined benefit obligations at the end of the year	39	34	54	67
Liability recognised in the Balance Sheet	10	3	53	67
(iv) Cost for the year				
Service Cost	8	7	4	2
Interest Cost	3	3	6	6
Expected return on plan assets	(3)	(3)	-	-
Actuarial (gain)/ loss	-	(2)	(12)	(2)
Net Gratuity Cost	8	5	(2)	6
(v) Experience adjustment				
On Plan Liabilities (gain)/ loss	1	3	N.A	N.A
On Plan Assets gain/ (loss)	-	(1)	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	3	2	-	-
(viii) Assumptions				
Interest rate	8.10%	8.50%	8.10%	8.50%
Estimated return on plan assets	8.70%	8.50%	-	-
Salary Growth rate	6.00%	6.00%	6.00%	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				
	As at March 31,				
	2013	2012	2011	2010	2009
Present Value of benefit obligation	39	35	38	35	36
Fair value of plan assets	29	31	32	36	26
Excess of (obligation over plan assets)/ plan assets over obligation	10	4	6	(1)	10

The expected contribution is based on the same assumptions used to measure the Company's gratuity obligations as of March 31, 2013.

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 recompensed are to be considered as/ in defined benefit plans. The employee and employer each make monthly contribution to the plan equal to 12% of the covered employee's salary. Contributions are made to the trust established by the Company. During the year ended March 31, 2012, the Actuarial Society of India issued the final guidance for measurement of provident fund liabilities. As at March 31, 2013, Fair value of plan assets is ₹ 311 crore (Previous year ₹ 311 crore), the present value of defined benefit obligation is ₹ 311 crore. (Previous year ₹ 313 crore) Accordingly, based on such actuarial valuation, the Company has charged ₹ Nil crore (Previous year ₹ 2 crore), being shortfall in interest, during the year. For the year ended March 31, 2013, the Company has contributed ₹ 21 crore (Previous year ₹ 23 crore) towards Provident Fund. The Employee Benefits as disclosed herein pertain to the Company and its significant subsidiaries.

The assumptions made for the above are Discount rate of 8.10%, average remaining tenure of Investment Portfolio is 7 years and guaranteed rate of return is 8.50%.

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note 2.45

Consolidated Segment Information:

The Company has identified three reportable segments viz. Wireless, Global Enterprise Business Unit (GEBU), 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

	(₹ in Crore)					
Particulars	Wireless	GEBU	Others	Unallocable	Eliminations	Total
Segment Revenue						
External Revenue	13,983	6,681	1,114	-	-	21,778
	13,562	6,080	740	-	-	20,382
Inter Segment Revenue	4,107	3,123	348	-	(7,578)	-
	4,134	3,338	360	-	(7,832)	-
Net Revenue	18,090	9,804	1,462	-	(7,578)	21,778
	17,696	9,418	1,100	-	(7,832)	20,382
Segment Result before Exceptional items, interest and taxes	2,549	1,117	(352)	-	-	3,314
	2,431	1,093	(1,012)	-	-	2,512
Less: Finance Costs	-	-	-	2,499	-	2,499
	-	-	-	1,630	-	1,630
Segment Result before Exceptional items and taxes	2,549	1,117	(352)	(2,499)	-	815
	2,431	1,093	(1,012)	(1,630)	-	882
Less: Provisions and Exceptional items	-	-	-	-	-	-
	-	-	-	-	-	-
Less: Provision for Taxation	-	-	-	71	-	71
	-	-	-	(106)	-	(106)
Segment Result after Tax	2,549	1,117	(352)	(2,570)	-	744
	2,431	1,093	(1,012)	(1,524)	-	988
Other Information						
Segment Assets	69,111	26,847	4,934	20,696	(32,616)	88,972
	69,059	19,243	4,604	25,382	(26,882)	91,406
Segment Liabilities	12,450	11,534	1,686	7,360	(18,970)	14,060
	12,707	9,030	856	5,033	(11,840)	15,786
Other Corporate Assets	-	-	-	1,210	-	1,210
	-	-	-	1,284	-	1,284
Other Corporate Liabilities	-	-	-	41,547	-	41,547
	-	-	-	39,323	-	39,323
Capital Expenditure	2,221	1,526	174	-	-	3,921
	2,735	2,996	117	-	-	5,848
Depreciation, Impairment and Amortisation	2,279	1,174	392	-	-	3,845
	2,303	1,199	476	-	-	3,978

Reliance Communications Limited

Notes on Accounts to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(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, Reliance Webstore 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 GEBU segment includes Broadband operations, 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, Reliance Communications Infrastructure Limited, Reliance IDC 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 marketing activities of Reliance Webstore Limited, Facility Usage activities of Reliance Infocomm Infrastructure 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.

	(₹ in Crore)		
	Within India	Outside India	Total
1. Segment Revenue – External Turnover	16,304	5,474	21,778
	15,171	5,211	20,382
2. Segment Assets	72,497	16,475	88,972
	76,098	15,308	91,406
3. Segment Liability	6,155	7,905	14,060
	11,847	3,939	15,786
4. Segment – Capital expenditure	3,334	587	3,921
	4,611	1,237	5,848

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.

As per our Report of even date

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

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

For and on behalf of the Board

Chairman **Anil D. Ambani**

C. D. Lala
Partner
Membership No. 35671

Mumbai
May 10, 2013

Bhavesh Dhupelia
Partner
Membership No. 042070

Directors { **J. Ramachandran**
Deepak Shourie

Company Secretary and Manager **Prakash Shenoy**

Reliance Communications Limited

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 and associates (collectively called 'the Group') as at March 31, 2012, the consolidated Statement of profit and loss 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 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.

- 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 March 31, 2012 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 ₹ 4,118 crore as at March 31, 2012, revenues of ₹ 3,907 crore and cash outflows amounting to ₹ 29 crore in respect of the aforementioned subsidiaries for the year then ended.
- 2 The financial statements of certain subsidiaries for the year ended March 31, 2012 have been audited by one of the joint auditors, Chaturvedi & Shah, Chartered Accountants. The attached consolidated financial statements include assets of ₹ 17,277 crore as at March 31, 2012, revenues of ₹ 6,092 crore and cash outflows amounting to ₹ 497 crore 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 ₹ 7,317 crore as at March 31, 2012, total revenue of ₹ 157 crore and cash outflows amounting to ₹ 81 crore for the year ending March 31, 2012. 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 2.31(x) of 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.
 - (b) Note 2.36 of the consolidated financial statements regarding certain preliminary charges framed by a Trial Court in October, 2011 against one of the Director of

the Company's subsidiary and the subsidiary through its Director for alleged charges under Indian Penal Code (IPC) in relation to the breach of rules of Regulatory Authorities for the application of License made by a Private Limited Company pursuant to Unified Access Service License ('UASL') guidelines referred to in the aforesaid note. In the opinion of the management, the charges so framed are preliminary in nature based on investigations only, and pending the hearing of a writ petition for quashing the said charges in October, 2011 before the Hon'ble Delhi High Court, there is no impact based on the legal advice received by the Company, on these financial statements at this stage.

- (c) Note 2.40 of the consolidated financial statements regarding the Schemes of Arrangement ('the Schemes') sanctioned by the Hon'ble High Court of Judicature at Mumbai, permit the Company and three of its subsidiaries, namely, Reliance Communication Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited to adjust expenses and/or losses identified by the respective Board of the Company and its three subsidiaries, which are required to be debited/ credited to the Statement of profit and loss by a corresponding withdrawal or credit from/ to General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company and its three subsidiaries have identified exchange variations incurred during the year of ₹ 1,573 crore (including ₹ 951 crore in the nature of borrowing costs), fuel cost of ₹ 70 crore (Previous year ₹ 77 crore), provision for doubtful debts and subsidy receivable of ₹ 1,107 crore (Previous year ₹ 159 crore), as in the opinion of the respective Boards, such exchange loss and provisions are considered to be of an exceptional nature and accordingly, these expenses and deferred tax liability of ₹ 651 crore of one of its subsidiary have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses and losses not been met from General Reserve, the consolidated financial statements would have reflected a loss after tax of ₹ 2,472 crore and the consequential effect of this on the consolidated profit after tax would have been of ₹ 3,401 crore.
- 6 Based on our audit as aforesaid, and on consideration of reports of other 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, 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 March 31, 2012;
 - (ii) in the case of the consolidated Statement of profit and loss, 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

C. D. Lala
Partner
Membership No: 035671

Mumbai
May 26, 2012

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

Bhavesh Dhupelia
Partner
Membership No: 042070

Reliance Communications Limited

Consolidated Balance Sheet as at March 31, 2012

	Notes	As at March 31, 2012		(₹ in Crore) As at March 31, 2011	
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	2.01	1,032		1,032	
Reserves and Surplus	2.02	35,689	36,721	39,467	40,499
			860		824
Minority Interest					
Non Current Liabilities					
(a) Long Term Borrowings	2.03	29,646		19,313	
(b) Deferred Tax Liabilities (Net)	2.04	1,018		367	
(c) Other Long Term Liabilities	2.05	1,217		1,171	
(d) Long Term Provisions	2.06	824	32,705	247	21,098
Current Liabilities					
(a) Short Term Borrowings	2.07	5,539		10,682	
(b) Trade Payables	2.08	2,318		1,889	
(c) Other Current Liabilities	2.09	11,881		16,619	
(d) Short Term Provisions	2.10	2,666	22,404	3,112	32,302
TOTAL			92,690		94,723
ASSETS					
Non Current Assets					
(a) Fixed Assets	2.11				
(i) Tangible Assets		43,551		39,287	
(ii) Intangible Assets		22,901		15,464	
(iii) Capital Work in Progress		5,026		16,600	
		71,478		71,351	
(b) Goodwill		5,009		4,747	
(c) Non Current Investments	2.12	133		118	
(d) Foreign Currency Monetary Item Translation Difference Account	2.30	425		-	
(e) Long Term Loans and Advances	2.13	2,482		2,059	
(f) Other Non Current Assets	2.14	618	80,145	-	78,275
Current Assets					
(a) Current Investments	2.15	519		452	
(b) Inventories	2.16	566		517	
(c) Trade Receivables	2.17	3,584		3,753	
(d) Cash and Bank Balances	2.18	550		4,866	
(e) Short Term Loans and Advances	2.19	4,988		4,640	
(f) Other Current Assets	2.20	2,338	12,545	2,220	16,448
TOTAL			92,690		94,723
Significant Accounting Policies	1				
Notes on Accounts	2				

The Notes referred to above form an integral part of the Financial Statements.

As per our Report of even date

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

C. D. Lala
Partner
Membership No.: 035671

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

Company Secretary and Manager

Anil D. Ambani

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

Mumbai
May 26, 2012

Reliance Communications Limited

Consolidated Statement of Profit and Loss for the year ended March 31, 2012

				(₹ in Crore)
	Notes	For the year ended March 31, 2012	For the year ended March 31, 2011	
INCOME				
Revenue from Operations	2.21	19,677	22,431	
Other Income	2.22	705	738	
Total Revenue		20,382	23,169	
EXPENDITURE				
Access charges, License Fees and Network Expenses	2.23	9,652	9,276	
Employee Benefits Expenses	2.24	1,283	1,469	
Finance Costs	2.25	1,630	1,133	
Depreciation, Impairment and Amortisation	2.11 & 2.33	5,450	8,512	
Depreciation adjusted by/transfer from:				
Provision for Business restructuring		(102)	(86)	
General Reserve (Refer note 2.31 (vii))		(113)	(631)	
General Reserve (Refer note 2.31 (iii))		(1,257)	(1,291)	6,504
Sales and General Administration Expenses	2.26	2,957	3,275	
Total Expenses		19,500	21,657	
Profit before Exceptional Items, Adjustments and Tax		882	1,512	
Exceptional Items	2.40			
Employee Restructuring Cost		-	(5)	
Bad Debts and Subsidy written off		1,107	159	
Equivalent amount withdrawn from General Reserve		(1,107)	(159)	
Foreign Currency Exchange Fluctuation (Gain)/ Loss (net)		1,573	-	
Equivalent amount withdrawn from General Reserve		(1,573)	-	
Fuel Expenses		70	77	
Equivalent amount withdrawn from General Reserve		(70)	(77)	
Profit Before Tax		882	1,517	
Provision for:				
- Current Tax		(106)	(280)	
- Deferred Tax	2.04	651	292	
- Equivalent amount withdrawn from General Reserve		(651)	-	12
Profit After Tax (before adjustment of Minority Interest/ Associates)		988	1,505	
Less: Share of Profit transferred to Minority		61	150	
Less: Share of (Loss)/ Profit of Associates		(1)	10	
Profit After Tax (after adjustment of Minority Interest/ Associates)		928	1,345	
Earning per Share of ₹ 5 each fully paid up (before Exceptional Items)	2.39			
- Basic (₹)		4.50	6.46	
- Diluted (₹)		4.41	6.19	
Earning per Share of ₹ 5 each fully paid up (after Exceptional Items)	2.39			
- Basic (₹)		4.50	6.52	
- Diluted (₹)		4.41	6.25	
Significant Accounting Policies	1			
Notes on Accounts	2			

The Notes referred to above form an integral part of the Financial Statements.

As per our Report of even date

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

C. D. Lala
Partner
Membership No.: 035671

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

Bhavesh Dhupelia
Partner
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For and on behalf of the Board
Chairman

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A. K. Purwar

Prakash Shenoy

Mumbai
May 26, 2012

Reliance Communications Limited

Consolidated Cash Flow Statement for the year ended March 31, 2012

		(₹ in Crore)
	For the year ended March 31, 2012	For the year ended March 31, 2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	882	1,517
Adjusted for:		
Provision for Doubtful Debts, Loans and Advances	60	93
Depreciation/ Impairment and Amortisation	3,978	6,504
Exceptional and Non - Recurring items	-	(7)
Effect of Foreign Exchange Rate Changes (net)	(136)	(163)
(Profit)/ Loss on Sale of Assets and Capital Work in Progress (net)	(7)	(331)
Profit on Sale of Investments	(23)	(57)
Dividend Income (Previous year ₹ 3,15,172)	-	-
Other Financial Cost	153	114
Interest Expenses	1,477	902
Financial Income	(40)	(11)
Operating Profit before Working Capital Changes	5,462	7,044
Adjusted for:		
Receivables and other Advances	(2,423)	(1,049)
Inventories	(49)	27
Trade Payables and Other Liabilities	1,798	(5,025)
Cash Generated from Operations	5,670	2,514
Tax Refund	470	519
Tax Paid	(389)	(599)
Net Cash from Operating Activities	5,751	2,434
B CASH FLOW FROM INVESTING ACTIVITIES		
Additions of Fixed Assets and Capital Work in Progress	(4,850)	(10,327)
Sale of Fixed Assets and Capital Work in Progress	216	206
Purchase of Investments	(26,941)	(48,449)
Sale of Investments	26,964	52,096
Financial Income	40	16
Net Cash Used in Investing Activities	(4,571)	(6,458)
C CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from/ (Repayment of) Short term Borrowings	(5,211)	2,684
Expenses on FCCB (Withholding Tax)	(177)	-
Realised Forex Loss withdrawn from General Reserve	(167)	-
Proceeds from Long Term Borrowings	10,756	9,090
Repayment of Long Term Borrowings	(8,861)	(2,139)
Dividends Paid (Including tax on dividend)	(119)	(202)
Finance Cost	(1,718)	(1,362)
Net Cash from/ (used in) Financing Activities	(5,497)	8,071
Net Increase/ (Decrease) in Cash and Cash Equivalents	(4,317)	4,047
Opening Balance of Cash and Cash Equivalents	4,866	819
Effect of Exchange Gain/ (Loss) on Cash and Cash Equivalents (Previous year ₹ 40,53,971)	1	-
Closing Balance of Cash and Cash Equivalents	550	4,866

Note:

- (a) Cash and Cash Equivalents include cash on hand, cheques on hand, remittances-in-transit and bank balance including Fixed Deposits with Banks.
- (b) Prepaid expenses of ₹ Nil (Previous year ₹ 891 crore) written off during the previous year has not been shown separately as adjusted, pursuant to the Scheme by withdrawal from General Reserve.

As per our Report of even date

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

C. D. Lala
Partner
Membership No.: 035671

For **B S R & Co.**
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For and on behalf of the Board

Chairman

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Company Secretary and Manager

Prakash Shenoy

Mumbai
May 26, 2012

Reliance Communications Limited

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 1

1.01 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 unrealised 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 operation is recognised in the Statement of Profit and Loss 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 preceeding 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 Statement of Profit and Loss 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 Statement of Profit and Loss, to the extent such change is attributable to the associates' Statement of Profit and Loss, 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 in accordance with the Accounting Standard ("AS") 27 "Financial Reporting of Interests in Joint Ventures" as referred to in Accounting Standards Rules.
- (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.

1.02 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.

1.03 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 Hon'ble High Court, in accordance with the generally accepted accounting principles (GAAP) in India and provisions of the Companies Act, 1956 read with Accounting Standards Rules, as well as applicable pronouncements of the Institute of Chartered Accountants of India (ICAI).

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

(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

Fixed Assets are divided into Tangible Assets and Intangible 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 or at cost as applicable, less accumulated amortisation.
- (v) Indefeasable Right of Connectivity (IRC) are stated at cost less accumulated amortisation.
- (vi) In respect of accounting periods commencing on or after April 1, 2011, consequent to the insertion of para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates', notified under the Companies (Accounting Standard) (Second Amendment) Rules 2011, the cost of depreciable capital assets includes foreign exchange differences arising on translation of long term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisition of such assets.

(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 risks and benefits of ownership of the leased assets they are classified as operating lease. Operating lease payments are recognised as an expense in the Statement of Profit and Loss.
- (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) Telecom Towers – 35 years
 - (d) Furniture, Fixtures and Office Equipments – 5, 10 years
 - (e) Customer Premises Equipments – 3 years
 - (f) Vehicles – 5 years
 - (g) Leasehold improvements – Shorter of the remaining lease term or useful life
 - (h) Cable Systems – Shorter of 15 years or remaining useful life

In 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.

Reliance Communications Limited

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (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 foreign exchange differences capitalised pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' vide notification dated December 29, 2011 by Ministry of Corporate Affairs (MCA), Government of India is provided over the balance useful life of depreciable capital assets.
- (vii) 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 management, 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 Statement of Profit and Loss 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 a 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.
- (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 recognized as an expense during the period.
- Long term employee benefits**
- (i) Defined contribution plan**
- The Company's contribution towards Employees' Superannuation Plan is recognized 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 recognized 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 recognized immediately in the Statement of Profit and Loss.

(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 recognized 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/ paid 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) Exchange difference arising either on settlement or on translation of monetary items other than those mentioned above is recognised in the Statement of Profit and Loss.
- (v) Any loss arising out of marking a class of derivative contracts to market price is recognised in the Statement of Profit and Loss. Income, if any, arising out of marking a class of derivative contracts to market price is not recognised in the Statement of Profit and Loss.
- (vi) All long term foreign currency monetary items consisting of liabilities which relate to acquisition of depreciable capital assets at the end of the period/ year have been restated at the rate prevailing at the Balance Sheet date. The exchange difference arising as a result has been added or deducted from the cost of the assets as per the notification issued by the Ministry of Corporate Affairs (MCA) dated December 29, 2011. Exchange difference on other long term foreign currency monetary items is accumulated in "Foreign Currency Monetary Item Translation Difference Account" which will be amortized over the balance period of monetary assets or liabilities.

(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.
- (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.

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (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) Tower 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 Statement of Profit and Loss 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 extra-ordinary/ 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 Scheme**
- 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.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012 As at
March 31, 2011

Note : 2.01

Share Capital

Authorised

3,00,00,00,000 Equity Shares of ₹ 5 each	1,500	1,500
(3,00,00,00,000)	<u>1,500</u>	<u>1,500</u>

Issued, Subscribed and Paid up

2,06,40,26,881 Equity Shares of ₹ 5 each fully paid up	1,032	1,032
(2,06,40,26,881)	<u>1,032</u>	<u>1,032</u>

(1) Shares held by Holding/ Ultimate Holding Company and/ or their Subsidiaries/ Associates

	No of Shares	No of Shares
(a) Reliance Innoventures Private Limited, Holding Company	1,23,79,001	1,15,29,001
(b) AAA Communication Private Limited, Subsidiary of Holding Company	72,31,10,172	72,31,10,172
(c) AAA Industries Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000
(d) ADA Enterprises and Ventures Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000

(2) Details of Shareholders holding more than 5% shares in the Company

	No of Shares	%	No of Shares	%
(a) AAA Communication Private Limited	72,31,10,172	35.03	72,31,10,172	35.03
(b) AAA Industries Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(c) ADA Enterprises and Ventures Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(d) Life Insurance Corporation of India	14,96,03,497	7.25	14,96,03,497	7.25

(3) The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

During the year ended March 31, 2012, the amount of per share dividend recognized as distributable to equity shareholders is ₹ 0.25 (March 31, 2011: ₹ 0.50). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

(4) 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 Court of respective Judicature, the Company, during the respective years, recorded all necessary accounting effects, alongwith requisite disclosure in the notes to accounts, the cumulative effects of the Schemes of the Equity Share Capital of the Company due to allotment of equity shares as fully paid up without payment being received in cash have been disclosed herein below.

	Number of Shares
(a) Pursuant to demerger of Telecom Undertaking of Reliance Industries Limited into the Company	1,22,31,30,422
(b) Pursuant to the Scheme of Amalgamation and Arrangement involving Group Company	82,14,84,568
	<u>2,04,46,14,990</u>

(5) The Company is no longer required to issue 8.91 crore equity shares of ₹ 5 each as required on conversion of Foreign Currency Convertible Bonds (FCCBs) due to its redemption (Refer Note 2.29).

(6) Reconciliation of shares outstanding at the beginning and at the end of the reporting period.

	March 31, 2012 Number	(₹ in Crore)	March 31, 2011 Number	(₹ in Crore)
Equity Shares				
At the beginning of the Year	2,06,40,26,881	1,032	2,06,40,26,881	1,032
Add/Less: Changes during the year	-	-	-	-
At the end of the Year	<u>2,06,40,26,881</u>	<u>1,032</u>	<u>2,06,40,26,881</u>	<u>1,032</u>

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	(₹ in Crore)	
	As at March 31, 2012	As at March 31, 2011
Note : 2.02		
Reserve and Surplus		
Statutory Reserve Fund		
As per last Balance Sheet* (₹ 6,13,000 Previous year ₹ 6,13,000)	-	-
Add: Transferred from Statement of Profit and Loss (Previous year ₹ 81,300)	-	-
Capital Reserve		
As per last Balance Sheet (₹ 5,00,000 Previous year ₹ 5,00,000)	-	-
Debenture Redemption Reserve		
As per last Balance Sheet	82	82
Add: Transferred from Surplus/ (Deficit) in the Statement of Profit and Loss	91	-
Exchange Fluctuation Reserve	173	82
Securities Premium Account	543	(102)
As per last Balance Sheet	8,581	8,882
Less: Withholding tax paid on Redemption of FCCBs	177	-
Less: Premium paid on Redemption of FCCBs (Refer Note 2.29)	357	301
General Reserve	8,047	8,581
As per last Balance Sheet	18,175	22,341
Less:		
Transferred to Surplus/ (Deficit) in the Statement of Profit and Loss (Refer Note 2.41)	-	216
Transferred to Statement of Profit and Loss (Refer Note 2.40)	1,107	159
As per the Scheme of Amalgamation and Arrangement (Refer Note 2.31(v))	-	7
As per the Scheme of Amalgamation and Arrangement (Refer Note 2.31(vi))	-	891
As per the Scheme of Amalgamation and Arrangement (Refer Note 2.31(viii))	-	950
Transferred to Statement of Profit and Loss (Refer Note 2.04)	651	-
Transferred to Statement of Profit and Loss (Refer Note 2.40)	1,573	-
Transferred to Statement of Profit and Loss (Refer Note 2.31 (iii))	113	630
Transferred to Statement of Profit and Loss (Refer Note 2.40)	70	77
Transferred to Statement of Profit and Loss (Refer Note 2.31(iii))	1,257	1,291
Add : Minority Interest	14	55
Reserve for Business Restructuring	13,418	18,175
Surplus/ (Deficit) in the Statement of Profit and Loss	1,287	1,287
As per last Balance Sheet	11,444	9,967
Add: Profit during the year	928	1,345
Add: Adjustment (Refer Note 2.41)	-	36
Less: Transferred to Statutory Reserve Fund ₹ Nil (Previous year ₹ 81,300)	-	-
Less: Transferred to Debenture Redemption Reserve	91	-
Less/ (Add) : Transferred to/ (from) General Reserve (Refer Note 2.41)	-	(216)
Less: Proposed Dividend on equity shares	52	103
Less: Tax on Proposed Dividend	8	17
Balance Carried forward	12,221	11,444
	35,689	39,467

* Created pursuant to Reserve Bank of India (Amendment) Act, 1997 in respect of Reliance Communications Investment and Leasing Limited (RCILL), a subsidiary of Reliance Communications Infrastructure Limited. RCILL has become Non Banking Finance Company (NBFC) with effect from April 1, 2008. RCILL has already surrendered its certificate of registration to RBI on March 9, 2012 as it no longer operates its NBFC Business.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2012	As at March 31, 2011
(₹ in Crore)		
Note : 2.03		
Long Term Borrowings		
Debentures		
Secured		
3,000 (3,000), 11.20 % Redeemable, Non-Convertible Debentures of ₹ 1 crore each.	3,000	3,000
5,000 (Nil), 11.60 % Redeemable, Non-Convertible Debentures of ₹ 10 lac each.	500	-
1,500 (Nil), 11.25 % Redeemable, Non-Convertible Debentures of ₹ 1 crore each.	1,500	-
Term Loans from Banks		
Secured		
Foreign Currency Loans	24,626	16,293
Rupee Term Loans	20	16,313
	29,646	19,313

2.03.1 Debentures and Term Loans

The Company, on February 7, 2012, allotted, 1,500, 11.25% and 5,000, 11.60% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each and ₹ 10,00,000 each respectively, aggregating to ₹ 2,000 crore. Redemption of NCDs of ₹ 1,500 crore shall be in four annual equal installments starting at the end of fourth year from the date of allotment thereof and NCDs of ₹ 500 crore shall be at the end of 5th year from the date of allotment thereof. During the earlier year, the Company, on March 2, 2009, allotted, 3,000, 11.20% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each, aggregating to ₹ 3,000 crore to be redeemed at the end of 10th year from the date of allotment thereof.

11.20% Secured Redeemable, Non Convertible Debentures and 11.60% Secured Redeemable, Non Convertible Debentures along with foreign currency loans and rupee loans ("The said loans") have been secured by first pari passu charge on the whole of the movable plant and machinery, of the Company including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), Capital Work in Progress (pertaining to movable fixed assets) both present and future including all the rights, title, interest, benefits, claims and demands in respect of all insurance contracts relating thereto of the RCOM Group ("the Borrower Group"); comprising of the Company and its subsidiary companies namely; Reliance Telecom Limited (RTL), Reliance Infratel Limited (RITL) and Reliance Communications Infrastructure Limited (RCIL) in favour of the Security Trustee for the benefit of the NCDs Holders and the Lenders of the said Secured Loans. The said loans also include ₹ 9,342 crore guaranteed. The Company, for the benefit of the Lenders of foreign currency loans and rupee term loans, has, apart from the above, also assigned 20 Telecom Licenses for services under Unified Access Services (UAS), National Long Distance (NLD) and International Long Distance (ILD) by execution of Tripartite Agreements with Department of Telecommunications (DoT) and IDBI Bank, being the agent acting on behalf of the Lenders. Similarly, Reliance Telecom Limited, a subsidiary of the company has apart from the above also for the benefit of its lenders of foreign currency loans and rupee loan assigned 8 Telecom Licenses for services under UAS.

Assignment of aforesaid Telecom Licenses of the Company for 11.60%, 5,000 Secured Redeemable, Non Convertible Debentures aggregating to ₹ 500 crore and secured foreign currency loans aggregating to ₹ 4,707 crore raised during the year is pending to be executed. Security on the above assets of the Borrower Group on first pari passu charge basis including assignment of Telecom Licenses of the Company for 1,500, 11.25% Secured Redeemable, Non Convertible Debentures aggregating to ₹ 1,500 crore is also pending for execution. Secured foreign currency loans and rupee loans shall be additionally secured by way of a pledge over the shares held by the Company in its subsidiaries; RTL and RCIL, which is pending to be created on first pari passu basis for necessary consent from the existing Secured Lenders.

Reliance Globalcom B.V. (RGBV), the Netherlands, a Subsidiary of the Company, during the previous year, availed facility of USD 500 million against pledge of shares of material subsidiaries of Reliance Globalcom Limited, Bermuda, a subsidiary of RGBV.

2.03.2 Repayment Schedule of Long Term Loans

(a) Debentures		₹ in Crore			
Rate of Interest		Repayment Schedule			
		2015-16	2016-17	2017-18	2018-19
(i)	11.20%	-	-	-	3,000
(ii)	11.60%	-	500	-	-
(iii)	11.25%	375	375	375	375

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(b) Foreign Currency Loans

₹ in Crore

Rate of Interest	Repayment Schedule									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
(i) 0.56%	53	54	54	54	54	57	62	20	6	
(ii) 0.90%	1	1	1	1	1	1	2	1	-	
(iii) 2.77%	13	33	47	47	147	161	127	94	-	
(iv) 2.71%	-	-	-	-	1	1	1	1	-	
(v) 1.23%	848	-	-	-	-	-	-	-	-	
(vi) 3.50%	-	-	254	-	-	-	-	-	-	
(vii) 3.19%	-	-	1,272	-	-	-	-	-	-	
(viii) 3.49%	-	-	254	-	-	-	-	-	-	
(ix) 0.79%	848	-	-	-	-	-	-	-	-	
(x) 0.81%	170	-	-	-	-	-	-	-	-	
(xi) 1.33%	-	527	351	-	-	-	-	-	-	
(xii) 1.35%	-	308	154	-	-	-	-	-	-	
(xiii) 2.55%	267	515	916	916	534	267	-	-	-	
(xiv) 3.72%	135	406	541	609	1,218	1,218	1,218	1,286	-	
(xv) 2.84%	-	432	432	432	-	-	-	-	-	
(xvi) 2.67%	1	2	3	3	9	10	8	6	-	
(xvii) 2.46%	-	-	32	16	-	-	-	-	-	
(xviii) 5.50%	282	471	282	847	1,177	1,506	-	-	-	
(xix) 4.95%	848	848	848	-	-	-	-	-	-	

(c) Rupee Loan

₹ in Crore

Rate of Interest	Repayment Schedule
	2015-16
13.00%	20

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.04

Deferred Tax Assets and Liabilities

The Deferred Tax Liabilities relating to other subsidiaries of the Company comprise of the following.

(i) Deferred Tax Liabilities				
Lease Rent Equalisation	1,389		1,047	
Related to timing difference on depreciation on fixed assets	274	1,663	-	1,047
(ii) Deferred Tax Assets				
Related to carried forward loss	645		317	
Disallowances, if any, under the Income Tax Act, 1961	-		5	
Related to timing difference on depreciation on fixed assets	-	645	358	680
Net Deferred Tax Liabilities		1,018		367

The Deferred Tax Assets of the Company comprise of the following.

(i) Deferred Tax Assets				
Related to carried forward loss	1,690		2,191	
Disallowances, if any, under the Income Tax Act, 1961	4,818		3,515	
Lease Rent Equalisation	4,280	10,788	3,151	8,857
(ii) Deferred Tax Liabilities				
Related to timing difference on depreciation on fixed assets	3,428		3,019	
Interest Capitalised	221		87	
Impairment/ Loss on sale of capital assets	2,592	6,241	2,592	5,698
Net Deferred Tax Assets *		4,547		3,159

* In absence of virtual certainty of realisability of deferred tax assets, the Company on a conservative basis has restricted deferred tax asset to Nil.

Deferred Tax Liability of ₹ 651 crore has been provided by Reliance Infratel Limited (RITL) during the year and adjusted by withdrawing an equivalent amount from General Reserve pursuant to the Scheme of Amalgamation between RITL and Reliance Global IDC Limited (RGIDCL), a Wholly Owned Subsidiary of RITL into RITL sanctioned by the Hon'ble High Court of Bombay vide order dated May 6, 2011, leaving no impact on profit for the year.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.05

Other Long Term Liabilities

Advance from Customers	98	5
Liability for leased assets	267	242
Unearned Income	852	924
	<u>1,217</u>	<u>1,171</u>

Note : 2.06

Long Term Provisions

Provision for Employee Benefit	63	3
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Others

Assets Retirement Obligations	761	244
	<u>824</u>	<u>247</u>

Note : 2.07

Short Term Borrowings (Unsecured unless stated otherwise)

Other Loans and Advances

From Banks

Cash Credit (Secured)	300	-
Foreign Currency Loans	1,385	1,678
Rupee Loans (Secured)	2,900	-
Rupee Loans	-	8,850
Commercial Papers	945	146

From Others	9	5,539	8	10,682
		<u>5,539</u>		<u>10,682</u>

Cash Credit and Rupee Loans from Banks

The Company and its subsidiaries had during the earlier year, also availed Short Term Borrowings ("Secured Short Term Borrowings") which have been secured by way of second pari passu charge on plant and machinery, including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), capital work in progress (pertaining to movable fixed assets), both present and future, of the Borrower Group; comprising of the Company and its subsidiaries namely; RTL, RITL and RCIL in favour of the Security Trustee for the benefit of Secured Short Term Lenders.

Working capital (Cash Credit) facilities shall be secured by first pari passu charge over current assets comprising of Stock and receivables of the Company in favour of the working capital lenders, which is pending to be created.

Note : 2.08

Trade Payables

Due to Micro and Small Enterprises	156	168
Others	2,162	1,721
	<u>2,318</u>	<u>1,889</u>

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

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 MSE. 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, 2012	As at March 31, 2011
(i) Principal amount due to any supplier as at the year end	156	168
(ii) Interest due on the principal amount unpaid at the year end to any supplier	38	25
(iii) 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	-	-
(iv) Payment made to the enterprises beyond appointed date under Section 16 of MSMED	252	67
(v) 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	7	2
(vi) Amount of interest accrued and remaining unpaid at the end of each accounting year	46	27
(vii) 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	15	16

Note : 2.09

Other Current liabilities (Unsecured unless stated otherwise)

Current Maturities of Long Term Debts

Foreign Currency Convertible Bonds (FCCBs) (Refer Note 2.29)	-	6,696	
Foreign Currency Loan (Secured) (Refer Note 2.03.1)	3,118	3,118	2,380
			9,076
Others			
Interest accrued but not due on loans	119	74	
Unclaimed Dividend	9	7	
Employees Stock Options	5	10	
Capital Creditors	1,829	2,729	
Liability for Leased Asset	2	1	
Other Payables	5,574	3,557	
Advance from Customers and Income Received in Advance	1,225	8,763	1,165
		11,881	16,619

Note : 2.10

Short Term Provisions

(a) Provision for Employee Benefit

Retirement Benefits	53	126
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(b) Others

Disputed and Other Claims (Refer Note 2.35)	1,362	1,408
Business Restructuring (Refer Note 2.31)	1,137	1,239
Income Tax (net of advanced tax)	52	216
Fringe Benefit Tax (net of taxes paid)	1	2
Wealth Tax (net of taxes paid)	1	1
Proposed Dividend on equity shares	52	103
Tax on Proposed Dividend	8	2,613
	2,666	3,112

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
Note 2.11 Fixed Assets as at March 31, 2012

Description	Gross Block				Depreciation			Net Block		
	As at April 1, 2011	Additions / Adjustments	Deductions/ Adjustment Including on Account of CTR	As at March 31, 2012	As at April 1, 2011	Transfer from General Reserves/ Provision for Business Restructuring	Depreciation for the year	Deductions/ Adjustment	As at March 31, 2012	As at March 31, 2011
Tangible Assets										
Leasehold Land	25	-	-	25	2	-	-	-	23	23
Leasehold Improvement	163	-	8	171	116	-	11	8	36	47
Freehold Land	479	6	-	485	6	-	-	-	479	473
Buildings	2,389	3	4	2,396	547	66	58	-	671	1,725
Plant and Machinery	57,510	7,563	285	65,358	20,755	1,407	1,540	493	24,195	18,42
Office Equipment	132	-	1	133	70	-	12	(4)	78	36,755
Furniture and Fixtures	189	-	1	190	116	-	14	-	130	62
Vehicles	74	-	-	74	62	-	2	-	64	73
Sub Total	60,961	7,572	299	68,832	21,674	1,473	1,637	497	25,281	39,287
Previous Year	57,831	3,265	(203)	60,893	16,073	2,008	3,744	(179)	39,247	41,758
Intangible Assets										
Entry fee for Telecom Licence	18,810	9,237	-	28,047	3,866	-	1,795	-	5,661	14,944
Indefeasible Right of Connectivity	1,398	65	205	1,668	1,345	-	65	177	1,587	53
Software	364	50	24	438	220	-	47	6	273	144
Brand Licence	354	-	-	354	128	-	32	-	160	226
Movie Rights	7	-	(7)	-	7	-	-	(7)	-	-
Licence and Knowhow	197	-	26	223	100	-	32	16	148	97
Sub Total	21,130	9,352	248	30,730	5,666	-	1,971	192	7,829	15,464
Previous Year	20,834	431	(67)	21,198	2,994	-	2,760	(60)	5,694	17,840
Grand Total	82,091	16,924	547	99,562	27,340	1,473	3,608	689	33,110	54,751
Previous Year	78,665	3,696	(270)	82,091	19,067	2,008	6,504	(239)	27,340	59,598
Capital Work- in - Progress									5,026	16,600

Notes:

- 2.11.1 (a) Freehold Land includes ₹ 55,808 (Previous year ₹ 55,808) acquired from Karnataka Industrial Areas Development Board (a Government of Karnataka Undertaking). Transfer of ownership is under process.
 (b) Freehold Land includes ₹ 1 crore (Previous year ₹ 1 crore) towards land acquired, the transfer of ownership is under process.
- 2.11.2 Buildings include:
 (a) ₹ 250 (Previous year ₹ 250) towards cost of Shares in Co-operative Society (held by Reliance Telecom Limited).
 (b) ₹ 2,00,000 (Previous year ₹ 2,00,000) towards cost of Shares acquired in a Company (held by Reliance Communications Infrastructure Limited).
- 2.11.3 Plant and Machinery includes Electrical equipments of ₹ 3 crore (Previous year ₹ 3 crore), which are under custody and control of Maharashtra State Electricity Distribution Company Limited.
- 2.11.4 Plant and Machinery includes Asset Retirement Obligations (ARO) Gross Block ₹ 761 crore (Previous year ₹ 244 crore), Accumulated Depreciation ₹ 195 crore (Previous year ₹ 138 crore) and Net Block ₹ 566 (Previous year ₹ 106 crore).
- 2.11.5 (a) Gross Block includes ₹ 3,585 crore being the amount added on revaluation as on January 1, 2006.
 (b) Gross Block for the previous years include ₹ 1,963 crore, being an amount added on fair valuation as on April 10, 2007.
- 2.11.6 During the year, addition to Plant & Machinery and Telecom License includes ₹ 1,586 crore and ₹ 163 crore respectively (Previous year ₹ Nil) on account of Foreign Exchange loss. (Refer Note 2.30)
- 2.11.7 Capital Work in Progress includes:
 (a) ₹ 361 crore (Previous year ₹ 600 crore) on account of project development expenditure.
 (b) ₹ 57 (Previous year ₹ 223 crore) on account of materials at site.
 (c) Net Provision for impairment of ₹ 370 crore (Previous year ₹ Nil)
 (d) ₹ Nil (Previous year ₹ 8,585 crore) relating to 3G Spectrum Fee paid to Department of Telecommunication (DoT)
- 2.11.8 Transfer of title of certain land and buildings received from Reliance Industries Limited pursuant to the Schemes of Arrangements is under process.
- 2.11.9 Deductions / Adjustments include exchange fluctuation on account of currency translation of foreign Subsidiaries.
- 2.11.10 Refer Note 2.03.1 and 2.07 for Security in favour of the Lenders.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

		As at March 31, 2012	(₹ in Crore) As at March 31, 2011
Note : 2.12			
Non Current Investments			
Trade Investment (Valued at cost unless stated otherwise)			
In Equity Shares of Companies			
Quoted, fully paidup			
39,342 Groupon INC-Class A Common Stock of USD 0.0001 (39,342) each	12		11
5,95,074 Sequans Communications SA of Euro 0.02 each (5,95,074)	18	30	16
			27
Other Investments			
Unquoted, fully paidup			
6,50,25,000 Warf Telecom International Private Limited - ₹ 1 each (6,50,25,000) Less : Share of Loss of Associates	22 (12)		22 (13)
	10		9
4,000 Ordinary Share in eWave China of No Par Value (4,000)	23		19
1,600 Macronet Private Limited - ₹ 10 each (1,600) (₹ 16,000 Previous year ₹ 16,000)	-		-
1,601 Macronet Mercantile Private Limited - ₹ 10 each (1,601) (₹ 16,010 Previous year ₹ 16,010)	-		-
13,000 Mumbai Metro Transport Private Limited - ₹ 10 each (13,000) (₹ 1,28,788 Previous year ₹ 1,30,000)	-		-
5,000 International Convention Centre Construction Private (5,000) Limited of ₹ 10 each (₹ 50,000 Previous year ₹ 50,000)	-		-
100 Nodia Global SEZ Private Limited of ₹ 10 each (100) (₹ 1,000 Previous year ₹ 1,000)	-	33	-
			28
In Preference Shares of Companies			
Unquoted, fully Paidup			
10,00,000 9% Redeemable Preference Shares of Reliance BPO (10,00,000) Private Limited of ₹ 10 each	5		5
20,45,455 Series D Preferred Stock of Stoke Inc. of USD 2.2 each (20,45,455)	25		21
5,85,993 Series A Preferred Stock of Scalable Display Technologies (5,85,993) Inc. of USD 1.62 each	5		4
14,63,415 Series C Preferred Stock of Stoke Inc. of USD 2.05 (14,63,415) each	15		13
84,74,576 Series B Preferred Stock of E Band Communications (84,74,576) Corporation of USD 0.354 each	15	65	15
			58
In Partnership Firm			
Unquoted, fully paid up			
Tip Top Typography	5		5
Less: Share of Loss in the Partnership Firm ₹ 1,22,674 (Previous year ₹ 2,21,218)	-		-
Reliance Capital Infrastructure		5	5
In Government Bonds			
Unquoted fully paid up			
6 Year National Savings Certificates (₹ 2,49,500 Previous year ₹ 1,92,500) (Lodged with Sales Tax Department)	-		-
5 1/2 years Kisan Vikas Patra (₹ 5,000 Previous year ₹ 5,000) (Lodged with Chennai Metropolitan Development Authority)	-		-
	-	133	-
			118

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	(₹ in Crore)	
	As at March 31, 2012	As at March 31, 2011
Aggregate Amount of Investments		
Unquoted	103	91
Quoted	30	27
	133	118
Partners Capital Account Details		
A Tip Top Typography		
Name of the Partners and share in profits	Capital (in ₹)	Share (%)
Reliance Land Private Limited	31,67,810	34%
Swan Sorority Finance Private Limited	(9,26,326)	33%
Reliance Webstore Limited	5,17,88,550	33%
Total Capital of the Firm	5,40,30,034	100%
Note : 2.13		
Long Term Loans and Advances		
(Unsecured, Considered good – unless stated otherwise)		
Capital Advance	898	1,070
Security Deposit	65	23
MAT Credit Entitlement	54	34
Advance Income Tax	718	378
Unamortised Arranger's Fee	245	131
Other Long Term Advances	389	389
Prepaid Expenses	113	34
Bank Deposit with maturity for more than 12 months	-	-
₹ 31,41,206 (Previous year ₹ 25,76,045)	2,482	2,059
Note : 2.14		
Other Non Current Assets		
(Unsecured, Considered good – unless stated otherwise)		
Deposits	230	-
Others	388	-
	618	-
Note : 2.15		
Current Investment (valued at lower of cost and market value)		
In Units of Mutual Funds		
Quoted		
34,000 6.83% GOI Bonds – 2039 of ₹ 100 each fully paid up	-	-
(34,000) (₹ 27,26,726 Previous year ₹ 28,33,853)		
Unquoted		
12,12,461 BlackRock US Dollar Liquidity First Fund – Institutional Share	6	3
(6,88,191) Class of USD 1 each		
15,721 BlackRock US Dollar Liquid Investment Fund of USD 1 each	513	449
(15,721)		
	519	452
Aggregate Amount of Investments		
Unquoted	519	452
Quoted (₹ 30,52,000 Previous year ₹ 30,52,000)	-	-
	519	452

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.16

Inventories

Stores and Spares *	427	405
Stock in Trade (Communications Devices and Accessories)	139	112
	<u>566</u>	<u>517</u>

* ₹ Nil (Previous year ₹ 6,74,145) is determined based on the First in First out method of inventory valuation and the balance is based on Weighted Average method

Note : 2.17

Trade Receivables (Unsecured)

Due for More than Six months from the date they are due for payment

Considered Good	1,842	1,338
Considered Doubtful	1,038	636
	<u>2,880</u>	<u>1,974</u>
Less: Provision for doubtful receivables/ Bad debts written off	1,038	636
	<u>1,842</u>	<u>1,338</u>

Others

Considered Good	1,742	2,415
Considered Doubtful	161	69
	<u>1,903</u>	<u>2,484</u>
Less: Provision for doubtful receivables	161	69
	<u>1,742</u>	<u>2,415</u>
	<u>3,584</u>	<u>3,753</u>

Note : 2.18

Cash and Bank Balances

Cash on hand (₹ 2,05,851 Previous year ₹ 1,20,505)	-	-
Cheques on hand	87	82
Balance with Banks	327	4,626
Earmarked Balances - Unpaid Dividend	9	7
Balances held as Margin Money	120	147
Balances held due to Repatriation Restrictions	7	4
	<u>550</u>	<u>4,866</u>

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.19

Short Term Loans and Advances

(Unsecured, Considered good – unless stated otherwise)

Other Loans and Advances

Considered good	4,959		4,640	
Considered doubtful	133		75	
	5,092		4,715	
Less: Provision for doubtful advance	133	4,959	75	4,640
Balance with Customs, Central Excise Authorities etc. (Previous year ₹ 13,12,801)		29		-
		4,988		4,640

Note : 2.20

Other Current Assets

Deposits *	1,733		1,694	
Interest accrued on Investments (₹ 16,05,894)	-		4	
Unbilled Revenue	280		231	
Others	325		291	
	2,338		2,220	

* Deposit includes ₹ 1,527 crore (Previous year ₹ 1,186) paid against disputed claim (Refer Note 2.35).

For the year ended
March 31, 2012

For the year ended
March 31, 2011

Note : 2.21

Revenue from Operations

Sale of Services (Refer Note below)	21,172		24,556	
Less: Service Tax	2,456	18,716	2,467	22,089
Other Operating Income (*includes realisation from telecom terminals and accessories etc.)		961		342
		19,677		22,431

Accounting for Indefeasible Right of Use

- (a) During the previous 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 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.
- (b) Accordingly, during the previous year, based on experts' opinions, income from exclusive IRUs was recognised as license income, in compliance with Accounting Standard (AS) 9 "Revenue Recognition". As a result, revenue and amortisation for the previous year were higher by ₹ 2,545 crore and ₹ 2,564 crore respectively and Profit after Tax was lower by ₹ 47 crore.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

For the year ended
March 31, 2012

For the year ended
March 31, 2011

Note : 2.22

Other Income

Net Gain on Sale of Investments	23	57
Profit on Disposal of Fixed Assets	7	331
Interest Income	40	61
Dividend Income ₹ Nil (Previous year ₹ 3,15,172)	-	-
Miscellaneous Income	635	289
	<u>705</u>	<u>738</u>

Note : 2.23

Access Charges, Licence Fees and Network Expenses

Access Charges	2,477	2,648
License Fees	1,132	1,157
Rent, Rates and Taxes	826	506
Network Repairs and Maintenance	1,430	1,331
Stores and Spares Consumed	93	132
Power Fuel and Utilities	1,662	1,579
Cost of Service Contents and Applications	412	399
Other Network Operating Expenses	1,620	1,524
	<u>9,652</u>	<u>9,276</u>

Note : 2.24

Employee Benefits Expenses

Salaries (including managerial remuneration)	1148	1325
Contribution to Provident, Gratuity and Superannuation Fund	53	61
Employee Welfare and Other Amenities	87	90
Write back of compensation under Employee Stock Option Scheme	(5)	(7)
	<u>1283</u>	<u>1469</u>

Note : 2.25

Finance Costs

Interest and Other Charges on Term Loans	859	459
Interest on Other Loans	618	443
Other Financial Cost	153	231
	<u>1,630</u>	<u>1,133</u>

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

For the year ended
March 31, 2012

For the year ended
March 31, 2011

Note : 2.26

Sales and General Administration Expenses

Selling Expenses

Commission	596		705	
Selling and Marketing	655		656	
Advertisement	127		184	
Customer Acquisition and Customer Care	170		235	
Cost of Sale of Telecom Terminals and Accessories	441	1,989	324	2,104

Provision for Doubtful Debts, Loans and Advances

61 169

General Administration Expenses

Insurance	18		13	
Rent, Rates & Taxes	184		170	
Repairs and Maintenance				
- Machinery	17		14	
- Building	13		19	
- Others	34		22	
Travelling	58		71	
Professional Fees	136		136	
Foreign Exchange (Gain)/ Loss (Net)	10		(35)	
Loss on Sale/ Discarding of Assets (₹ 3,10,533 Previous year ₹ 8,23,992)	-		-	
Hire Charges	304		342	
Other General and Administrative Expenses	123		241	
Wealth Tax (Previous year ₹ 47,50,000)	1	898	-	993

Payment to Auditors

9 9

2,957 3,275

Note : 2.27

Previous Year

The consolidated financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act 1956, the consolidated financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year's figures does not impact recognition and measurement principles followed for preparation of financial statements. Amount in financial statements are presented in Rupees in crore, except as otherwise stated.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.28

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	Reliance Mobile Commerce Limited	India	100.00%
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	99.94%
22	FLAG Telecom Singapore Pte. Limited	Singapore	99.94%
23	FLAG Atlantic UK Limited	United Kingdom	99.94%
24	Reliance FLAG Atlantic France SAS	France	99.94%
25	FLAG Telecom Taiwan Limited	Taiwan	59.96%
26	Reliance FLAG Pacific Holdings Limited	Bermuda	100.00%
27	FLAG Telecom Group Services Limited	Bermuda	99.94%
28	FLAG Telecom Deutschland GmbH	Germany	99.94%
29	FLAG Telecom Hellas AE	Greece	99.94%
30	FLAG Telecom Asia Limited	Hong Kong	99.94%
31	FLAG Telecom Netherland B.V.	The Netherlands	99.94%
32	Reliance Globalcom (UK) Limited	United Kingdom	99.94%
33	Yipes Holdings Inc.	USA	99.94%
34	Reliance Globalcom Services Inc.	USA	99.94%
35	YTV Inc.	USA	99.94%
36	Reliance Infocom Inc.	USA	99.94%
37	Reliance Communications Inc.	USA	99.94%
38	Reliance Communications International Inc.	USA	99.94%
39	Reliance Communications Canada Inc.	USA	99.94%
40	Bonn Investment Inc.	USA	99.94%
41	FLAG Telecom Development Limited	Bermuda	99.94%
42	FLAG Telecom Development Services Company LLC	Egypt	99.94%
43	FLAG Telecom Network Services Limited	Ireland	99.94%
44	Reliance FLAG Telecom Ireland Limited	Ireland	99.94%
45	FLAG Telecom Japan Limited	Japan	99.94%

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
46	FLAG Telecom Ireland Network Limited	Ireland	99.94%
47	FLAG Telecom Network USA Limited	USA	99.94%
48	FLAG Telecom Espana Network SAU	Spain	99.94%
49	Reliance Vanco Group Ltd.	United Kingdom	99.94%
50	Euronet Spain SA	Spain	99.94%
51	Net Direct SA (Proprietary) Ltd. (Under liquidation)	South Africa	99.94%
52	Vanco (Shanghai) Co. Ltd.	China	99.94%
53	Vanco (Asia Pacific) Pte. Ltd.	Singapore	99.94%
54	Vanco Australasia Pty. Ltd.	Australia	99.94%
55	Vanco EpE	Greece	99.94%
56	Vanco Sp Zoo	Poland	99.94%
57	Vanco GmbH	Germany	99.94%
58	Vanco Japan KK	Japan	99.94%
59	Vanco NV	Belgium	99.94%
60	Vanco SAS	France	99.94%
61	Vanco South America Ltda	Brazil	99.94%
62	Vanco Srl	Italy	99.94%
63	Vanco Sweden AB	Sweden	99.94%
64	Vanco Switzerland AG	Switzerland	99.94%
65	Vanco Deutschland GmbH	Germany	99.94%
66	Vanco BV	The Netherlands	99.94%
67	Vanco Benelux BV	The Netherlands	99.94%
68	Vanco UK Ltd.	United Kingdom	99.94%
69	Vanco International Ltd.	United Kingdom	99.94%
70	Vanco Row Limited	United Kingdom	99.94%
71	Vanco Global Ltd.	United Kingdom	99.94%
72	VNO Direct Ltd.	United Kingdom	99.94%
73	Vanco US LLC	USA	99.94%
74	Vanco Solutions Inc.	USA	99.94%
75	Reliance WiMax World BVI	British Virgin Islands	69.23%
76	Reliance WiMax World B.V.	The Netherlands	69.23%
77	Reliance WiMax World Limited	United Kingdom	69.23%
78	Reliance WiMax World LLC	USA	69.23%
79	Reliance WiMax Congo Brazzaville B.V.	The Netherlands	35.31%
80	Interconnect Brazzaville S. A.	Republic of Congo	35.31%
81	Reliance WiMax Guinea B.V.	The Netherlands	41.54%
82	Access Guinea SARL	Guinea	41.54%
83	Reliance WiMax Sierra Leone B. V.	The Netherlands	51.92%
84	Equatorial Communications Limited	Sierra Leone	51.92%
85	Reliance WiMax Cameroon B. V.	The Netherlands	35.31%
86	Equatorial Communications SARL	Cameroon	35.31%
87	Reliance WiMax D.R.C. B.V.	The Netherlands	69.23%
88	Reliance WiMax Gambia B.V.	The Netherlands	69.23%
89	Reliance WiMax Mauritius B.V.	The Netherlands	69.23%
90	Reliance WiMax Mozambique B.V.	The Netherlands	69.23%
91	Reliance WiMax Niger B.V.	The Netherlands	69.23%
92	Reliance WiMax Zambia B.V.	The Netherlands	69.23%
93	Access Bissau LDA	Guinea Bissau	41.54%

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (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	48.97%
2	FLAG Holdings (Taiwan) Limited	Taiwan	49.97%
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 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%

- (e) The following subsidiary companies/ companies controlled/ companies consolidated ceased to remain subsidiaries/ controlled/ consolidated during the year.

Sr. No.	Name of the Company
1	Vanco Euronet Sro, Czech Republic has been liquidated and ceased to be subsidiary w.e.f. March 3, 2012
2	Vanco Net Direct Limited, Ireland has been struck off and ceased to be subsidiary w.e.f. April 8, 2011
3	WANcom GmbH, Switzerland has been merged with Vanco Switzerland AG w.e.f. May 30, 2011
4	Netizen Rajasthan Limited has been merged with Reliance Infratel Limited w.e.f. March 1, 2012

Note : 2.29

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 1000 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 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, resulting in a saving of ₹ 101 crore then accounted.
- (iii) In accordance with the terms of issue of respective FCCBs, the Company, on due date, redeemed all outstanding 2,96,949 FCCBs aggregating USD 296.95 million on May 9, 2011 and balance outstanding 9,253 FCCBs aggregating USD 925.30 million on February 27, 2012. As a result, the Company is not required to allot 8.91 crore equity shares of ₹ 5 each arising out of conversion of the said FCCBs. Premium of USD 76.73 million and USD 256.22 million respectively, for the entire tenor, paid on redemption of the respective FCCBs has been charged to Securities Premium Account. This includes an amount of USD 1.79 million and USD 51.78 million respectively pertaining to the year ended March 31, 2012.

Note : 2.30

Foreign Currency Monetary Items; long term

In view of the Option allowed pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs (MCA), Government of India, for the year ended on March 31, 2012, the Company has added ₹ 1,749 crore, including ₹ 163 crore regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates, of exchange differences on long term borrowing relating to acquisition of depreciable capital assets to the cost of capitalised assets. Further, the Company has accumulated foreign currency variations of ₹ 470 crore arising on other long term foreign currency monetary items in "Foreign Currency Monetary Item Translation Difference Account", out of which, ₹ 45 crore has been amortised during the year, leaving balance to be amortised over the balance period of loans.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.31

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 the Hon'ble High Court 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. Reserves, pursuant to the said Schemes, include;

- (i) ₹ 8,581 crore being Securities Premium Account, which was part of the Securities Premium of erstwhile Reliance Infocomm Limited (RIC), the transferor company.
- (ii) ₹ 12,345 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) ₹ 1,287 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 Reliance Infratel Limited (RITL).
- (v) ₹ 7 crore being Goodwill arising on consolidation pursuant to the Scheme of Amalgamation between subsidiaries has been debited during the previous year to General Reserve.
- (vi) ₹ 891 crore, being prepaid expenses adjusted during the previous year against Securities Premium Account in accordance with the Scheme of Amalgamation between RITL and Reliance Global IDC Limited (RGIDCL), a Wholly Owned Subsidiary of RITL into RITL and as required for Consolidation, the same was adjusted against General Reserve.
- (vii) Additional depreciation of subsidiaries consequent upon revaluation of assets carried out has been adjusted to General Reserve.
- (viii) ₹ 950 crore an amount recoverable which was written off by Reliance Communications Infrastructure Limited (RCIL) during the earlier year, was charged off, as permitted under the Scheme of Amalgamation of Matrix Innovations Limited (MIL), a Wholly Owned Subsidiary of RCIL into RCIL, to General Reserve.
- (ix) Pursuant to the said Scheme of Amalgamation (Refer Note (ii) above), on account of the fair valuation during the year ended on March 31, 2009, additions (or) adjustments to the fixed assets included increase in Freehold Land by ₹ 225 crore, Buildings by ₹ 130 crore and Telecom Licenses by ₹ 14,145 crore.
- (x) Pursuant to the demerger, the Company computed goodwill of ₹ 2,659 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.
- (xi) Also refer note 2.40 "Exceptional Items".

Note : 2.32

Scheme of Amalgamation and Arrangement

Pursuant to the Scheme of Amalgamation ("the Scheme") under Section 391 to 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay vide Order dated April 20, 2012, with an Appointed Date being March 1, 2012, Netizen Rajasthan Limited ("NRL" or 'the Transferor Company'), a Wholly Owned Subsidiary of Reliance Infratel Limited ("RITL" or 'the Transferee Company'), a subsidiary of the Company, has been amalgamated into RITL and ceased to be subsidiary of the Company.

Upon the Scheme becoming effective, all the assets and liabilities as appearing in the books of NRL 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. Investment of ₹ 1,000 crore by the RITL in the shares of NRL has been written off by RITL to its Statement of Profit and Loss and adjusted by withdrawing an equivalent amount from General Reserve. Excess of assets over liabilities of ₹ 1,793 crore has been credited to Capital Reserve by RITL.

Note : 2.33

Depreciation, Impairment and Amortisation and Change in Method of Depreciation

Pursuant to an approval by the Ministry of Corporate Affairs (MCA) under Section 205 (2) (d) of the Companies Act, 1956, Reliance Infratel Limited (RITL), a Subsidiary of the Company has provided depreciation on Telecom Towers at 2.72% under Straight Line Method (SLM) over the useful life of asset. As a result, depreciation charge in Consolidated Accounts for the year ended March 31, 2012 is lower by ₹ 173 crore and profit is higher by the said amount.

Reliance Telecom Limited, a Wholly Owned Subsidiary of the Company has aligned policy of depreciation with the Company and accordingly, provided depreciation based on SLM. As a result, in Consolidated Accounts, excess depreciation of ₹ 306 crore accounted during the previous period up to September 30, 2011 has been reversed during the year ended March 31, 2012. As a result, depreciation charge is lower and profit is higher by the said amount for year ended March 31, 2012.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.34

Project Development Expenditure

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

(₹ in Crore)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Opening Balance	600	178
Add: Expenditure incurred during the year	267	325
Interest on Term Loans	297	355
	1,164	858
Less: Capitalized during the year	803	253
Sale of scrap	-	5
Closing Balance	361	600

Note : 2.35

Provisions

Provisions include, provision for disputed claims for verification of customer ₹ 9 crore (Previous year ₹ 9 crore), others of ₹ 1,353 crore (Previous year ₹ 1,399 crore) and reversal of disputed liabilities of ₹ 46 crore (Previous year ₹ 102 crore), provisions for Asset Retirement Obligation (ARO) made by the Company's subsidiary in respect of undersea cables and equipments of ₹ 761 crore (Previous year ₹ 244 crore).

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

Note : 2.36

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

(₹ in Crore)

	As at March 31, 2012	As at March 31, 2011
(i) Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for	657	1,420
(ii) Disputed Liabilities not provided for		
- Sales Tax and VAT	35	131
- Custom, Excise and Service Tax	12	12
- Entry Tax and Octroi	62	43
- Income Tax	16	-
- Other Litigations	97	128
- Interest on ADC on FWP/ T	342	160
(iii) Claims against the Company not acknowledged as debt	137	87
(iv) Guarantees given including on behalf of other companies for business purpose	51	423
(v) Bonds executed in favour of the Government Authorities	-	57

(vi) Consequent to the investigations by an investigative agency (CBI) in relation to the entire telecom sector in India, certain preliminary charges have been framed by a Trial Court in October, 2011 against Reliance Telecom Limited (RTL), a Wholly Owned Subsidiary of the Company, and three of the executives of the Group. The charges so framed are preliminary in nature based on investigations only, 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 a writ petition for quashing the charges framed have been filed in October, 2011 in the Hon'ble High Court of Delhi, which is pending for hearing. These preliminary charges have no impact on the business, operations, and/ or licenses of RTL and of the Company and, even more so, are not connected in any manner to any other listed group companies.

(vii) License Fees

The Hon'ble Supreme Court, vide its judgment dated October 11, 2011, has set aside the Order of Telecom Disputes Settlement and Appellate Tribunal (TDSAT) dated August 30, 2007 and allowed two months' time to the licencees to raise their disputes before the Hon'ble TDSAT w.r.t. the demands already raised by Department of Telecommunications (DoT). The Hon'ble Supreme Court, in the meanwhile, also restrained DoT from enforcing its demands already raised. By Order dated December 15, 2011, the

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Hon'ble TDSAT granted all licensees/ operators the liberty to file additional affidavits thereby bringing on record the material facts including the subsequent events with respect to the petitions already pending before the Hon'ble TDSAT, which have been revived pursuant to the aforesaid judgement of the Hon'ble Supreme Court. On April 12, 2012, all the petitions (both old and new of all the operators including of the Company) were heard and an interim order of protection, earlier passed was extended to the new AGR petitions. The matter is pending for further hearing/ orders scheduled before the Hon'ble TDSAT on July 2, 2012.

(viii) Access Deficit Charges (ADC)

The Hon'ble TDSAT and the Hon'ble Supreme Court, vide their judgments dated January 17, 2006 and April 30, 2008 respectively upheld the circular of Bharat Sanchar Nigam Limited (BSNL) dated January 14, 2005 whereby and whereunder the Company's fixed wireless phone (FWP) service was declared as limited mobile service. The period of claim, which was raised before the Hon'ble Supreme Court, was from November 14, 2004 to August 26, 2005. As directed by the Hon'ble Supreme Court, on April 30, 2008, the Company moved before the Hon'ble TDSAT for quantification of ADC for aforesaid period. The Hon'ble TDSAT vide its judgement dated April 17, 2012 confirmed the liability of the Company for the said period and for subsequent periods. The Company already has an adequate provision of ₹ 540 crore in the books for the liability which has been determined to be payable. Further course of action including the financial impact, if any, for the balance amount, which is under dispute shall be determined on completion of reconciliation with BSNL.

(ix) Special Audit

Pursuant to the Telecom License Agreement, 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 Company and its subsidiary have received show cause notices dated January 31, 2012 based on report of the Special Audit directed by DoT relating to alleged shortfall of license fees and revenue share of ₹ 306 crore and interest thereon as applicable. The Company has submitted its reply to DoT towards show cause notice. The Company is confident that based on advice and, 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, there shall not be any liability in this regard and hence, no provision is required in the accounts of the Company.

Note : 2.37

Leases

(a) Finance Lease; as a lessee

- (i) The details of gross investments and minimum lease rentals outstanding as at March 31, 2012 in respect of Fixed Assets acquired on or after April 1, 2001.

(Amount in ₹)

Due	Gross Investment		Unearned Finance Income		Present Value of Minimum Lease Payments	
	For the year ended March 31,		For the year ended March 31,		For the year ended March 31,	
	2012	2011	2012	2011	2012	2011
Within one year	4,55,631	8,32,438	20,957	1,46,723	4,34,674	6,85,715
Later than one year and not later than five years	-	4,55,631	-	-	-	4,55,631
Later than five years	-	-	-	-	-	-
Total	4,55,631	12,88,069	20,957	1,46,723	4,34,674	11,41,346

- (ii) General description of the significant leasing arrangements is as mentioned below.

- The lease agreement is valid for a fixed non cancellable period from the date of commencement of lease rentals.
- Upon termination of the lease agreement, the Company shall return the assets to the lessor.
- 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)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Estimated future minimum payments under non cancellable operating leases.		
(i) Not later than one year	1	1
(ii) Later than one year and not later than five years	2	2
(iii) Later than five years	165	166

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.38

Particulars of Derivative Instruments

Particulars of Derivative Instruments hedging	For the year ended March 31, 2012			For the year ended March 31, 2011		
	No. of Instruments	Value		No. of Instruments	Value	
		(US \$ Crore)	(₹ in Crore)		(US \$ Crore)	(₹ in Crore)
Principal Only Swap	2	4	178	2	4	156
Interest Rate Swaps FC	14	44	2,228	19	64	2,845
Interest Rate Swaps INR	14	8	425	27	21	925
Options FC	3	31	1,570	7	34	1,532

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 \$ 547 crore (Previous year US \$ 615 crore), equivalent to ₹ 27,819 crore (Previous year ₹ 27,428 crore), and Euro 76,822 (Previous year Euro 5,71,212), equivalent to ₹ 1 crore (Previous year ₹ 4 crore)

The unamortised premium of Buyers' Line of Credit to be recognised is ₹ 3 crore (Previous year ₹ 1 crore) for one or more subsequent accounting periods.

Note : 2.39

Earnings per Share (EPS)

For the year ended March 31, 2012 For the year ended March 31, 2011

Basic and Diluted EPS before Exceptional Items

(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	928	1,334
(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)	928	1,334
(d) Weighted average number of equity shares (used as denominator for calculating Diluted EPS)	2,104,046,936	2,153,165,814
(e) Basic Earnings per Share of ₹ 5 each (₹)	4.50	6.46
(f) Diluted Earnings per Share of ₹ 5 each (₹)	4.41	6.19

Basic and Diluted EPS after Exceptional Items

(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	928	1,346
(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)	928	1,346
(d) Weighted average number of equity shares (used as denominator for calculating Diluted EPS)	2,104,046,936	2,153,165,814
(e) Basic Earnings per Share of ₹ 5 each (₹)	4.50	6.52
(f) Diluted Earnings per Share of ₹ 5 each (₹)	4.41	6.25

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.40

Exceptional Items

- (a) Pursuant to the direction of the Hon'ble High Court of Judicature at Mumbai and Option exercised by the Boards of the respective Companies, in accordance with and as per the arrangements approved by the Hon'ble High Court under different Schemes of Arrangement binding on the Company and three of its subsidiaries, namely, Reliance Communications Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited, expenses and/or losses, identified by the Boards of the respective companies as being exceptional or otherwise subject to the Accounting treatment prescribed in the Schemes of Arrangement sanctioned by the Hon'ble High Court and comprising of ₹ 1,107 crore (Previous year ₹ 159 crore) of debts due including, in particular, debts due from telecom operators whose licences are under cancellation pursuant to the directions of the Hon'ble Supreme Court in its order dated February 2, 2012 in the matter of Centre for Public Interest Litigation and others vs. Union of India and others and subsidy claimed from the Government, ₹ 268 crore unrealised net losses, ₹ 951 crore regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates, as also ₹ 353 crore of net realised losses on settlement of items recovered and/or discharged in foreign currency, in accordance with Para 46 A inserted into Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates" in context of unprecedented volatility in exchange rates during the year, ₹ 70 crore (Previous year ₹ 77 crore) fuel cost considered to be incremental and arising from the non availability of contracted or expected power have been met by withdrawal from corresponding General Reserves, leaving no impact on profit for the year ended March 31, 2012. Such withdrawals have been included/ reflected in the Statement of Profit and Loss. Previous year's figures where not applicable herein are not mentioned.

While the Company has been legally advised that such inclusion in the Statement of Profit and Loss is in accordance with Revised Schedule VI of the Companies Act, 1956 the Company is also seeking clarification from ICAI that such inclusion in the Statement of Profit and Loss is not contrary to Revised Schedule VI.

Exceptional Items ₹ Nil (Previous year ₹ 5 crore) pertains to Employee Restructuring Cost reversal by Reliance Vanco Group Limited.

- (b) Had such write off of expenses, losses and deferred tax (refer note no. 2.04) not been met from General Reserve, the consolidated financial statements would have reflected a loss after tax of ₹ 2,472 crore and the consequential effect of this on consolidated profit after tax would have been of ₹ 3,401 crore.

Note : 2.41

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 erstwhile RGNL.

The Company, during the previous year, transferred ₹ 216 crore pursuant to Section 205A (3) of the Companies Act, 1956 and the Companies (Declaration of Dividend out of Reserves) Rules, 1975 and paid dividend out of the accumulated profits of the previous years.

Adjustment of ₹ 36 crore in opening profit of previous year 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 March 31, 2009.

Note : 2.42

1 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) AAA Communication Private Limited	Subsidiary of Holding Company
(iii) Reliance Capital Limited	Fellow subsidiary
(iv) Reliance General Insurance Company Limited	Fellow subsidiary
(v) Shri Anil D. Ambani	Person having control during the year
(vi) Shri Hasit Shukla	Key Managerial Personnel – Upto May 31, 2011
(vii) Shri Prakash Shenoy	Key Managerial Personnel – w.e.f. June 1, 2011

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

B Transactions during the year with related parties

(Figures in bracket represent Previous year)

(₹ in Crore)

	Fellow Subsidiaries	Others	Total
1 Reliance Capital Limited			
(i) Advances			
Opening Balance as on April 1, 2011	-	-	-
₹ 29,60,936 (Previous year ₹ Nil)	(-)	-	(-)
Add : Advances made during the year	-	-	-
₹ 1,28,172 (Previous year ₹ 29,60,936)	(-)	-	(-)
Less : Repayment during the year	-	-	-
	(-)	-	(-)
Closing Balance as on March 31, 2012	-	-	-
₹ 30,89,108 (Previous year ₹ 29,60,936)	(-)	-	(-)
(ii) Sundry Debtors	2	-	2
	(2)	-	(2)
(iii) Income			
Service Income	-	-	-
₹ 4,48,788 (Previous year ₹ 4,31,472)	(-)	-	(-)
2 Reliance General Insurance Company Limited			
(i) Advances			
Balance as on April 1, 2011	1	-	1
	(1)	-	(1)
Add: Advances made during the year	3	-	3
	(3)	-	(3)
Less: Repayment during the year	4	-	4
	(3)	-	(3)
Balance as on March 31, 2012	-	-	-
	(1)	-	(1)
(ii) Sundry Debtors	3	-	3
	(2)	-	(2)
(iii) Sundry Creditors	1	-	1
	(-)	-	(-)
(iv) Income			
Service Income	-	-	-
₹ Nil (Previous year ₹ 32,050)	(-)	-	(-)
(v) General and Administrative Expenses	2	-	2
	(-)	-	(-)
3 Person having control during the year			
Shri Anil D. Ambani - Sitting fees	-	-	-
₹ 2,60,000 (Previous year ₹ 2,00,000)	-	(-)	(-)
4 Key Managerial Personnel			
Managerial Remuneration			
Shri Hasit Shukla ₹ 6,58,398 [excluding ₹ 11,37,167, being paid in excess under the Act, shown as recoverable (Previous year ₹ 24,00,000)]	-	-	-
Shri Prakash Shenoy ₹ 21,56,178 (Previous year ₹ Nil)	-	-	-
	-	(-)	(-)

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.43

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 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 ₹ 389 crore (Previous year ₹ 389 crore) has been granted to the Trust. ₹ 391 crore (Previous year ₹ 391 crore) has been utilised by the Trust for purchasing 2.13 crore (Previous year 2.13 crore) equity shares during the period upto March 31, 2012.

Amounts earlier charged in respect of surrendered Options under ESOS Plan 2008 amounting to ₹ 5 crore (previous year ₹ 7 crore) was reversed and reflected under employees cost in Statement of Profit and Loss. 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	8,75,253	396	63,34,253	206
Number of Options granted	Nil	-	Nil	-
Total number of Options surrendered	-	-	2,44,000	-
Number of Options vested during the year	8,75,253	396	63,34,253	206
Total number of Options exercised	Nil	-	Nil	-
Total number of Options forfeited/ lapsed	3,06,059	298	24,22,039	206
Number of Options outstanding at the end of the year	5,69,194	448	39,12,214	206

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, 2012 for ESOS Plan 2008 and ESOS Plan 2009 would have been ₹ 5 crore and ₹ 12 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	8.05%	8.05%
Expected life	6 years	7 years
Expected volatility	52.04%	52.04%
Expected dividend yield	0.02%	0.07%
Price of the underlying share in market at the time of grant of Option	₹ 541	₹ 174

Note : 2.44

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, 2012 in case of the Company and its subsidiaries namely; RCIL and RITL under the aforesaid licenses/ authorisations is ₹ 334 crore, ₹ 619 crore and ₹ 2,030 crore respectively (Previous year ₹ 334 crore, ₹ 632 crore and ₹ 7,126 crore respectively).

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.45

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 March 31, 2012	As at March 31, 2011
- Assets	271	207
- Liabilities	196	128
- Income	314	270
- Expenses	279	215

Note : 2.46

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" (Revised).

	Gratuity		Leave Encashment	
Particulars	As at March 31, 2012	March 31, 2011	As at March 31, 2012	March 31, 2011
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
Obligation at beginning of the year	38	35	87	95
Service cost	7	8	2	3
Interest cost	3	3	6	6
Actuarial (gain)/ loss	(4)	-	(2)	18
Benefits paid	(10)	(8)	(28)	(35)
Obligation at year end	34	38	65	87
Defined benefit obligation liability as at the balance sheet is wholly funded by the Company				
(ii) Change in plan assets				
Plan assets at beginning of the year, at fair value	32	36	-	-
Expected return on plan assets	3	3	-	-
Actuarial (gain)/ loss	(2)	-	-	-
Contributions	8	1	28	35
Benefits	(10)	(8)	(28)	(35)
Plan assets at year end, at fair value	31	32	-	-

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

Particulars	Gratuity		Leave Encashment	
	As at		As at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
(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	31	32	-	-
Present value of the defined benefit obligations at the end of the year	34	38	67	87
Liability recognised in the Balance Sheet	3	6	67	87
(iv) Cost for the year				
Service Cost	7	8	2	3
Interest Cost	3	3	6	6
Expected return on plan assets	(3)	(3)	-	-
Actuarial (gain)/ loss	(2)	1	(2)	18
Net Gratuity Cost	5	9	6	28
(v) Experience adjustment				
On Plan Liabilities (Gain)/Loss	3	3	N.A	N.A
On Plan Assets Gain / (Loss)	(1)	(1)	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	2	2	-	-
(viii) Assumptions				
Interest rate	8.50%	8.20%	8.50%	8.20%
Estimated return on plan assets	8.50%	8.20%	8.50%	8.20%
Salary Growth rate	6.00%	6.50%	6.00%	6.50%

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 for the year ended March 31,				
	2012	2011	2010	2009	2008
Present Value of benefit obligation	35	38	35	36	27
Fair value of plan assets	31	32	36	26	26
Excess of (obligation over plan assets)/ plan assets over obligation	4	6	(1)	10	1

The expected contribution is based on the same assumptions used to measure the company's gratuity obligations as of March 31, 2012.

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 as/ in defined benefit plans. The employee and employer each make monthly contribution to the plan equal to 12% of the covered employee's salary. Contributions are made to the trust established by the Company. During the year ended March 31, 2012, the Actuarial Society of India issued the final guidance for measurement of provident fund liabilities. As at March 31, 2012, Fair value of plan assets is ₹ 311 crore, the present value of defined benefit obligation is ₹ 313 crore. Accordingly, based on such actuarial valuation, the Company has charged ₹ 2 crore (Previous year ₹ Nil), being shortfall in interest, during the year. For the year ended March 31, 2012, the Company has contributed ₹ 23 crore (Previous year ₹ 26 crore) towards Provident Fund. The Employee Benefits as disclosed herein pertain to the Company and its significant subsidiaries.

The assumptions made for the above are Discount rate of 8.50%, average remaining tenure of Investment Portfolio is 7 years and guaranteed rate of return is 8.25%.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.47

Consolidated Segment Information:

The Company has reorganised its business operations during the year and combined Global and Enterprise Business as a single operating unit. In order to represent the business operation on the lines of reorganisation, a combined Global Enterprise Business Unit (GEBU) segment is disclosed.

The Company has restructured/ identified three reportable segments viz. Wireless, GEBU, and Others, 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.

- 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".
- 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

(₹ in Crore)

Particulars	Wireless	GEBU	Others	Unallocable	Eliminations	Total
Segment Revenue						
External Revenue	13,562	6,080	740	-	-	20,382
	14,847	7,313	1,009	-	-	23,169
Inter Segment Revenue	4,134	3,338	360	-	(7,832)	-
	2,800	4,315	460	-	(7,575)	-
Net Revenue	17,696	9,418	1,100	-	(7,832)	20,382
	17,647	11,628	1,469	-	(7,575)	23,169
Segment Result before Exceptional and non recurring items, interest & taxes	2,431	1,093	(1,012)	-	-	2,512
	3,159	494	(1,008)	-	-	2,645
Less: Finance Expense	-	-	-	1,630	-	1,630
	-	-	-	1,133	-	1,133
Segment Result before Exceptional and non recurring items, taxes	2,431	1,093	(1,012)	(1,630)	-	882
	3,159	494	(1,008)	(1,133)	-	1,512
Recurring items	-	-	-	-	-	-
	-	-	-	(5)	-	(5)
Less: Provision for Taxation	-	-	-	(106)	-	(106)
	-	-	-	12	-	12
Segment Result after Tax	2,431	1,093	(1,012)	(1,524)	-	988
	3,159	494	(1,008)	(1,140)	-	1,505
Other Information						
Segment Assets	69,059	19,243	4,604	25,382	(26,882)	91,406
	65,315	17,307	4,573	31,742	(25,336)	93,601
Segment Liabilities	12,707	9,030	856	5,033	(11,840)	15,786
	11,649	6,671	595	4,474	(9,428)	13,961
Other Corporate Assets	-	-	-	1,284	-	1,284
	-	-	-	1,122	-	1,122
Other Corporate Liabilities	-	-	-	39,323	-	39,323
	-	-	-	39,438	-	39,438

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	(₹ in Crore)					
Particulars	Wireless	GEBU	Others	Unallocable	Eliminations	Total
Capital Expenditure	2,735	2,996	117	-	-	5,848
	9,190	475	295	-	-	9,960
Depreciation	2,303	1,199	476	-	-	3,978
	2,037	3,982	485	-	-	6,504

(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 GEBU segment includes Broadband operations, 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. Reliance Communications Infrastructure 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 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.

	(₹ in Crore)		
	Within India	Outside India	Total
1. Segment Revenue – External Turnover	15,171	5,211	20,382
	15,312	7,857	23,169
2. Segment Assets	76,098	15,308	91,406
	80,366	13,235	93,601
3. Segment Liability	11,847	3,939	15,786
	10,743	3,218	13,961
4. Segment – Capital expenditure	4,611	1,237	5,848
	9,488	472	9,960

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.

As per our Report of even date

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

C. D. Lala
Partner
Membership No.: 035671

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

Company Secretary and Manager

Anil D. Ambani

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

Prakash Shenoy

Mumbai
May 26, 2012

DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI Regulations have been complied with and no statement made in this Placement Document is contrary to the same. Our Company further certifies that all the statements in this Placement Document are true and correct.

Signed by:

Manikantan Iyer

CHIEF FINANCIAL OFFICER

Mr. Anil D. Ambani

CHAIRMAN

Date : June 27, 2014

Place : Mumbai

DECLARATION

We, the directors of the Company certify that:

- (i) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;
- (ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and
- (iii) the monies received under the offer shall be used only for the purposes and objects indicated in the offer letter.

Signed by:

Mr. Anil D. Ambani

CHAIRMAN

I am authorized by the QIP Committee, a committee of the Board of Directors of the Company, vide resolution dated June 27, 2014, to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed:

Mr. Anil D. Ambani

CHAIRMAN

Date: June 27, 2014

Place: Mumbai

COMPANY

RELIANCE COMMUNICATIONS LIMITED

Registered Office and Corporate Office: H Block, 1st Floor, Dhirubhai Ambani Knowledge City,
Navi Mumbai 400 710,
Maharashtra, India

Compliance Officer: Prakash Shenoy, Manager, Company Secretary and Compliance Officer

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

Telephone: 022 30386286 | **Email:** RCOM.Investors@relianceada.com | **Website:** www.rcom.co.in

GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS

CLSA INDIA LIMITED

8/F Dalamal House, Nariman Point,
Mumbai 400021, Maharashtra, India

J.P. MORGAN INDIA PRIVATE LIMITED

J. P. Morgan Tower, Kalina, Off C. S. T. Road,
Santacruz (East), Mumbai 400 098, Maharashtra,
India

CO-BOOK RUNNING LEAD MANAGERS

AXIS CAPITAL LIMITED

1st Floor, Axis House, C-2 Wadia,
International Centre, P.B. Marg, Worli,
Mumbai 400 025, Maharashtra, India

EDELWEISS FINANCIAL SERVICES LIMITED

14th Floor, Edelweiss House,
Off C S T Road, Kalina,
Mumbai – 400098, Maharashtra, India

MACQUARIE CAPITAL (INDIA) PRIVATE LIMITED

92, Level 9, 2 North Avenue, Maker
Maxity, Bandra Kurla Complex,
Bandra East, Mumbai – 400 051,
Maharashtra, India

LEGAL ADVISERS TO OUR COMPANY AS TO INDIAN LAW

TALWAR THAKORE & ASSOCIATES

3rd Floor, Kalpataru Heritage 127, M.G. Road,
Mumbai 400 001, Maharashtra, India

INTERNATIONAL LEGAL ADVISERS TO THE LEAD MANAGERS

JONES DAY

3 Church Street, #14-02 Samsung Hub,
Singapore 049483

LEGAL ADVISERS TO THE LEAD MANAGERS AS TO INDIAN LAW

S&R ASSOCIATES

One Indiabulls Centre, 1403, Tower 2, B Wing,
841 Senapati Bapat Marg, Lower Parel, Mumbai 400 013,
Maharashtra, India

AUDITORS TO OUR COMPANY

BSR & CO. LLP, CHARTERED ACCOUNTANTS

Lodha Excelus, 1st Floor, Apollo Mills Compound,
N.M. Joshi Marg, Mahalakshmi, Mumbai 400 011,
Maharashtra, India

CHATURVEDI & SHAH, CHARTERED ACCOUNTANTS

714-715, Tulsiani Chambers, 212, Nariman Point,
Mumbai 400 021, Maharashtra, India