

Quarterly Report on the Financial Results for the Quarter ended June 30, 2013



Reliance Communications Limited
Registered office: H Block, 1st Floor,
Dhirubhai Ambani Knowledge City, Navi Mumbai – 400710
August 01, 2013

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General Risk: Investments in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of the Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved.

Convenience Translation: All references in this report to "Rs" are to Indian Rupees and all references herein to "US\$" are to United States Dollars.

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

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

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

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1. Performance Snapshot

Particulars	Units	12 months period ended				Quarter ended
		March-2010	March-2011	March-2012	March-2013	Jun 30, 2013 (Q1 FY14)
Total Subscribers	000's	102,422	135,719	153,046	122,973	125,733
Consolidated financials						
Revenue	Rs. mn	221,323	231,076	203,823	217,780	54,117
EBITDA	Rs. mn	78,205	90,816	64,899	71,591	17,012
Cash profit from operations	Rs. mn	86,138	79,976	49,665	45,896	10,135
Profit before income taxes	Rs. mn	52,228	15,176	8,821	8,148	1,311
Net Profit	Rs. mn	46,550	13,457	9,285	6,716	1,084
Total Fixed Assets	Rs. mn	715,395	729,408	714,778	692,520	704,510
Shareholders' Equity	Rs. mn	387,825	357,518	317,123	287,247	281,116
Net Debt	Rs. mn	198,888	320,485	358,393	388,644	384,864
Key Ratios						
EBITDA Margin	%	35.3%	39.3%	31.8%	32.9%	31.4%
Net Profit Margin	%	21.0%	5.8%	4.6%	3.1%	2.0%
Net Debt to funded equity ratio	Times	0.51	0.90	1.13	1.35	1.37
KPIs						
Wireless ARPU	Rs.	158	116	102	109	129
Wireless RPM	Rs.	0.48	0.44	0.44	0.44	0.46
Wireless MoU per sub	Min/month	333	262	230	251	283
Long Distance Minutes	Mn Min	61,136	80,293	84,343	81,575	19,536

2. Overview

2.1. [Introduction](#)

Reliance Communications Limited ("Reliance Communications" or "the Company") is India's largest integrated communications service provider in the private sector with over 134 million individual, enterprise, and carrier customers.

We operate pan-India across the full spectrum of wireless, wireline, and long distance, voice, data, video and internet communication services. We also have an extensive international presence through the provision of long distance voice, data and internet services and submarine cable network infrastructure globally.

2.2. [Strategic Business Units](#)

The business of Reliance Communications is organized into two strategic customer-facing geographical business units: Wireless and Global Enterprise. In addition, subsidiaries of Reliance Communications are engaged, inter alia, in the ownership, operation and development of telecom infrastructure, such as wireless communications sites and towers. Our strategic business units are supported by our fully integrated, state-of-the-art network and operations platform and by the largest retail distribution and customer service facilities of any communications service provider in India.

2.2.1. [Wireless](#)

RCOM offers CDMA and GSM based wireless services on a nationwide basis. RCOM has rolled-out 3G services in all the 13 circles where the company has won 3G spectrum. RCOM provides gamut of services in mobile and fixed wireless voice, data, and value added services for individual consumers and enterprises.

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

As on date, we have rolled-out 3G services in all circles where we have won 3G spectrum, covering over 333 towns. On CDMA platform, Netconnect Broadband+ service is available in over 1,000 cities with seamless handover to 1x service across 20,000 towns.

We have partnered with Apple to offer the iPhone 5 in India. With this partnership, we are happy to offer iPhone customers superior 3G speeds and a reliable data experience with attractive offers. By bringing iPhone to our customers, we are reinforcing our position as a leading data company.

We recently broke the entry barrier to help every Indian adopt 3G by offering 3G at 2G prices. Our subscribers can now access 3G services at 2G rates. New customers coming to the Reliance network through MNP will also be able to avail of 1 GB of 3G data free per month for two months. The move is aimed at making 3G accessible and affordable to all customers, and promises to trigger a fresh data-usage wave in the country.

We not only provide telecom connectivity to the mass market consumer segment but also, as an Integrated Telecom Service Provider, we offer total telecom solutions to our Corporate, SME & SoHo customers. Our portfolio of products includes mobile handsets, fixed wireless phones/terminals, tablets, high-speed internet data cards and Blackberry services. Our primary

brands are Reliance Mobile for the mobile portfolio of services, Reliance Hello for the fixed wireless portfolio of services and Reliance Netconnect for wireless data services. We offer a unique wireless multimedia experience under the brand Reliance Mobile World.

We also offer public calling office ("PCO") services over our wireless network through independent retail operators of such facilities. We have pioneered rural telephony initiatives that are supported by the Government of India's Universal Services Obligation (USO) Fund. Additionally, we provide connectivity for devices such as point of sale terminals, lottery terminals, and ATM terminals.

We are among the top three providers of wireless communication services in the country, with a wireless subscriber base of over 125.7 million as of June 30, 2013. In addition, we are also the largest PCO operator in the private sector.

2.2.2. Global Enterprise

The Global Business Unit offers the most comprehensive portfolio of Enterprise, IT infrastructure, National and International long distance voice, video and data network services on an integrated and highly scalable platform across the globe. Our business segments comprise Carrier, Enterprise and Consumer business units.

In India, we provide long distance business services 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 corporates and managed internet data centre ("IDC") services. We offer unique, value-added products and services to large, medium and small enterprises for their communications, networking, and IT infrastructure needs across the country. We have a product range of more than 38 products to suit the needs of all customer segments, more than any other service provider in India.

Our National Long distance offer's NLD carriage and termination on an inter segment basis, to other business units of Reliance Communications. We also offer bandwidth and infrastructure services to other operators. We are leveraging our existing metro fibre optic networks to establish direct building connectivity on-net. Currently we are operating in 44 cities in India with more than 1.1 million buildings connected directly to our network, serviced by about 1.5 million access lines.

Our primary building access technology is metro Ethernet technology with ring based fiber uplinks, which offers performance and cost advantages versus other access technologies in areas with high service potential. Our Metro Ethernet LAN technology gives us a significant edge in delivering high bandwidth data services, as compared with all of our competitors who operate on predominantly copper networks. In cities where we are not currently providing wireline direct building connectivity, we have selectively deployed wireless LMDS to access targeted buildings in accordance with our customer requirements. In the top 10 cities of India, we have augmented building connectivity program through deployment of WiMAX 802.16d technology. Using wire-line or wireless access, we provide services to the enterprise customers in more than 900 Indian cities/towns.

The enterprise customer base of the Company includes 880 of the top 1,000 enterprises in India. We are also expanding our enterprise subscriber base rapidly in the SME segment. We

continue to maintain leadership in other high growth segments of the market such as MPLS-VPN and Centrex solutions.

Globally, we provide carrier's carrier voice, carrier's carrier bandwidth, enterprise data and consumer voice services.

In our Carrier Voice, we offer ILD carriage and termination, on an inter segment basis, to other business units of Reliance Communications as part of the wholesale product offering. We entered the long distance market in India in mid-2003 and are one of the largest carriers of international voice minutes with a market share of 30% for ILD wholesale inbound traffic.

As part of our Consumer voice offering we offer virtual international calling services to retail customers for calls to 200 international destinations including India under the brand Reliance Global Call. Our retail services are available to customers in 14 countries in Australia, Austria, Belgium, Canada, France, Hong Kong, India, Ireland, Netherlands, New Zealand, Singapore, Spain, United Kingdom and United States. We have over 2.5 million customers for our Reliance Global Call service.

Our international Data business is underpinned by our ownership of the largest private submarine cable system in the world, directly connecting 40 countries from the East coast of the United States, to Europe, the Middle East, India, South and East Asia, through to Japan. The network seamlessly interconnects with our 190,000 route Kilometres fibre optic cables within India. We have over 2,100 enterprise customers globally in developed markets of the US, UK, France, Germany, Benelux, Singapore and Australia.

As part of wholesale offering, we offer national and international (submarine cable) network infrastructure on both an Indefeasible Right of Use ("IRU") and leased circuit basis, internet bandwidth, IPLC to carriers, ISPs, content providers and enterprises globally.

We have a very strong and rapidly growing enterprise business segment outside India. We are among the top 10 Managed Ethernet services provider in the U.S. and have a strong position in the global enterprise data market.

2.2.2. Reliance Digital TV

We launched nationwide satellite TV services on 19th August, 2008 under our wholly-owned subsidiary Reliance Big TV Limited. These services are available on the Direct-To-Home (DTH) format to consumers in India.

Our Direct-To-Home (DTH) digital TV Business has moved into its 5th full year of operations. Reliance Digital TV offers a full combo of Standard Definition, High Definition & High Definition-DVR STBs, along with largest channel bouquet. We also introduced a new technology advancement which made us the 1st operator to offer all 260 channels in HD like quality. Reliance offers nationwide Direct-To-Home satellite TV services, employing state-of-the-art MPEG4 technology.

Reliance Digital TV is available at more than 36,950 outlets across 8,365 towns in the country. The retail and distribution reach, as well as other elements of infrastructure established for our wireless network, have been leveraged to expand our DTH presence. Reliance Digital TV currently has 4.7 million subscribers, with 8% share of the DTH market in India. We launched India's first High definition cum Advanced Digital Video recorder (HD

DVR), offering 200 hrs of recording, trick play functions & universal remote for operating three devices.

We are also India's first DTH Player to offer 'Consumer Loyalty Program'. This is the first time in Indian DTH industry's history that the consumer will get rewarded for long term association. For every rupee spent on Reliance Digital TV subscription, the consumer will now earn reward points which can be redeemed against various Reliance Digital TV services.

During the past 12 months, there has been a significant enhancement in the, already stable product quality. Our Set Top Box (STB) Failure Rate is 0.59%, which is amongst the best internationally & by far the best in India.

2.3. [Network and Operating Facilities](#)

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

With 190,000 km of fibre optic cable in India, Our national inter-city long distance network is the largest next generation network in India. Our network is designed and deployed for maximum reliability in ring and mesh architecture.. We have unique presence in Indian cities with over 25,000 kilometres of ducted fibre optic cables The entire inter-city and metro fibre optic backbone network is MPLS enabled with near 200 MPLS integrated network nodes.

We have over 450,000 sq. ft. of IDC capacity in multiple locations. Our network operating centre in Navi Mumbai, India is one of the most advanced in the world. It has been designed and built to provide converged services, which is going to be the key differentiator going forward. The entire range of our products and services is enabled by streamlined, fully integrated, flow through operating and business support systems. These facilities provide us with by far the most superior platform in India for offering bandwidth intensive, feature rich, converged services and solutions for consumers, enterprises, and carrier customers with virtually limitless scalability. Our national networks are integrated with our international networks.

Our corporate clientele includes over 39,000 Indian and multinational corporations including small and medium enterprises and over 830 global, regional and domestic carriers. Our Managed Network Services are currently available in over 40,000 locations across 163 countries. We also own 22,000 kms of metro fibre network in the U.S. in 14 metros allowing us to offer our customers seamless end-to-end connectivity to these key business markets.

Our consumer and SME offerings are supported by one of the most extensive and powerful distribution networks in India. The backbone of our retail presence is combination of exclusive Reliance World and Reliance Mobile stores along with strong independent 3rd party retailer network. These stores offer customer activation and after sales service. Reliance World stores also operate as broadband experience centres offering video conferencing and virtual classroom applications.

2.4. [Recent Rewards & Recognition](#)

Frost & Sullivan Award: In the 11th edition of Frost & Sullivan's India Information & Communications Technology (ICT) Awards, RCOM won Mobile Entertainment Service Provider of the year, and Mobile Broadband Service Provider of the year.

2.5. [Principal Operating Companies](#)

Reliance Communications Limited is the Flagship Company and is also the holding company for the other major operating companies in the Group. Reliance Communications provides wireless, wireline, broadband, and long distance services in India and overseas. Its major assets are the wireless network, transmission networks used in its business, and the contact centres. Following the recent roll-out of our GSM network, we now provide CDMA based wireless services in 20 Circles and GSM based wireless services in 14 Circles.

Reliance Telecom Limited ("RTL") is a wholly owned subsidiary of Reliance Communications. RTL provides GSM-based wireless services in 8 service areas, and owns the GSM wireless networks in its service areas. We have received requisite Government approvals and spectrum to roll-out CDMA services in additional 2 Circles.

Reliance Infratel Limited owns, operates, and develops telecom infrastructure, primarily consisting of wireless communication sites and towers. It currently owns all of the towers used by Reliance Communications' CDMA and GSM wireless networks and is developing additional towers to meet the needs of Reliance Communications and other customers. Reliance Infratel is currently a subsidiary of Reliance Communications through RCIL.

Reliance Communications Infrastructure Limited ("RCIL") is a wholly owned subsidiary of Reliance Communications. RCIL provides wireless multimedia (Reliance Mobile World) and internet access (Reliance Netconnect) services to customers of Reliance Communications.

Reliance Globalcom B.V. is a wholly owned subsidiary of Reliance Communications. Reliance Globalcom encompasses Enterprise Services, Capacity Sales, Managed Services and a highly successful bouquet of Retail products & services comprising of Global Voice, Internet Solutions and Value Added Services. Its major assets are the FLAG Atlantic, FLAG North Asia Loop, FLAG Europe Asia and FALCON submarine cable systems.

Reliance Big TV Limited (RBTv) is a wholly owned subsidiary of Reliance Communications. RBTv is offering fully Digital Home Entertainment Service on the world's most advanced MPEG4 Direct-To-Home (DTH) Platform to deliver over 260 channels in High Definition (HD) like quality, including 4 exclusive movie channels & 5 Interactive services, to its subscribers.

3. Financial Highlight

Financial results for the quarter ended June 30, 2013 as per Indian GAAP. In the tables below, "Qtr ended 31/03/13" refers to the three month period ended March 31, 2013 and "Qtr ended 30/06/13" refers to the three month period ended June 30, 2013. Exchange rate for conversion of Indian Rupees to United States Dollars is Rs 54.29 = US\$ 1.00 for the quarter ended March 31, 2013, and Rs 59.39 = US\$ 1.00 for the quarter ended June 30, 2013, being the revaluation rate as announced by FEDAI.

3.1. Summarized Consolidated Statement of Operations

(Rs Million, except ratios)

Particulars	Qtr ended 31/03/13	Qtr ended 30/06/13	Q-on-Q Growth (%)
Total revenue	59,559	54,117	-9.1%
Net revenue	49,480	44,502	-10.1%
EBITDA	22,184	17,012	-23.3%
Cash profit from operations	13,958	10,135	-27.4%
Profit before tax	3,817	1,311	-65.7%
Net profit	3,027	1,084	-64.2%
<i>EBITDA margin (%)</i>	<i>37.2%</i>	<i>31.4%</i>	

(US\$ Million)

Particulars	Qtr ended 31/03/13	Qtr ended 30/06/13	Q-on-Q Growth (%)
Total revenue	1,097	911	-17.0%
Net revenue	911	749	-17.8%
EBITDA	409	286	-30.1%
Cash profit from operations	257	171	-33.5%
Profit before tax	70	22	-68.6%
Net profit	56	18	-67.9%
<i>EBITDA margin (%)</i>	<i>37.2%</i>	<i>31.4%</i>	

3.2. Summarized Consolidated Balance Sheet

(Rs Million, except ratios)

Particulars	As at 31/03/13	As at 30/06/13
Assets		
Net fixed assets, including capital work-in-progress	692,520	704,510
Investments	1,115	1,218
Total current assets (excluding cash & cash equivalents)	144,125	157,359
Total assets	837,760	863,087
Liabilities and stockholders equity		
Total current liabilities and provisions	154,616	189,604
Net debt	388,644	384,864
Total liabilities	543,260	574,468
Stockholders equity (Net of Goodwill)	287,247	281,116
Minority interest	7,253	7,503
Total liabilities and stockholders equity	837,760	863,087
<i>Net debt to stockholders equity (x)</i>	<i>1.35</i>	<i>1.37</i>
<i>Book value per equity share (Rs)</i>	<i>143</i>	<i>140</i>

(US\$ Million)

Particulars	As at 31/03/13	As at 30/06/13
Assets		
Net fixed assets, including capital work-in-progress	12,757	11,862
Investments	21	21
Total current assets (excluding cash & cash equivalents)	2,655	2,650
Total assets	15,433	14,533
Liabilities and stockholders equity		
Total current liabilities and provisions	2,850	3,193
Net debt	7,159	6,480
Total liabilities	10,009	9,673
Stockholders equity (Net of Goodwill)	5,291	4,733
Minority interest	133	127
Total liabilities and stockholders equity	15,433	14,533

3.3. Summarized Statement of Operations by Segment

3.3.1. Wireless

(Rs Million, except ratios)

Particulars	Qtr ended 31/03/13	Qtr ended 30/06/13	Q-on-Q Growth (%)
Gross revenue	46,263	48,162	4.1%
Net revenue	33,800	35,557	5.2%
EBITDA	12,334	13,142	6.6%
EBIT	5,926	8,345	40.8%
<i>EBITDA margin (%)</i>	<i>26.7%</i>	<i>27.3%</i>	
<i>EBIT margin (%)</i>	<i>12.8%</i>	<i>17.3%</i>	

3.3.2. Global Enterprise

(Rs Million, except ratios)

Particulars	Qtr ended 31/03/13	Qtr ended 30/06/13	Q-on-Q Growth (%)
Gross revenue	24,657	22,996	-6.7%
Net revenue	18,782	17,223	-8.3%
EBITDA	5,686	5,178	-8.9%
EBIT	2,258	1,947	-13.8%
<i>EBITDA margin (%)</i>	<i>23.1%</i>	<i>22.5%</i>	
<i>EBIT margin (%)</i>	<i>9.2%</i>	<i>8.5%</i>	

Note: "Net revenue" in 3.3.1 and 3.3.2 above represents gross segment revenue less license fees and access charges.

3.3.3. Others

(Rs Million, except ratios)

Particulars	Qtr ended 31/03/13 *	Qtr ended 30/06/13	Q-on-Q Growth (%)
Other income	2,267	1,979	-12.7%
Other expenses	3,314	3,288	-0.8%
EBITDA	(1,047)	(1,308)	-24.9%
EBIT	(2,400)	(2,123)	11.5%

Note: "Other income" in 3.3.3 above represents revenue earned from operating activities not included in segments (as defined). "Other expenses" in 3.3.3 above represents expenses related to such activities and unallocated corporate expenses.

* Excludes reversal of Provision for Business Restructuring (PBR) of Rs. 5,500 Mn. as mentioned in Notes to Accounts of financial results Q4 '13

3.4. Contribution to Revenue by Segment

(Rs Million, except ratios)

Segment	Qtr ended 31/03/13		Qtr ended 30/06/13	
	Revenue	% of Total	Revenue	% of Total
Wireless	46,263	63%	48,162	66%
Global Enterprise	24,657	34%	22,996	31%
Others *	2,267	3%	1,979	3%
Sub Total	73,187	100%	73,137	100%
<i>Eliminations</i>	(19,128)		(19,020)	
Total	54,059		54,117	

Note: "Others" comprises "Other income" as shown in 3.3.3 above.

3.5. Contribution to EBITDA by Segment

(Rs Million, except ratios)

Segment	Qtr ended 31/03/13		Qtr ended 30/06/13	
	EBITDA	% of Total	EBITDA	% of Total
Wireless	12,334	73%	13,142	77%
Global Enterprise	5,686	34%	5,178	30%
Others *	(1,047)	-7%	(1,308)	-7%
Sub Total	16,973	100%	17,012	100%
<i>Eliminations</i>	(289)		-	
Total	16,684		17,012	

3.6. Investment in Projects by Segment

(Rs Million, except ratios)

Segment	Cumulative to 30/06/13		Qtr ended 30/06/13	
	Rs Million	% of Total	Rs Million	% of Total
Wireless	667,298	72%	1,780	73%
Global Enterprise	237,343	25%	600	24%
Others	31,618	3%	70	3%
Total	936,259	100%	2,450	100%

* Excludes reversal of Provision for Business Restructuring (PBR) of Rs. 5,500 Mn. as mentioned in Notes to Accounts of financial results Q4 '13

4. Key Performance Indicators

The financial figures used for computing ARPU, RPM and SMS revenue are based on Indian GAAP. Data used for computing wireless market share is derived from reports published by industry associations. Although we believe that such data is reliable, it has not been independently verified. Definitions of terms are set out in Section 9. "Qtr ended 31/03/13" refers to the three month period ended March 31, 2013; "Qtr ended 30/06/13" refers to the three month period ended June 30, 2013.

Metric	Unit	Qtr ended 31/03/13	Qtr ended 30/06/13
WIRELESS :			
<u>Voice</u>			
Wireless customers	Mn	123.0	125.7
Wireless net adds	Mn	4.4	2.7
Pre-paid % of total wireless customers	%	96.4%	96.5%
Wireless ARPU	Rs/Sub	128	129
Wireless churn	%	4.8%	4.6%
Wireless minutes of use (MoU)	Bn Mins	105.3	105.5
Wireless MoU per customer/month	Min/Sub	291	283
Wireless revenue per minute (RPM)	Rs/Min	0.44	0.46
Wireless EBITDA per minute	Rs/Min	0.12	0.12
<u>Data</u>			
Total data customers	Mn	29.4	31.1
3G customers	Mn	7.2	7.7
Total data traffic	Mn MBs	27,240	31,050
Data usage per customer	MBs	319	342
Non voice as % of wireless revenue	%	21.0%	21.3%
<u>Network Statistics</u>			
Service areas operational*	Nos	22	22
3G towns coverage	Nos	333	333
Total sites on network	Nos	86,792	86,792
Total 3G sites	Nos	11,659	11,659

* Considering Tamil Nadu and Chennai as one combined circle

Metric	Unit	Qtr ended 31/03/13	Qtr ended 30/06/13
GEBU:			
Broadband Service areas operational	Nos	18	18
Broadband Towns active (wireline)	Nos	44	44
Access lines	Nos	1,482,000	1,483,000
Access line net adds	Nos	(16,000)	1,000
Buildings directly connected	Nos	1,153,969	1,153,971
Total ILD minutes	Mn Mins	5,315	4,797
Total NLD minutes	Mn Mins	15,244	14,739

Note: Definition of ILD minutes includes transit minutes and global calling card minutes. Definition of NLD minutes includes carriage of all ILD minutes originating or terminating in India.

5. Basis of Presentation of Financial Statements

5.1. Reporting Periods

The financial year end of Reliance Communications Limited is March 31. Each financial year ("FY") is referred to by the calendar year in which the particular financial year end occurs. The current financial year will be for a period of 12 months, commenced on April 1, 2013 and ending on March 31, 2014.

5.2. Consolidated and Segment Financial Results

5.2.1. Revenues

Revenues of the Company have been reported in the following manner:

- Consolidated Revenues and Segment Gross Revenues

Consolidated revenues of the Company have been classified as "Services and Sales" revenue. This represents revenues earned from the provision of services and from the sale of network infrastructure on an IRU basis.

For the purposes of business segment reporting, revenues have been classified under two segments namely "Wireless" and "Global Enterprise". The lines of business included in each segment and the basis of segment revenue reporting is described in Section 5.3 below. Revenue earned from operating activities not included in these segments (as defined) is shown as "Other Income" under "Others" in the segment analysis.

- Elimination of Inter Segment Revenues

Revenues for each business segment are reported at gross level where inter segment revenue is also included. Hence, revenue of one segment, from inter segment source, is reported as the expense of the related segment. Elimination takes place in determining consolidated revenues for the Company.

For the purpose of determining transfer pricing between segments, open market wholesale rates for comparable services or, where applicable, rates stipulated by the regulatory authorities have been adopted.

5.2.2. Net Revenues by Segment

"Net Revenues" represent revenues earned less direct variable operating expenses in the nature of: (1) revenue share (including levies for Universal Service Obligation), and spectrum fees (referred to collectively as "License Fees"); and (2) charges for access, carriage, interconnection, and termination (referred to collectively as "Access Charges").

Expenses included under License Fees are currently incurred as a percentage of adjusted gross revenue. Expenses included under Access Charges, on the basis of fixed or ceiling cost per minute, or are determined by commercial negotiation with other carriers and between our business segments, as appropriate.

Access Charges and license Fees are disclosed in aggregate as part of the classification of "Operating Expenses" in the consolidated statement of operations. Net Revenues are reported for each business segment.

5.2.3. Operating Expenses

Operating expenses of the Company have been reported in the following manner:

- Consolidated and Segment Gross Operating Expenses

Consolidated operating expenses of the Company have been classified under four categories of costs, namely "Access Charges and license Fees", "Network Operations", "Employees", and "Selling, General & Administrative".

- Elimination of Inter Segment Expenses

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

5.3. Composition of Segments

Financial performance of the Company has been reported under the following two business segments:

- Wireless
- Global Enterprise

Financial results by segment include all products and services covered by the individual segment as described below. Operating activities not included in the segments (as defined below) are grouped under "Others".

5.3.1. Wireless

The Wireless segment functions in a retail mode. Wireless services are offered on both CDMA and GSM technology platforms. Wireless services consist mainly of the following:

- ❑ 3G in 13 circles & Nation-wide 2G mobile services for individuals and corporate customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia and value added services. Services are offered on both pre-paid and post paid bases.
- ❑ Fixed wireless phone and terminal services are mainly for residential and SME customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia, and value added services. Services are offered on both pre-paid and post paid bases.
- ❑ 3G services provide customers with a plethora of data applications like live mobile TV, Video-on-demand, video calling, video and music streaming, video conferencing, personalized RSS feeds and much more.
- ❑ Public calling offices and coin collection boxes for local and long distance voice using fixed wireless phones and terminals. Service is provided to independent retail operators of such facilities on a pre-paid basis.

Assets allocated to this business segment include: radio equipment (base trans-receiver stations (BTSs), microwave towers, antennas, mobile switching centers (MSCs), and related electronics, software and systems for operations); intra-city access networks (ducts and optical fiber) other than in 44 cities; utilities, servers, customer premises equipment, and license fees.

5.3.2. Global Enterprise

The Global Enterprise Business segment provides wholesale and retail voice and data services from many international locations. It provides the following services to the wireless segment of Reliance Communications on an inter segment basis and enterprises in India and across the globe:

- ❑ National inter-circle (NLD) carriage services for voice, data, and internet.
- ❑ NLD bandwidth and infrastructure services for other service providers.
- ❑ International long distance (ILD) carriage services for voice, data, and internet.
- ❑ IRUs and leased circuits for international voice and data connectivity through submarine cable systems, together with cable restoration and maintenance services.
- ❑ Global Ethernet services to enterprise customers across four industry verticals i.e. financial, legal, healthcare and Government
- ❑ International managed data services, including IP-VPN.
- ❑ Virtual international calling and voice content services provided by overseas operating units in Australia, Austria, Belgium, Canada, France, Hong Kong, India, Ireland, Netherlands, New

Zealand, Singapore, Spain, United Kingdom and United States in a retail mode to individual customers for calling India and global destinations.

- Managed contact centre solutions for call centres in India and overseas.
- Services provided through LMDS, WIMAX etc. and involving the provision of IT infrastructure are covered under this segment. Services are provided across various customer groups including residential, SMEs, and large corporates. Products and services include the following:
 - Voice Products: E1 DID, Centrex, PBX trunks, One Office Duo, Toll free, Audio conferencing, and Fixed line phones.
 - Data products: VPN, leased lines, IPLCs, Ethernet, video conferencing, Remote Access VPN, internet data centre (IDC) services (including managed hosting, applications, storage, and disaster recovery), and broadband internet.

NLD and ILD assets are allocated to this segment. NLD assets include: transport equipment and electronics; transmission networks connecting various Media Convergence Nodes (MCNs) across all circles; buildings, utilities, and license fees. ILD assets include: dedicated ports and switches, electronics, infrastructure at various points of presence and other cable systems not owned and operated by the Company. In addition, the submarine cable systems, cable landing stations, switching equipment for PoPs and associated facilities of FLAG, are included in this segment.

Allocated assets also include: in-building wiring and building access networks from building access nodes in all locations where active; intra-city access networks (ducts and optical fiber) in 44 cities; internet data centers; digital loop carriers (DLC), routers, modems and related electronics; customer premises equipment (CPE) and license fees.

5.3.3. Others

Others comprise operating activities not included in the segments as defined above. These activities include DTH services, retailing (Reliance World), property leasing and investments.

Assets shown under Others mainly comprise properties owned by the Company, including the Dhirubhai Ambani Knowledge City, and property and fittings (including electronics for video-conferencing and other digital services) used by Reliance World retail outlets.

6. Financial Statements

Financial results for the quarter ended June 30, 2013 as per Indian GAAP. An explanation of the basis of presentation is set out in Section 5. In the tables below, "Qtr ended 31/03/13" refers to the three month period ended March 31, 2013 and "Qtr ended 30/06/13" refers to the three month period ended June 30, 2013. Previous quarter's figures have been re-grouped, re-arranged and re-classified wherever necessary.

6.1. Consolidated Results of Operations

(Rs. Million, except ratios)

Particulars	Qtr ended 31/03/13	Qtr ended 30/06/13
Total revenues	59,559	54,117
Services and sales	59,559	54,117
Total operating expenses	37,375	37,105
Access charges and license fees	10,079	9,615
Network operations	16,340	17,610
Employees	2,125	2,425
SG&A	8,831	7,455
EBITDA	22,184	17,012
Finance charges (net)	7,475	6,870
Depreciation / amortization	10,892	8,831
Exceptional Items	-	-
Profit before tax	3,817	1,311
Provision for tax (including Deferred tax)	751	7
Net profit after tax (before adjustment of share of Minority Interest/ Associates)	3,066	1,304
Share of Minority and associates	39	220
Net profit after tax (after adjustment of share of Minority Interest/ Associates)	3,027	1,084
Ratios		
<i>EBITDA margin (%)</i>	<i>37.2%</i>	<i>31.4%</i>
<i>Net profit margin (%)</i>	<i>5.1%</i>	<i>2.0%</i>

6.2. Consolidated Balance Sheet

(Rs. Million)

Particulars	As at 31/03/13	As at 30/06/13
ASSETS		
Current assets		
Inventories	4,967	5,125
Debtors	39,105	43,574
Other current assets	22,135	23,665
Loans and advances	77,918	84,995
Total current assets (excluding cash and cash equivalents)	144,125	157,359
Fixed assets		
Gross block	1,045,924	1,077,805
Less: Depreciation	392,041	412,789
Net block	653,883	665,016
Capital work-in-progress	38,637	39,494
Total fixed assets	692,520	704,510
Investments	1,115	1,218
Total assets	837,760	863,087
LIABILITIES AND STOCKHOLDERS EQUITY		
Stockholders equity		
Share capital	10,320	10,320
Reserves and surplus (net of Goodwill)	276,927	270,796
Stockholders equity	287,247	281,116
Minority interest	7,253	7,503
Current liabilities and provisions		
Current liabilities	127,032	161,399
Provisions	27,584	28,205
Total current liabilities and provisions	154,616	189,604
Debt		
Foreign currency loans	277,271	255,198
Rupee loans	124,187	143,682
Gross Debt	401,458	398,880
Less: Cash and cash equivalents	12,814	14,016
Net debt	388,644	384,864
Total liabilities and stockholders equity	837,760	863,087

6.3. Consolidated Statement of Cash Flows

(Rs. Million)

Particulars		Qtr ended 31/03/13	Qtr ended 30/06/13
Cash flows from operating activities:			
Net profit/(loss) before tax	A	3,817	1,311
Add: Non cash/non operating items	B	18,983	15,984
Depreciation and amortization		10,892	8,831
Provision for doubtful debts		432	238
Finance charges (net)		7,337	6,979
(Profit)/loss on sale of investments		322	(64)
Exceptional items		-	-
Cash generated from operations before working capital changes	A+B	22,800	17,295
(Increase)/decrease in working capital		(6,564)	(2,227)
Cash generated from operations		16,236	15,068
Tax paid		(722)	(1,099)
Net cash provided/used by/in operating activities	C	15,514	13,969
Cash flows from investing activities:			
(Purchase)/sale of property, plant, and equipment (net)		(5,574)	(2,781)
(Purchase)/sale of investments (net)		(405)	588
Interest income / (expense) (net)		(8,611)	(6,341)
Net cash provided/used by/in investing activities	D	(14,590)	(8,534)
Cash flows from financing activities:			
Increase/(decrease) in borrowings		(80)	(4,233)
Net cash provided/used by/in financing activities	E	(80)	(4,233)
Cash and cash equivalents:			
Beginning of the period	F	11,970	12,814
End of the period	C+D+E+F	12,814	14,016

7. Accounting Policies

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

7.1. Principles of Consolidation

Consolidation has been carried out in compliance with the applicable Accounting Standards, viz., AS 21 and AS 23, issued by the Institute of Chartered Accountants of India.

7.2. Other Significant Accounting Policies

7.2.1. Basis of Preparation of Financial Statements

The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

7.2.2. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/materialized.

7.2.3. Fixed Assets

Fixed assets are stated at cost net of cenvat/value added tax and include amount added on revaluation less accumulated depreciation, amortization and impairment loss, if any.

- All costs including financing cost until commencement of commercial operations relating to borrowings attributable to fixed assets, are capitalized.
- Expenses incurred relating to projects prior to commencement of commercial operation are considered as project development expenditure and shown under capital work-in-progress.
- In respect of operating leases, rentals are expensed with reference to lease terms and other considerations in compliance with the provisions of the AS 19 issued by The Institute of Chartered Accountants of India, except for rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalized.
- In respect of finance leases, the lower of the fair value of the assets and present value of the minimum lease rentals is capitalized as fixed assets with corresponding amount shown as liabilities for leased assets in compliance with the provisions of the AS 19 issued by The Institute of Chartered Accountants of India. The principal component in the lease rental in respect of the above is adjusted against liabilities for leased assets and the interest component is recognized as an expense in the year in which the same is incurred except in case of assets used for capital projects where it is capitalized.

- Entry fees paid for telecom licenses and infeasible right of connectivity are stated at cost for acquiring the same less accumulated amortization. These are classified as part of fixed assets.

7.2.4. Depreciation/Amortization

- Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except in cases of cable systems, customer premises equipment and certain other assets for which useful life has been considered based on technical estimation. Depreciation is net of the amount adjusted from Provision for Business Restructuring in accordance with the Scheme.
- Depreciation on assets taken on finance lease is provided over the remaining period of lease from the commencement of commercial operations.
- Leasehold land is depreciated over the period of the lease term.
- Intangible assets, namely entry fees for telecom licenses are amortized equally over the balance period of licenses from the date of commencement of commercial services or acquisition. Infeasible rights of use are amortized on matching principle basis for the upfront revenue recognition.
- The depreciation schedule for various classes of assets is as follows:

Asset Class	Period (Years)
Leasehold Land	Over the lease period
Building	30 & 60
Plant and Machinery	10-20
Furniture and Fixture	10
Office Equipment	5-10
Vehicles	5

7.2.5. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

7.2.6. Investments

Investments are classified into long term and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year, are classified as current investments.

Current investments are carried at lower of cost and quoted/fair value, computed category wise. Long term investments are stated at cost. Provision for diminution in the value of long term

investments is made only if such a decline is other than temporary in the opinion of the management.

7.2.7. Inventories

Inventories are valued at lower of cost or net realizable value. Cost of communication devices and accessories and stores and spares are determined on weighted average basis, or net realizable value whichever is less.

7.2.8. Employee Retirement Benefits

Gratuity and leave encashment liabilities are provided for based on actuarial valuation. While Company's contributions towards provident fund and superannuation fund are provided on actual contribution basis in accordance with the related stipulation.

7.2.9. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets up to the commencement of commercial operations. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are recognized as expense in the year in which they are incurred.

7.2.10. Foreign Currency Transactions

- ❑ Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing at the time of the transaction.
- ❑ Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items, which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognized as exchange difference and the premium paid on forward contracts has been recognized over the life of the contract.
- ❑ Non monetary foreign currency items are carried at cost.
- ❑ 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 arising as a result has been added or deducted from the cost of the assets as per the notification issued by the Ministry of Company Affairs (MCA) dated 29th December, 2011. Exchange difference on other long term foreign currency loans is accumulated in "Foreign Currency Monetary item Translation Difference account" which will be amortized over the balance period of loans.
- ❑ Any income or expense on account of currency exchange difference, either on settlement or on translation, is recognized in the profit and loss account. The Company follows AS-11 in respect of forex loss/gain in case of monetary items other than mentioned above, and is therefore being debited/credited to Profit and Loss Account.
- ❑ Any income or loss arising out of marking derivative contracts to market price is recognized in the profit and loss account.

7.2.11. Revenue Recognition

Revenue (income) is recognized as and when the services are performed on the basis of actual usage of the Company's network. Revenue on upfront charges for services with lifetime validity and fixed validity periods are recognized over the estimated useful life of subscribers and specified fixed validity period, where significant. The estimated useful life is consistent with estimated churn of the subscribers. Revenue from indefeasible rights of use (IRU) granted for network capacity is recognized as license income on activation of circuits.

7.2.12. Provision for Doubtful Debts

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

7.2.13. Miscellaneous Expenditure

Miscellaneous expenses are charged to profit and loss account as and when they are incurred.

7.2.14. Taxes on Income

Provision for income tax is made on the basis of estimated taxable income for the year at current rates. Tax expenses comprise both current tax and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable/recoverable in respect of the taxable income/loss for the reporting period. Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

7.2.15. Government Grants

Subsidies provided by Government for providing telecom services in rural areas are recognized as operating income.

7.2.16. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

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

1. Figures of the previous period have been regrouped and reclassified, wherever required
2. Pursuant to the Schemes of Arrangement ("the Schemes") sanctioned by the Hon'ble High Court of Judicature at Bombay, variations of ₹ 131 crore, on account of changes in exchange rates relating to foreign currency monetary items, other than long term foreign currency monetary items, ₹ 311 crore being amortisation of the balance in "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)" and ₹ 95 crore being depreciation consequent to addition of exchange differences on long term borrowing relating to capital assets to the cost of capitalised assets, during the quarter ended June 30, 2013, are withdrawable from General Reserve. This treatment has no impact on the Statement of profit and loss of the quarter ended on June 30, 2013 as the same has not been considered therein and the necessary effect, if any, will be carried out at the year end.

9. Glossary

Key Performance Indicators and Financial Terms

Key Performance Indicators	
Wireless market share	Total wireless customers (CDMA Mobile + GSM Mobile + FWP + Wireless PCO), at the end of the relevant period, divided by All-India wireless customers, at the end of the same period. All-India wireless customer numbers are sourced from industry reports.
Market share of wireless net adds	Wireless customer net additions during the relevant period, divided by All-India wireless customer net additions during the same period.
Wireless ARPU	Computed by dividing total wireless revenue for the relevant period by average customers; and dividing the result by the number of months in the relevant period.
Wireless churn	Computed by taking average monthly wireless disconnections divided by opening monthly subscriber base in the relevant period. Churn is expressed as a percentage.
Total wireless minutes of use (MoU)	Sum of all incoming and outgoing minutes used on the wireless access network by all customers in aggregate.
Wireless MoU per customer per month	Total wireless MoU divided by average number of wireless customers on the network in the relevant period. The result is expressed as the average per customer per month.
Wireless revenue per minute (RPM)	Wireless ARPU divided by the average wireless MoU per customer per month.
Buildings directly connected	The number of buildings directly connected to Reliance Communications's own network (either by wireline, fiber optic, or other fixed access technologies) at the end of the relevant period.
Access lines	Number of narrowband and broadband voice and data access lines in use.
ILD minutes	Total of incoming and outgoing international long distance minutes carried by the Global business. This includes minutes originating or terminating in India, international transit minutes, and global calling card minutes.
NLD minutes	Total of national long distance minutes carried by the Global business. The domestic carriage of all ILD minutes has been included in NLD minutes.
Total data subscribers	Any subscriber with data usage of more than zero Kb in the relevant period
Total data volume	Data usage by data subscribers in the relevant period
Data usage per customer	Total data usage divided by average number of data subscribers on the network in the relevant period. The result is expressed as the average per customer per month.
3G customers	Any subscriber having made atleast one revenue generating call or data usage of more than zero Kb in the relevant period

Financial Terms	
Net revenue	Total revenue less (1) charges for access deficit, USO levy, revenue share and spectrum fees (referred to as "License Fees") and (2) charges for access, carriage, interconnection and termination (referred to as "Access Charges").
Cash profit from operations	Is defined as the sum of profit after tax, depreciation and amortization.

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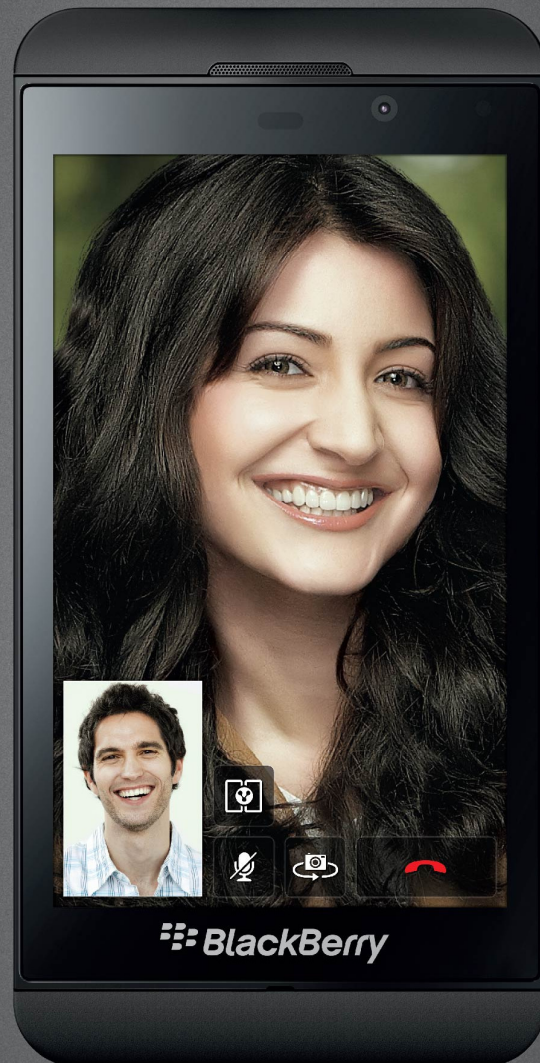


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