

RELIANCE

Reliance Communications Limited

October, 2013

RELIANCE

Forward looking statements – Important Note

This presentation and the discussion that follows may contain “forward looking statements” by Reliance Communications Ltd (“RCOM”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operation, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the directors and management of RCOM about the business, industry and markets in which RCOM operates. These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond RCOM’s control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of RCOM. In particular, such statements should not be regarded as a projection of future performance of RCOM. It should be noted that the actual performance or achievements of RCOM may vary significantly from such statements.

- ❑ Industry getting consolidated among top 5 operators
- ❑ Data expected to be the next growth driver in India
- ❑ RCOM's integrated infrastructure best positions it to play the data growth story in India as well as globally
- ❑ Cost efficiency measures in place to improve margins
- ❑ Smart capex strategy to improve returns
- ❑ Deleveraging and asset monetization
- ❑ Regulatory clarity emerging

Indian Telecom Landscape

Pre - 2012

- ❑ Hyper competition and highly fragmented market with 15 pan-India operators
- ❑ Significant price wars
- ❑ Regulatory uncertainty



Post 2012

- ❑ Industry getting consolidated among top 5 players
- ❑ Regional players are getting marginalized
- ❑ Data expected to be the next growth engine
- ❑ Enterprise business is emerging as a key growth area
- ❑ Regulatory clarity on spectrum emerging

Improving Dynamics in the Indian Telecom Sector

Consolidation in the Industry

Recent Post Auction Consolidation has already Reduced Competition

Pre-auction competitive landscape

Pan-India players



- ❑ Over capacity led to low tariffs, making business unviable

Post-auction competitive landscape

Pan-India private players

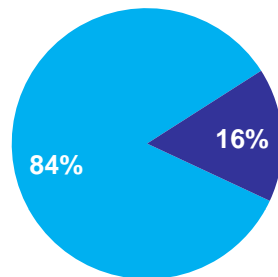


Industry Consolidated among 5 Pan-India Private Players

Top Operators Benefiting from a Sustainable Business Environment

Operator market share of revenues

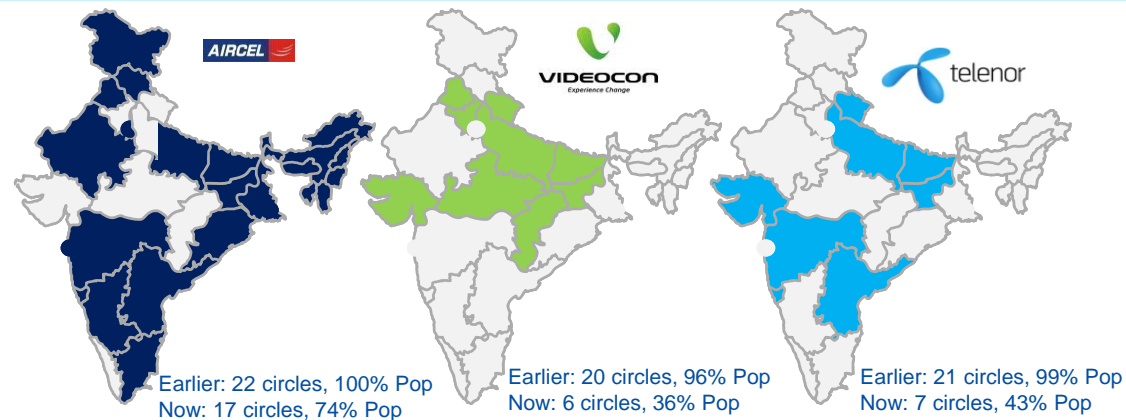
■ Top 5 operators ■ Others



- Top 5 operators account for over 84% of the revenue market share
- Regional operators have rolled back operations in select circles

Total (Jun '13): \$8.6bn

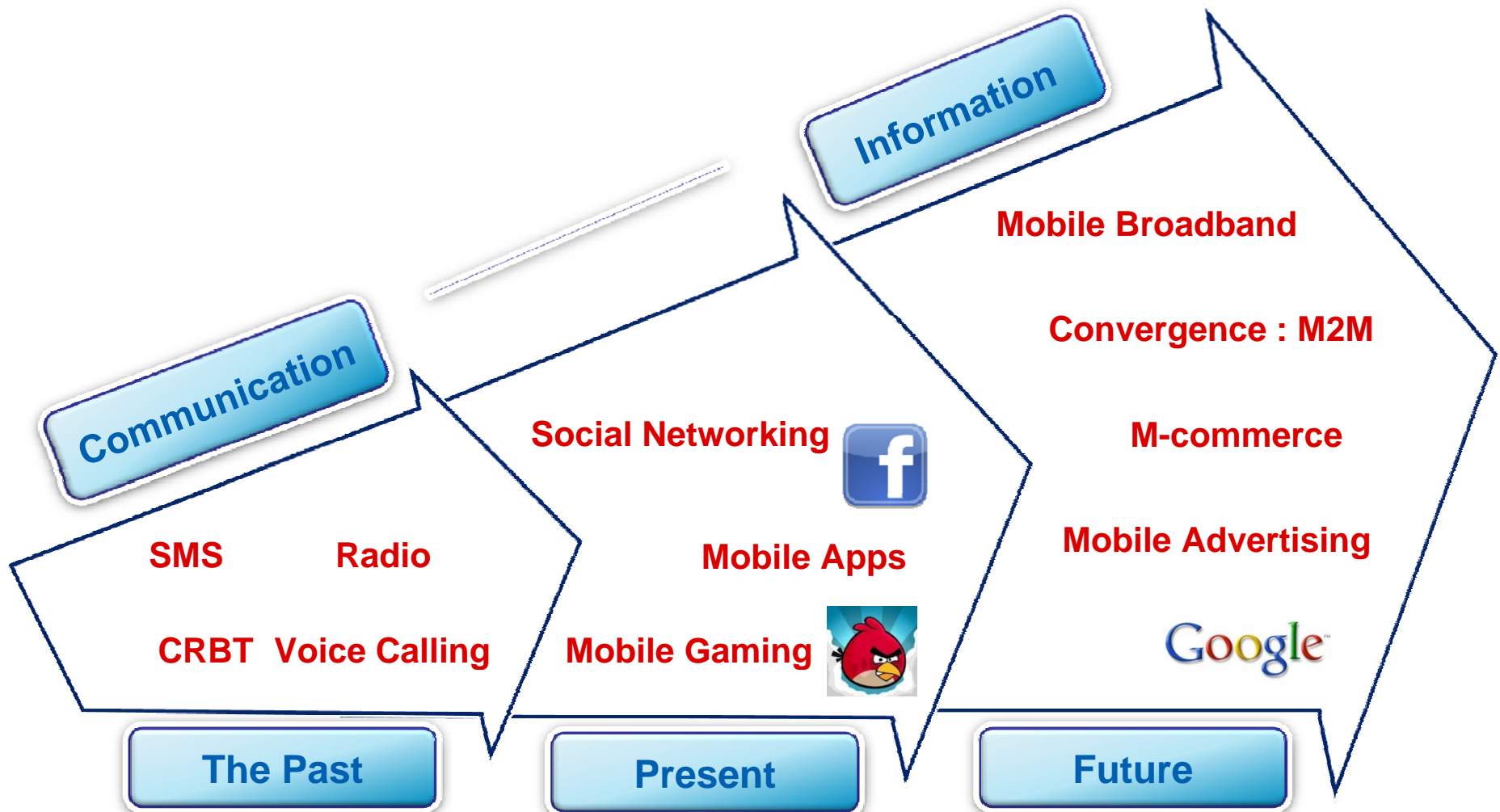
Regional players have reduced footprint



Source: TRAI, Fx: 1US\$=INR61

Regional Players are Getting Marginalized

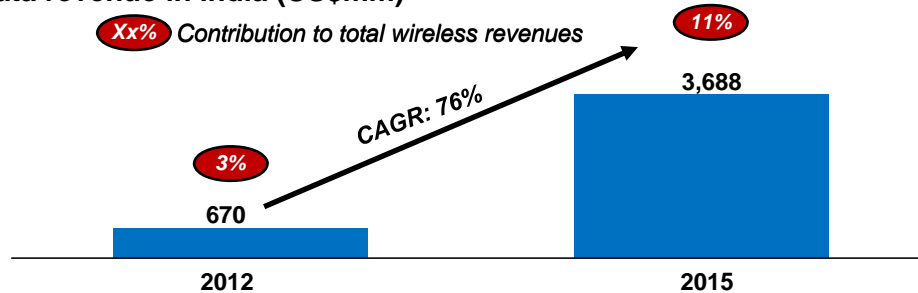
Indian Telecom Industry: Moving from Voice to Data



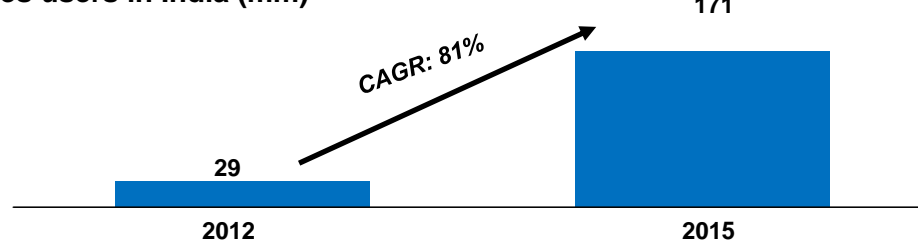
Mobile Broadband – Enabler for Future Growth

Data to Drive Industry Revenue in Future

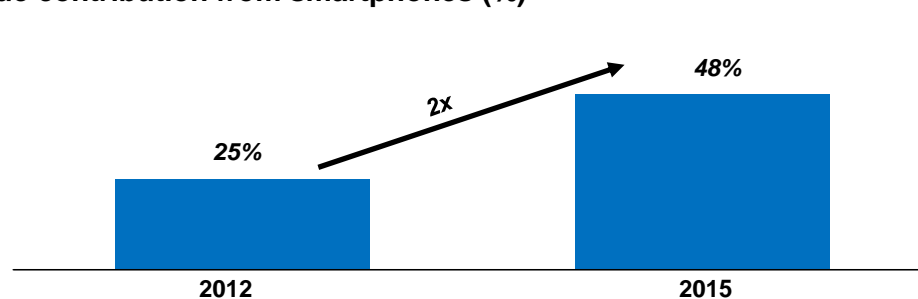
Wireless Data revenue in India (US\$mm)



Smartphones users in India (mm)



Data revenue contribution from smartphones (%)



Source: Broker research, Fx: 1US\$=INR61

- Incremental revenue from data of ~US\$3bn is expected to be added over 2013-15
 - Mobile data (2G + 3G) grew at 92% y-o-y in 2012
 - 3G grew three fold, growth of 196% y-o-y in 2012
- Small & large screen to drive future data revenue growth
- Smartphone, Feature Phone and USB Modem constitute 97% of data usage

Data to Account for ~40% of Incremental Revenue

Regulatory Clarity is Emerging

Spectrum

- ❑ All spectrum required for the Access Services is being allotted now through transparent auction process
- ❑ TRAI has already recommended the reserve price of spectrum for next auction of 1800 MHz band, which is about 60% of the last reserve price
- ❑ TRAI will be recommending the reserve price of spectrum in 800 MHz and 900 MHz bands shortly. These prices are expected to be about 50% of the last reserve price
- ❑ Government has taken a decision to allow spectrum sharing. Detailed guidelines are expected soon

FDI policy

- ❑ Foreign Direct Investment (FDI) is allowed up to 49% under automatic route and equity infusion beyond 49% up to 100% is with the approval of Foreign Investment Promotion Board

M&A

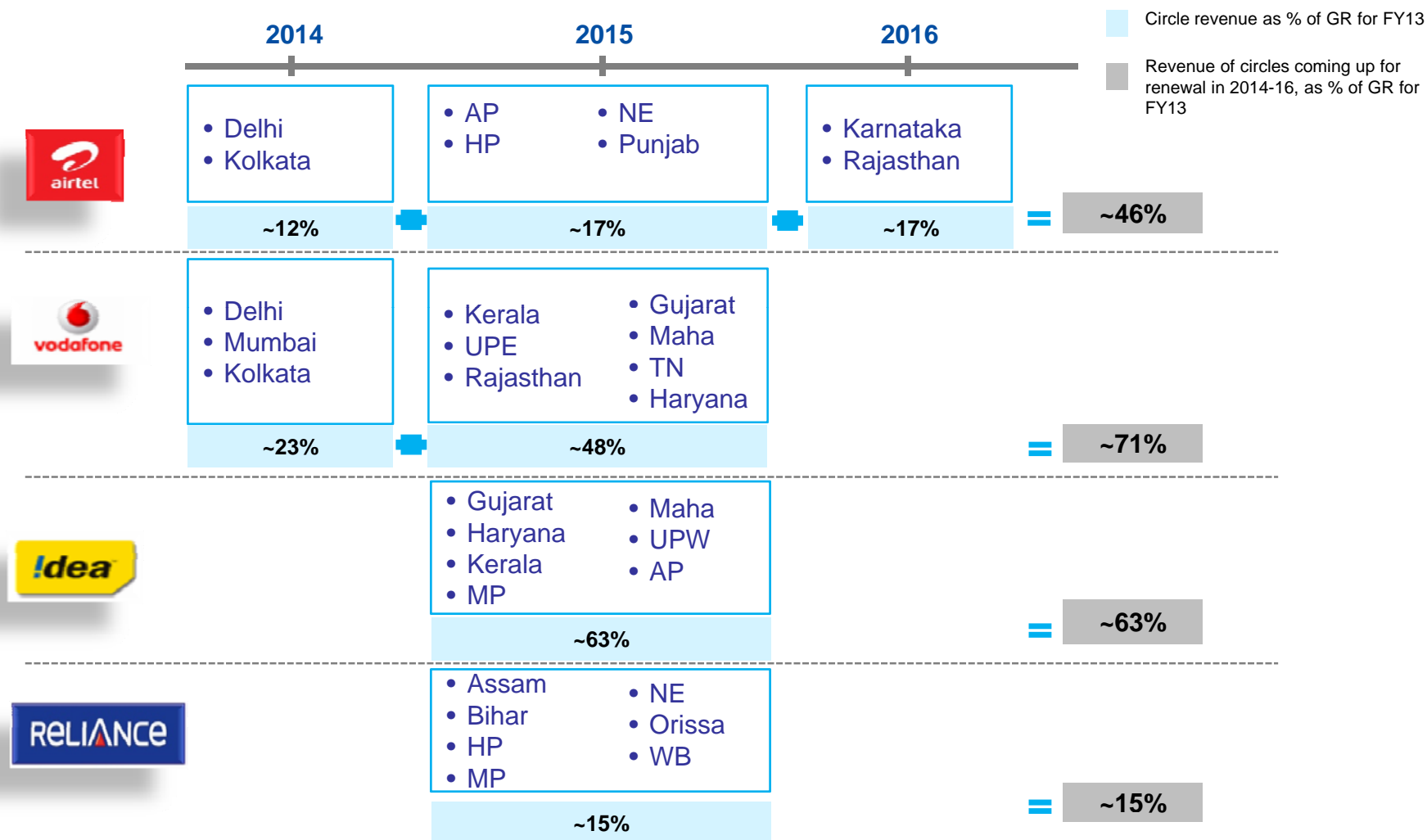
- ❑ Government is expected to further liberalize the guidelines for M&A. Fresh guidelines are expected to be issued by the Government very shortly

UASL

- ❑ All future telecom licenses will be granted as Unified Licenses, which will allow the provision of all voice and data services
- ❑ All Unified Licenses to have the validity of 20 years

Positive Momentum in Addressing the Regulatory Issues

License Renewals Impact over 2014-2016 for Select Operators










Source: TRAI

RCOM least impacted by upcoming renewals

- RCOM is well positioned to play the India data story
- RCOM has an integrated infrastructure to capitalize on global data opportunity
- Cost efficiency measures in place to improve margins
- Smart capex strategy to improve returns
- Deleveraging and asset monetization

Unmatched Spectrum Assets & Robust Backhaul Network

Pan India presence and network deployment across technology platforms

	Service Areas				Spectrum Holding (MHz*)			
	CDMA 2G-GSM 3G LTE				CDMA	2G GSM	3G	LTE
	22	22	22	22	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
					58.8	220.4	110.0	440.0
	22	22	13		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
					92.5	113.0	65.0	
	22	15	9		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
					72.5	79.2	45.0	
	22	13	8		<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
						112.6	65.0	160.0
	22	134*			<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
						176.3	65.0	80.0
	22	11			<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
						139.3	55.0	
	22	9			<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
						180.2	45.0	

Source : TRAI ; * Excluding Qualcomm Licenses

Largest network of backhaul optical fiber amongst all private operators

Optical Fiber Layout for Operators (Kms)	
Network Provider	Length of Fiber Cable
RCOM	190,000
Airtel	173,217
Idea Cellular	75,000
Tata	25,000
Aircel	23,000

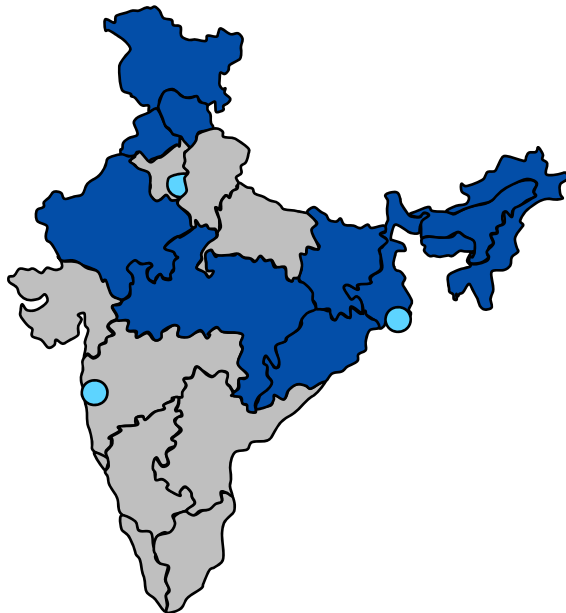
RCOM unique network differentiation vs. competition

- RCOM has mesh network for optical backhaul
- All urban centers / major cities sites mostly fiberised
- Over 2/3rd of sites capable of high speed / broadband services including handling 4G services

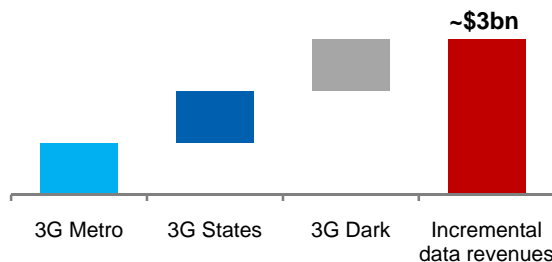
Comprehensive Backbone to Support Growing Demand

Spectrum based “Go to Market” Strategy

3G spectrum in key circles



Incremental Data revenues



Circle clusters

3G Metro

- Get fair share of iRMS - handheld, dongle and Voice

Strategy

- Match competition coverage on 3G
- Prioritize – Metros (DEL, MUM, KOL)
- Tariff : L2
- Disruptive postpaid play
- Data dominance

3G States

- Market leadership on Voice and Data
- Get iRMS – both in Voice and Data

- Leadership in 3G network and coverage
- Prioritize - PB, RJ, JK, MP, BH, WB, then NE, AS, HP, OR
- CDMA spectrum for dongles
- Tariff : L1 in Voice, disruptor in Data
- Data dominance, Larger Footprint

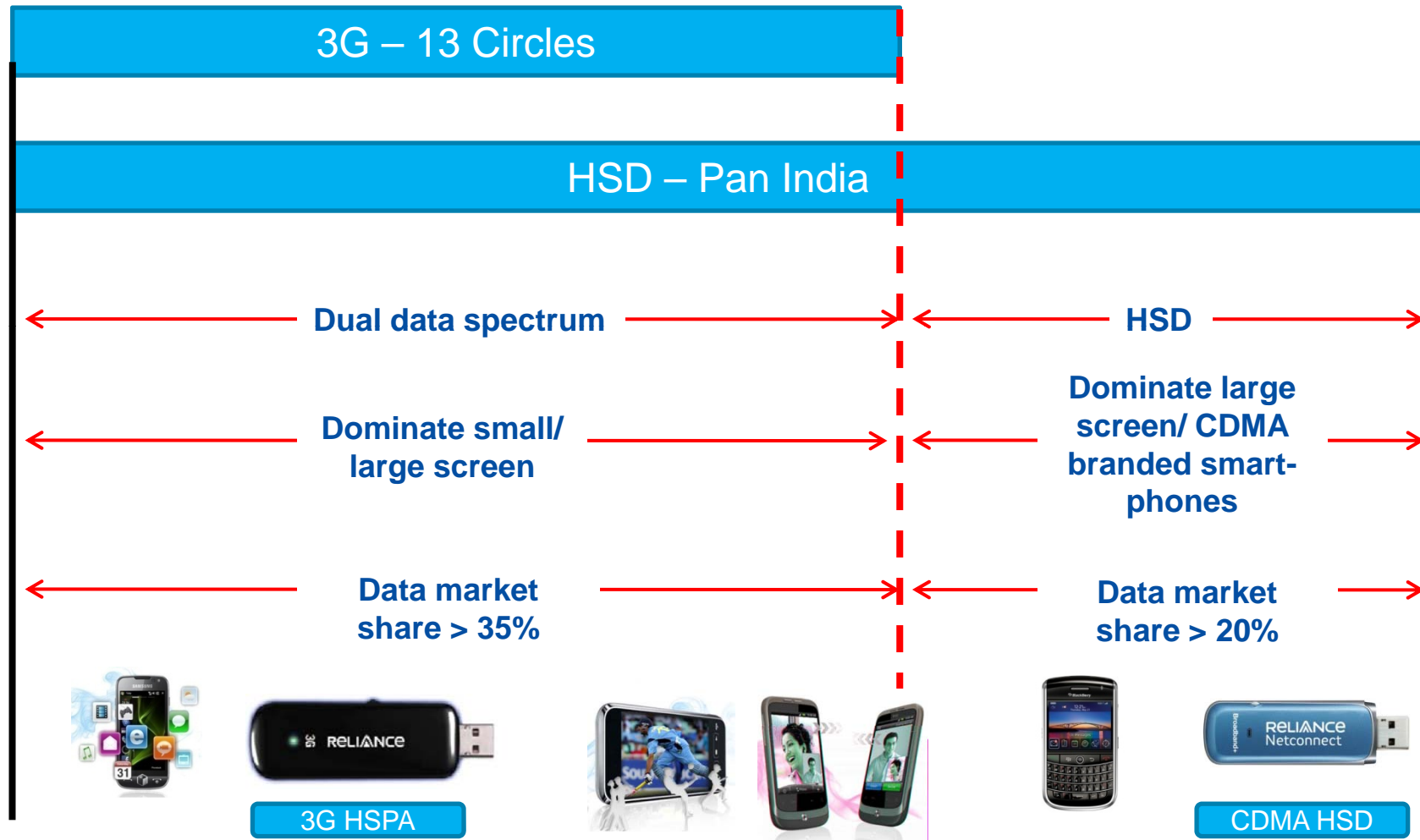
3G Dark

- Get iRMS – Voice
- Retain existing market share in handheld
- Get fair share of iRMS - dongle

- Wide coverage for HSD
- Tariff : L3
- Focus on Top Towns
- Target fair share of Data
- Focus on GSM + CDMA handsets, Branded CDMA Smartphones, Tablets, Dongles

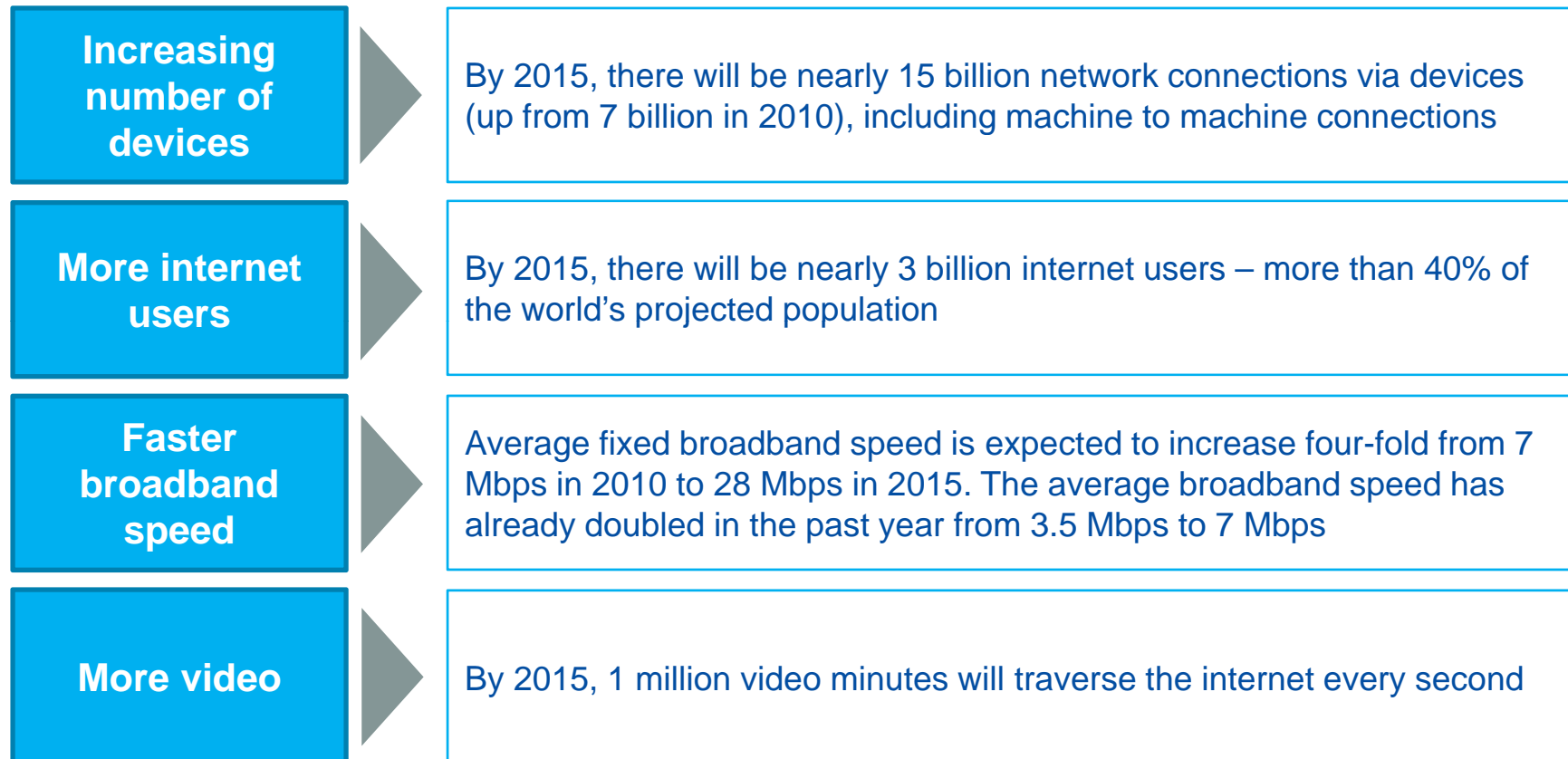
Effective Strategy Tailored to Individual Circles

CDMA advantage



Gradually Convert CDMA to Data network to Support Smart-phones/ large Screens

Key Trends Driving the Growth in IP Traffic



Source: CISCO VNI (Visual Networking Index) – Forecast of June 1, 2011

Global IP Traffic is expected to Increase Fourfold from 2010 to 2015 at a CAGR of 32% which provides significant opportunities for RCOM

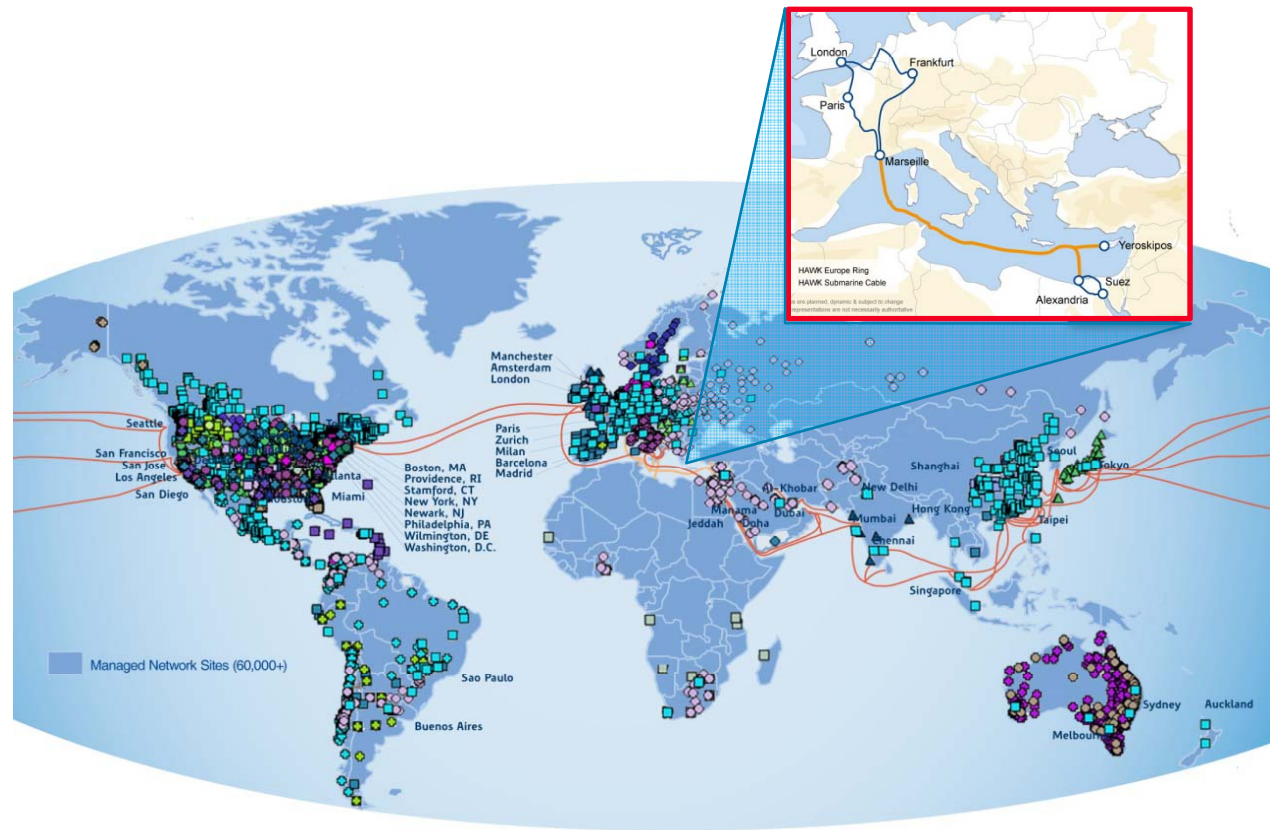
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Global Connectivity and Assets to Leverage on Global Data Explosion

Global Connectivity

- Over 277,000 Kms of optic fiber cable with landing points in 30 countries
- Manage over 60,000 customer sites in 163 countries through 700 carrier partners
- Seamlessly integrated with 190,000 Kms of fiber optic in India
- Over 1000 direct interconnects with 450+ top networks
- Metro Ethernet connectivity across 26 Metros outside India

Global Network

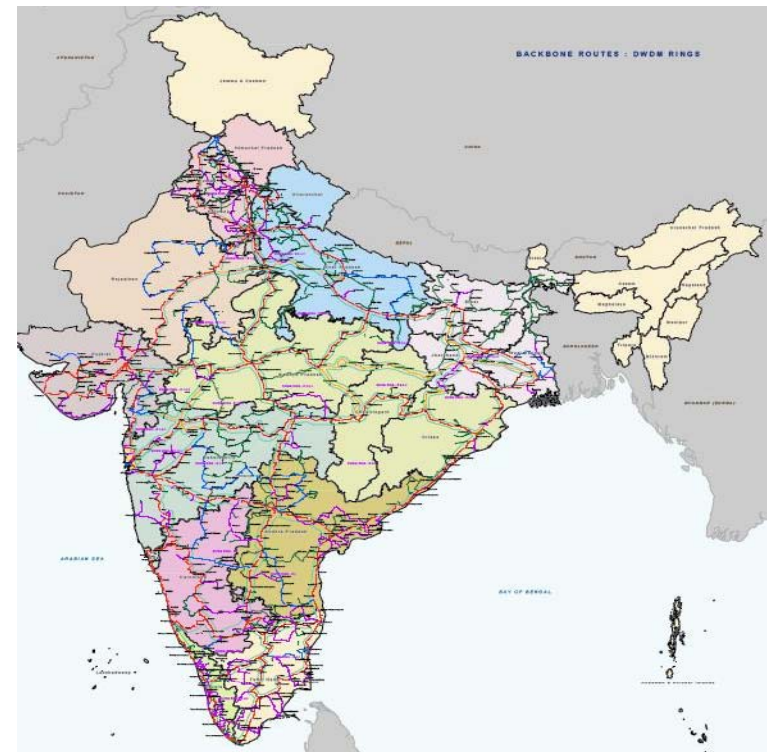


Unparalleled Global Reach and Depth of Network

Leading Enterprise Service Provider in India

- ❑ 190,000 kilometer of fiber optic in India
connecting 600,000 villages & 24,000 towns
to key business markets in India, USA,
Europe, Middle East, and APAC regions
- ❑ Over 45,000 Enterprise customers in India
- ❑ Serving 880 of the top 1,000 Indian
enterprises

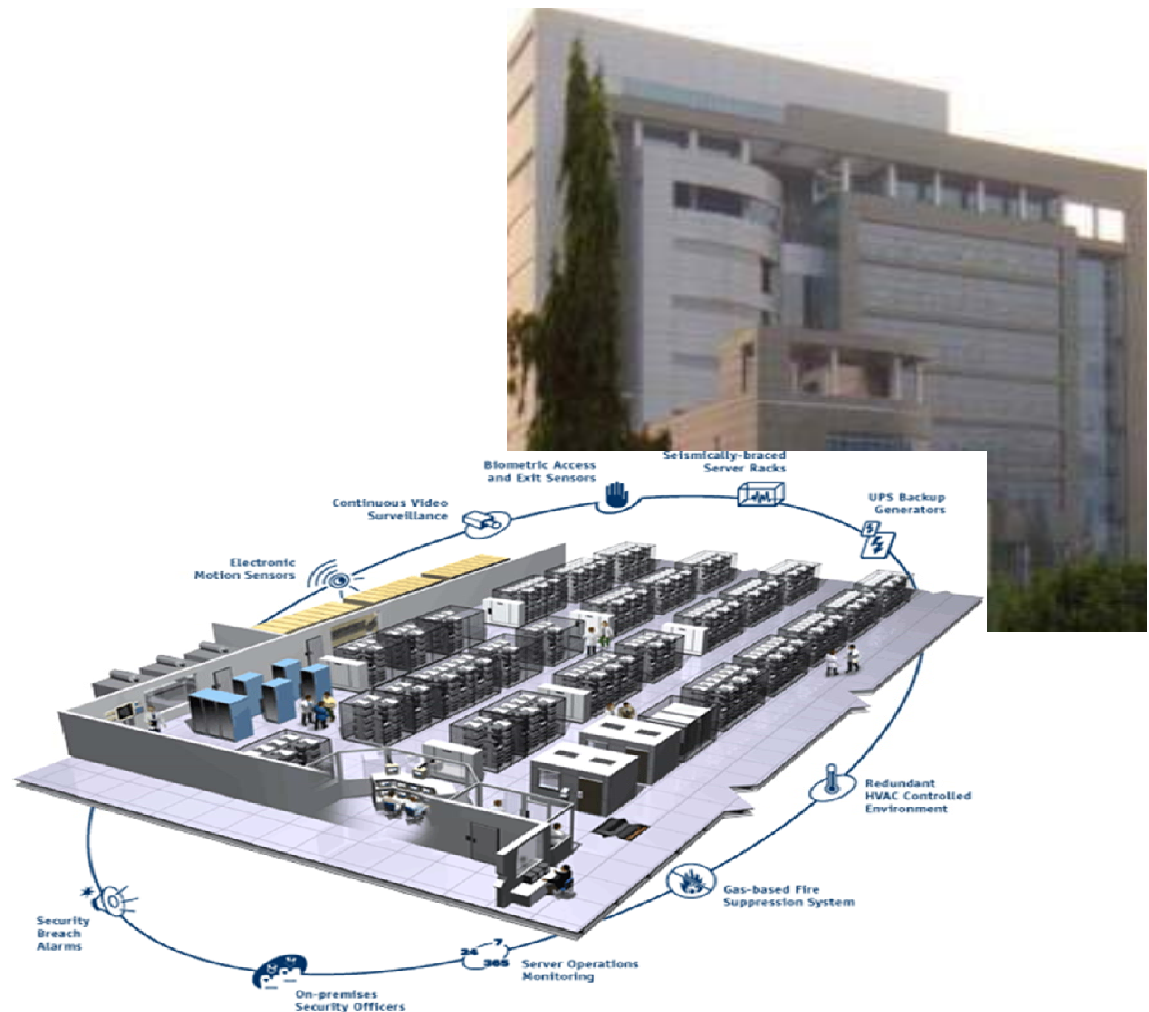
Long Distance Network in India



Most Comprehensive Network Connectivity in India

Biggest Data Center Player in India

- ❑ 18 (9 India, 9 outside India) Data centers across the globe with more than 550,000 sq ft of facilities space
- ❑ Geographic redundancy
- ❑ Wide & complex applications hosted
- ❑ Building a new data center with 400,000 sq ft, ready for revenue by Q4 FY14
- ❑ With operationalisation of this new data center, space to increase to ~1mm. sq. ft. which will be 1.6x of all other competitors put together



Expanding Capacity to Cater to Fast Growing Demand

- RCOM is well positioned to play the India data story
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Outsourcing of Network Management Services

- ❑ Outsourced Network Management Services to Ericsson (North & West India) and Alcatel-Lucent (East & South India)
- ❑ Comprehensive and value-enhancing management to RCOM's networks and services to deliver a world-class seamless voice and data services
- ❑ Helps create leaner organisation, moves ~9,500 employees to partner rolls, providing them global opportunities
- ❑ Reduces Investment risks with pre-defined costs targeted towards enhancing customer experience



Cost Effectiveness through Introduction of Next gen processes, Tools and Integrated Management

Outsourcing of Call Center Operations

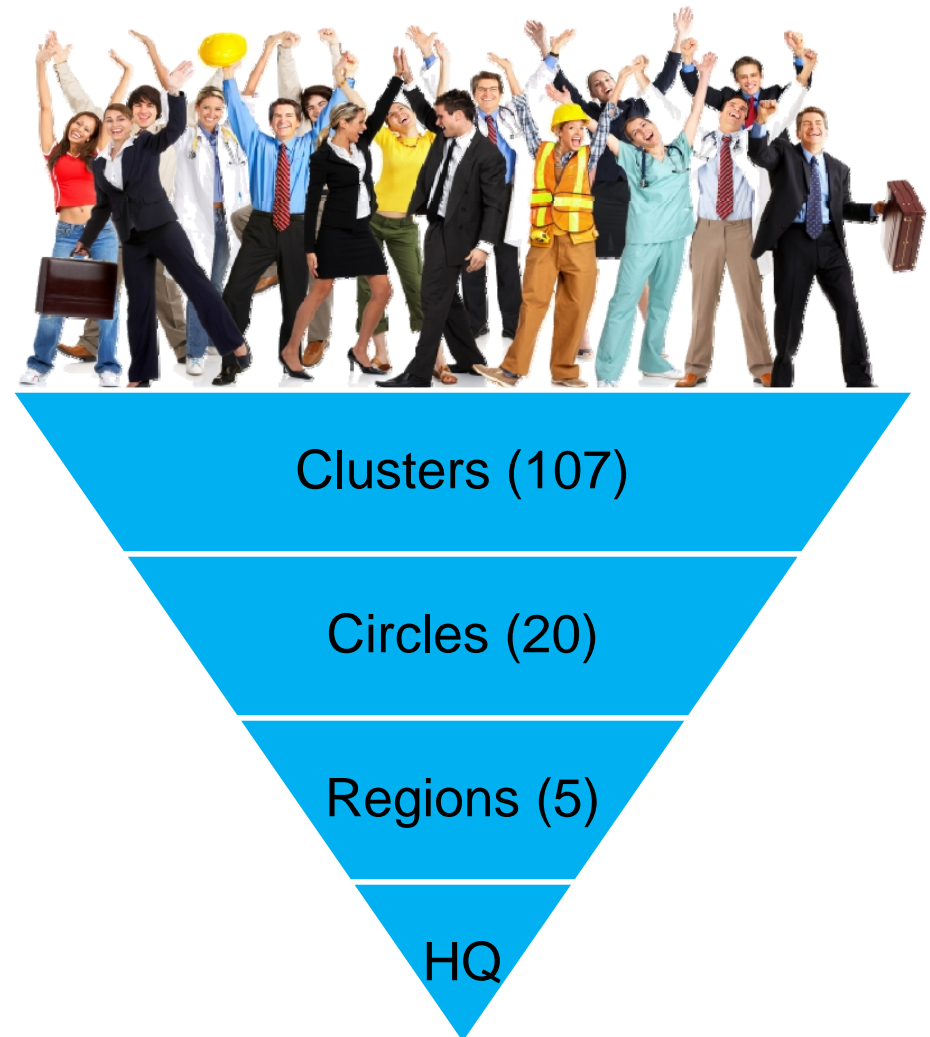
- ❑ RCOM to shift 5,500 call centre staff to third-party BPOs for Enterprise, International calling and back office business
- ❑ Improve overall efficiency to serve customers, allowing greater focus on revenue enhancement
- ❑ Help in cross-sell and up-sell higher value products like data packs and 3G to the customers



Besides being Cost effective, Better Customer Experience will lead to Higher Retention of Customers

Smart Organization: Circle as a “Country” Approach

- ❑ “Go To Market” basis
 - Micro segmentation
 - Clusters
 - Circle demographics
- ❑ Region as P&L unit
- ❑ Empowered Ownership at field level
- ❑ Circle as a “**Country**”
- ❑ Cluster as a “**Thumping Heart**”



Cost Optimization Measures

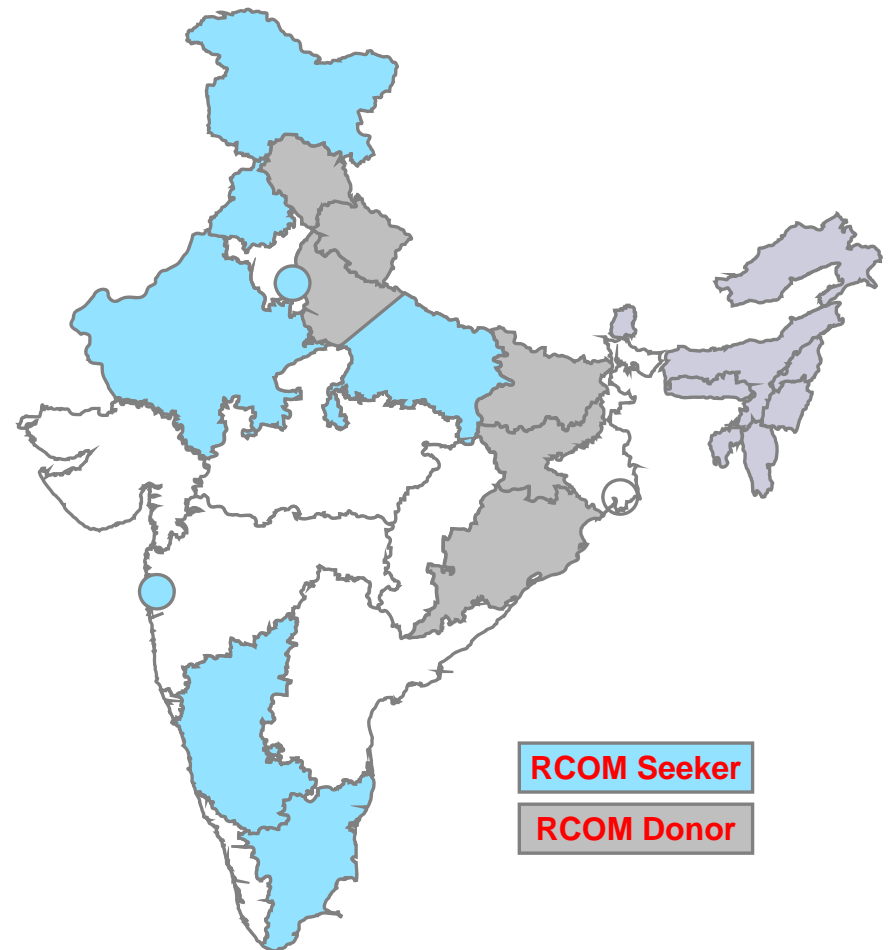
<u>Cost lever</u>	<u>Target Reduction</u>	<u>Planned Activities</u>
Network cost	To be reduced by 10% - 12%	<ul style="list-style-type: none">➤ Reduce consumable cost – batteries / solar power➤ Managed services➤ IP colocation sites
Gross Acquisition	To be reduced by 10% - 15%	<ul style="list-style-type: none">➤ Downward revision of channel commission➤ Control on indirect cost
Manpower	To be reduced by 3,500 - 5,500	<ul style="list-style-type: none">➤ New organization structure: Hubs to Regions➤ Customer facing org structure➤ Greater empowerment

Strategic Focus on Cost Management and Margin Expansion

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ICR Arrangement to Expand Coverage at Minimum Capex

- ❑ Ecosystem of over 10,000 sites to be shared on a bilateral basis
- ❑ Agreements to create additional addressable market of 150mm population coverage
- ❑ Additional market opportunity of ~US\$1.6bn



Improve Network Coverage at no Additional Capex & Opex; Pay as you use model

Traditional business model

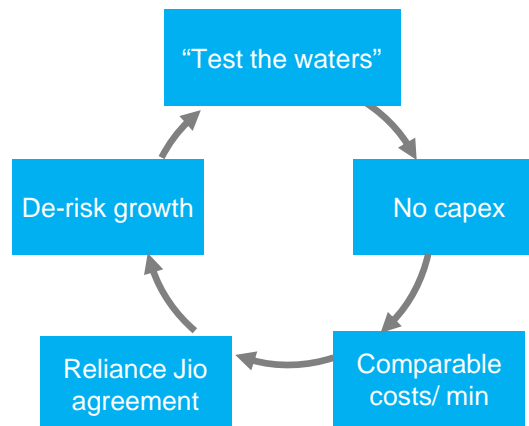


RCOM's growth model

Intra-circle roaming arrangements



- ❑ Agreement to share infrastructure in select areas
- ❑ Typical tenure 12 – 18 months
- ❑ Access to 10,000+ sites
- ❑ "Pay as you use" model

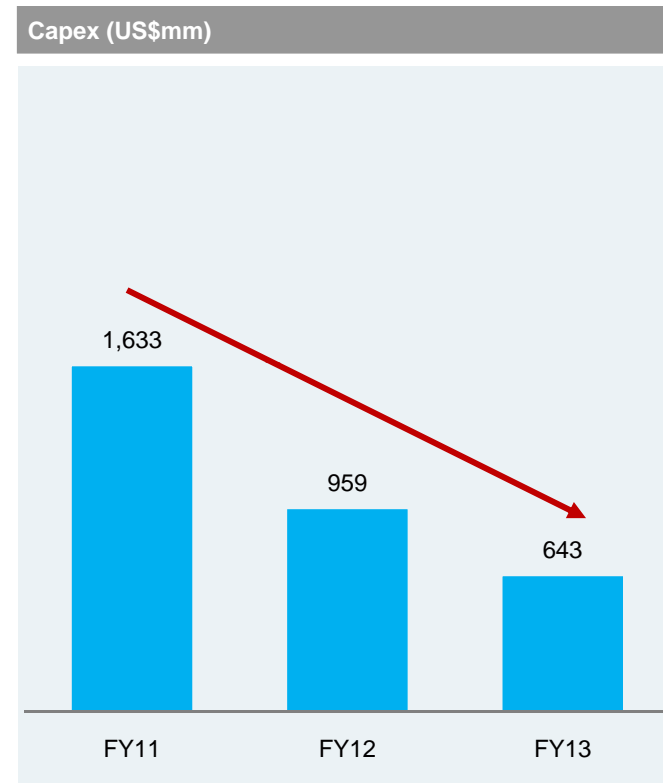
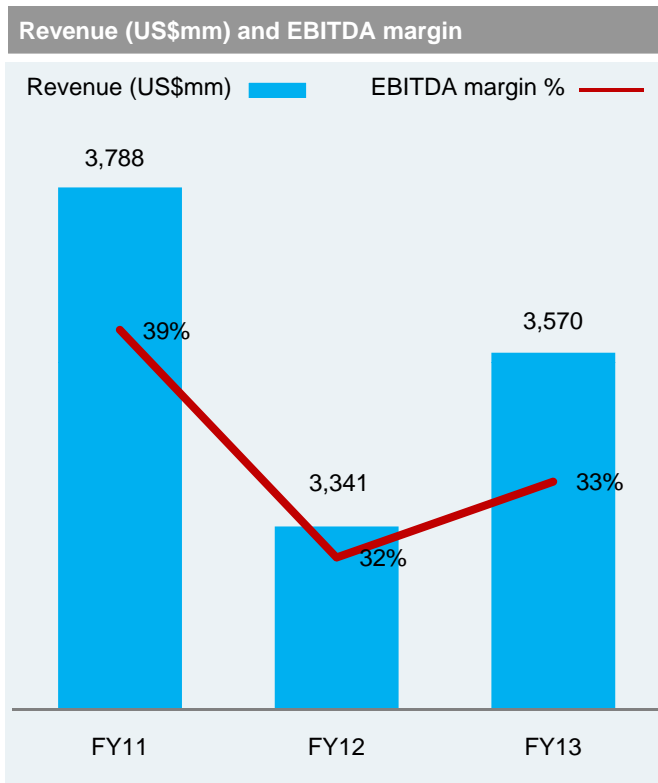


- ❑ Increased shareholder returns
- ❑ Increased cash flows
- ❑ Higher operational efficiency
- ❑ Increased network coverage and better quality

Faster Time to Market with Minimum Capital Investment

- RCOM is well positioned to play the India data story
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RCOM Financial Performance



Fx: 1US\$=INR61

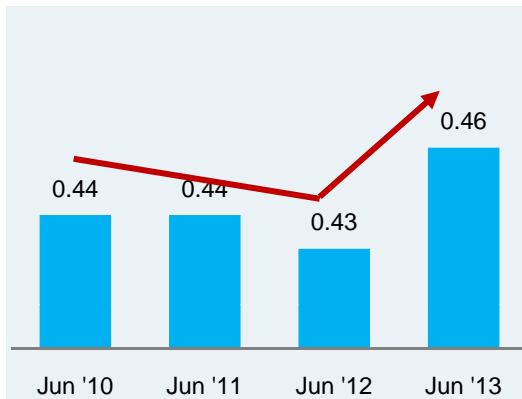
Margin improvement coupled with lower capex intensity

De-leveraging and Shareholder Return

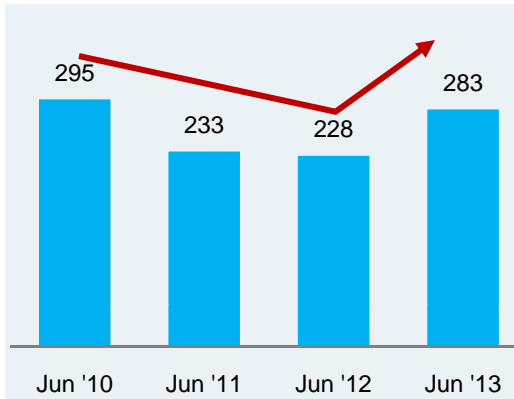


Operating Metrics have Seen a Sharp Turnaround

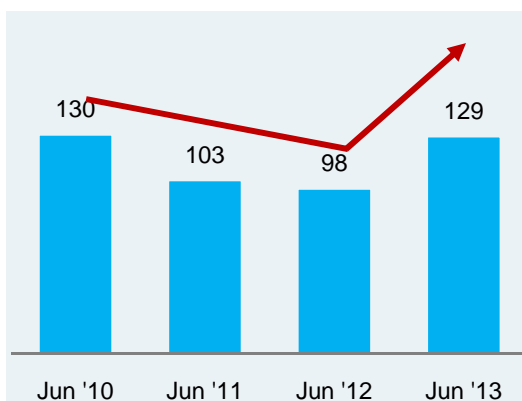
Wireless RPM (INR)¹



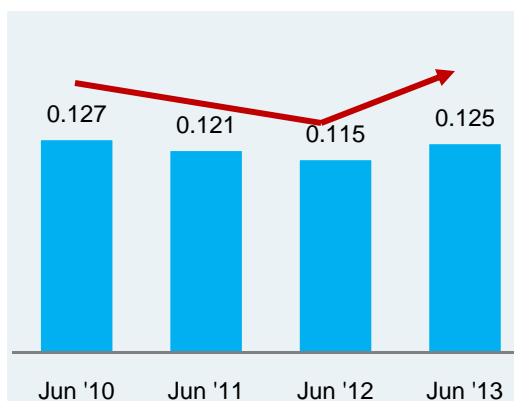
Minutes of usage/ sub



Quarterly ARPU (INR)



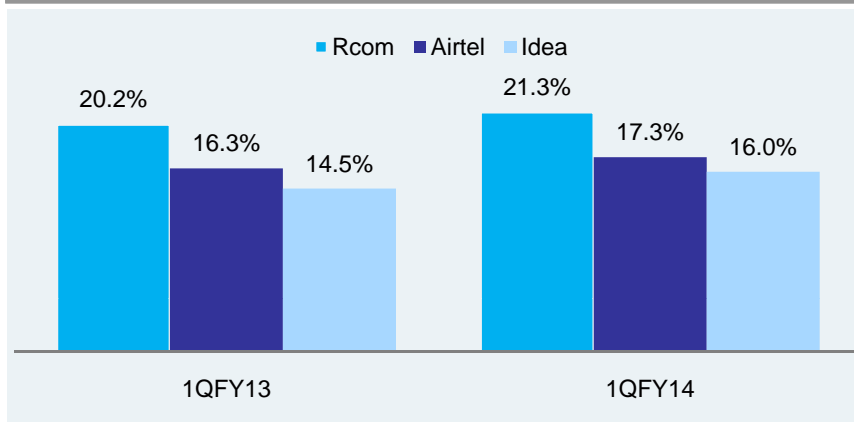
Quarterly EBITDA/ min



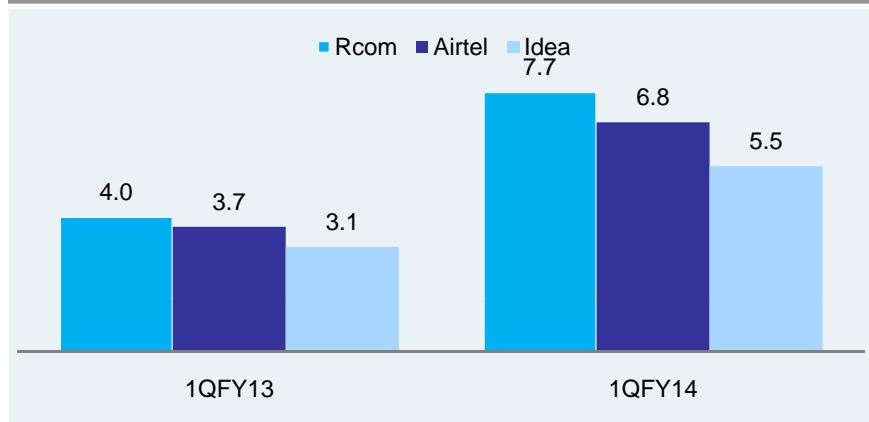
- ❑ Improved industry dynamics with pricing power coming back to operators
- ❑ Focus on high quality customers leading to increasing ARPU levels
- ❑ Improving RPM leading to a higher EBITDA realization

RCOM is the Leader in the Wireless Data Market

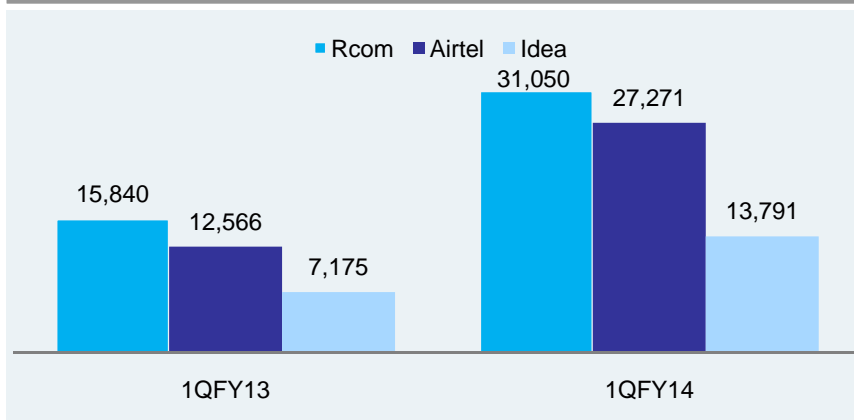
Non-voice as % of Total Revenue



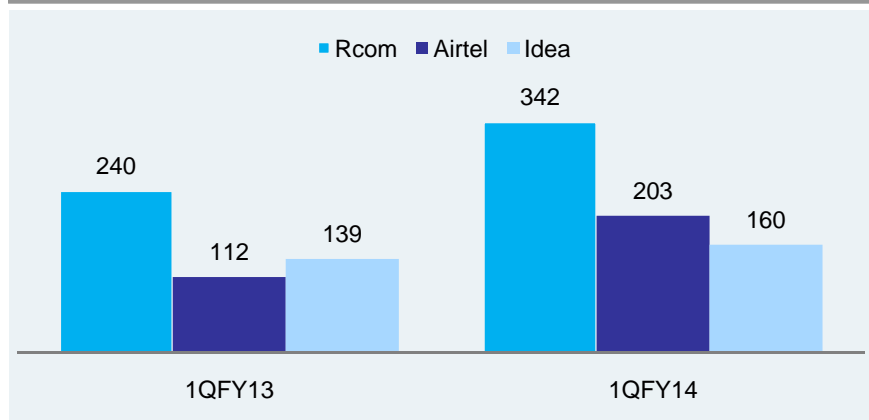
No. of 3G Active Subscriber (mm)



Total Data Traffic on Network (mm MBs)



Data usage per customer (MB)



Comprehensive Business Co-operation Framework Between RCOM & Reliance Jio

Tower sharing agreement

- ❑ Nation-wide tower infrastructure sharing agreement with Reliance Jio Infocomm
- ❑ 45,000 tower (Ground based + Rooftop) to be shared
- ❑ Aggregate value of US\$2bn during the tenure of agreement
- ❑ RCOM to have reciprocal access to tower infrastructure to be built by Reliance Jio



Inter-city fiber sharing agreement

- ❑ RCOM's 120,000 Kms. of Inter-city fiber optic network to be utilised by Reliance Jio Infocomm
- ❑ Deal value of approx. US\$200mm as one time indefeasible right to use (IRU) fees
- ❑ RCOM to have reciprocal access to optic fiber to be built by Reliance Jio



In Discussions to Securitize Jio Receivables

Unlocking Value through De-merger of Real Estate

- ❑ In-principal approval on a demerger of the Real Estate held by RCOM into a separate unit
- ❑ Reliance Properties Ltd. will be a separate listed Company
- ❑ All shareholders of RCOM will receive fully tradable pro-rata shareholding, free of cost in Reliance Properties Ltd.
- ❑ The preliminary and indicative monetisable value on development is estimated at over US\$2bn



Unlock Substantial Value for the Benefit of ~2 mm Shareholders

Summary

- Industry getting consolidated among top 5 operators
- Data driving the next growth phase in India
- RCOM infrastructure positions it well to tap the data opportunity
- Extensive capacity to cater to global data traffic
- Cost optimization and Smart capex strategy to improve return
- Focused plans for Deleveraging and Asset monetization

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Thank you

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