

FIRST GLOBAL

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India Research



Sector: Telecom Services

What Happened Last Quarter

Reliance Communications Ltd.

(RCOM.IN) (RLCM.BO)

Market Perform (CMP: Rs. 478.05, Mkt. Cap. Rs.977 bn, \$23.8 bn May 11, '07)
Relevant Index: S&P CNX Nifty: 4076.65 (May 11, '07)

Overall valuations of Indian wireless sector too stretched

Higher effective tax rate to be a significant drag on profit growth

Last report's recommendation: Market Perform (MP: Rs. 450.15, Feb 22 '07)
Relevant Index: CNX Nifty: 4040 (Feb 22 '07)
Relative performance since last rating change (Feb 22, '07): CNX Nifty: Up 0.9%,
RCOM Up 6.2%

May 11, 2007

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Price and Rating History Chart

Ratings Key

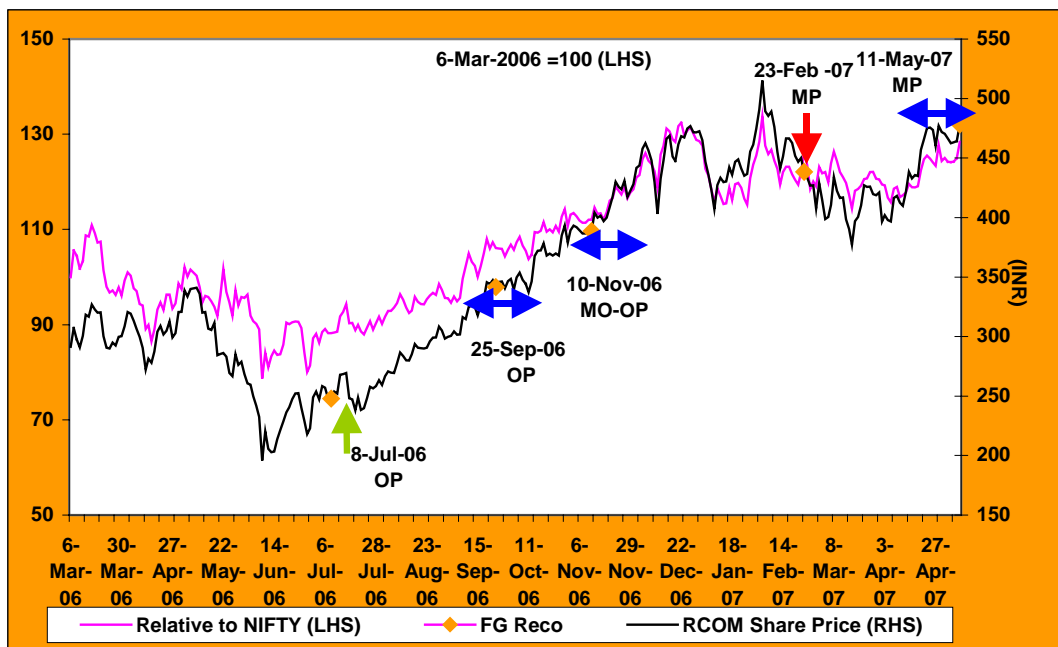
	B = Buy	BD = Buy at Declines	OP = Outperform
Positive Ratings	S-OP = Sector Outperform	M-OP = Market Outperform	MO-OP = Moderate Outperform
Neutral Ratings	H = Hold	MP = Market Perform	SP = Sector Perform
Negative Ratings	S = Sell	SS = Sell into Strength	UP = Underperform
	A = Avoid	MO-UP = Moderate Underperform	S-UP = Sector Underperform

ST: Short Term

MT: Medium Term

LT: Long Term

Reliance Communications (RCOM)



Represents an Upgrade



Represents a Downgrade



Represents Reiteration of Existing Rating

Details of First Global's Rating System given at the end of the report



Financial Snapshot

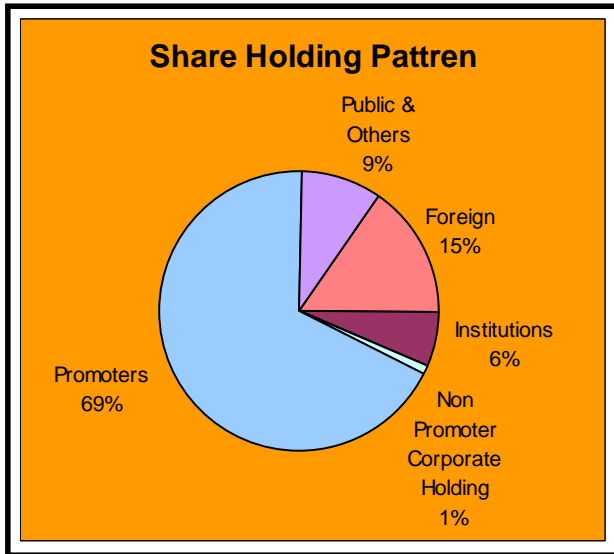
Key Financials				
(YE March 31) (in mn Rupees)	2006	2007E	2008E	2009E
Total Revenues	107,672	144,683	189,566	244,083
Operating Revenues Growth		34%	31%	29%
EBITDA	24,893	57,209	79,201	100,772
EBITDA Growth		130%	38%	27%
Net Profit/(loss) (Excl extraordinary)	5,154	31,935	46,684	54,232
Net Profit/(loss) Growth		520%	46%	16%
Shareholder Equity	117,515	226,835	273,519	318,234
Dilutes Shares (mn)	2,045	2,158	2,158	2,158
Key Operating Ratios				
(YE March 31)	2006	2007E	2008E	2009E
Diluted EPS (In Rs.)	2.5	14.8	21.6	25.1
Diluted EPS Growth		487%	46%	16%
Book Value per share (in Rs.)	57.5	72.9	95.8	117.6
CEPS (in Rs.)	2.2	26.1	35.2	42.5
EBITDA Margin	23.1%	39.5%	41.8%	41.3%
EBIT Margin	23.1%	22.5%	26.3%	26.0%
NPM	4.1%	21.9%	24.6%	22.2%
RoE*		23.8%	27.5%	25.4%
RoCE*		12.4%	14.7%	17.6%
Net Debt/Equity (x)	0.30	0.09	0.08	0.13
Dividend Payout (%)		3.2%	10.0%	15.0%
Valuation Metrics				
(YE March 31)	2006	2007E	2008E	2009E
P/E (x)		32.3	22.1	19.0
P/BV (x)		6.6	5.0	4.1
P/CEPS (x)		18.3	13.6	11.3
EV/EBIDTA (x)		17.4	12.6	9.9
Market Cap./ Sales (x)		6.8	5.2	4.0
EV/Sales (x)		6.9	5.3	4.1
Dividend Yield (%)		0.1%	0.6%	1.0%
DuPont Ratio				
(YE March 31)	2006	2007E	2008E	2009E
EBIDTA/Sales (%)		40%	42%	41%
Sales/Operating Assets (x)		0.74	0.73	0.77
EBIDTA/Operating Assets (%)		29%	30%	32%
Operating Assets/ Net Assets (x)		0.66	0.65	0.79
Net Earnings/ EBIDTA (%)		55%	59%	54%
Net Assets/ Net Worth (x)		2.23	2.37	1.87
Return on Equity (ROE) (%)		23.8%	27.5%	25.4%

^ Return ratios and Book Value per share (used in the calculation of P/BV) is adjusted for revaluation of assets based on our estimates.



<i>Commonsized P&L Statement</i>				
	2006	2007E	2008E	2009E
Income from operations	100%	100%	100%	100%
Licence fees and Access charges	38%	27%	25%	25%
Network operations	14%	12%	12%	12%
Employee costs	8%	6%	6%	6%
SG&A	17%	17%	16%	16%
Others	0%	0%	0%	-1%
EBITDA	23%	38%	41%	40%
Depreciation	16%	18%	16%	16%
Total Cost	93%	80%	75%	75%
EBIT	7%	20%	25%	24%

Key – Statistics

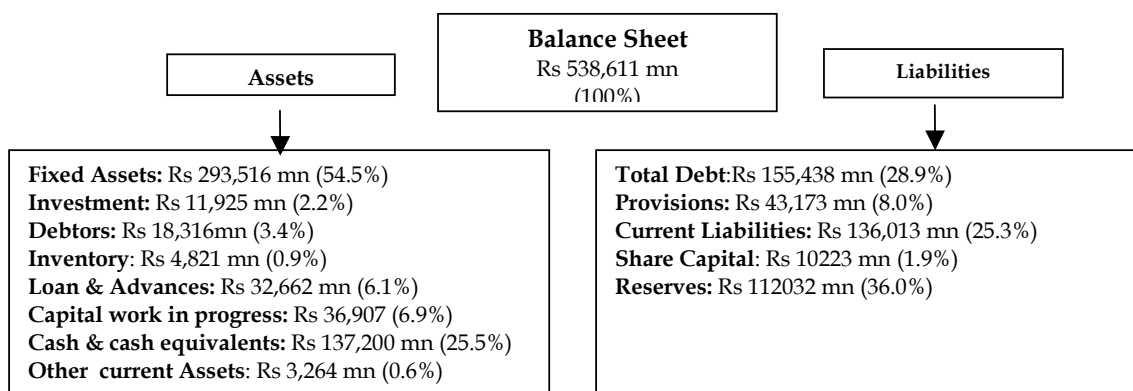
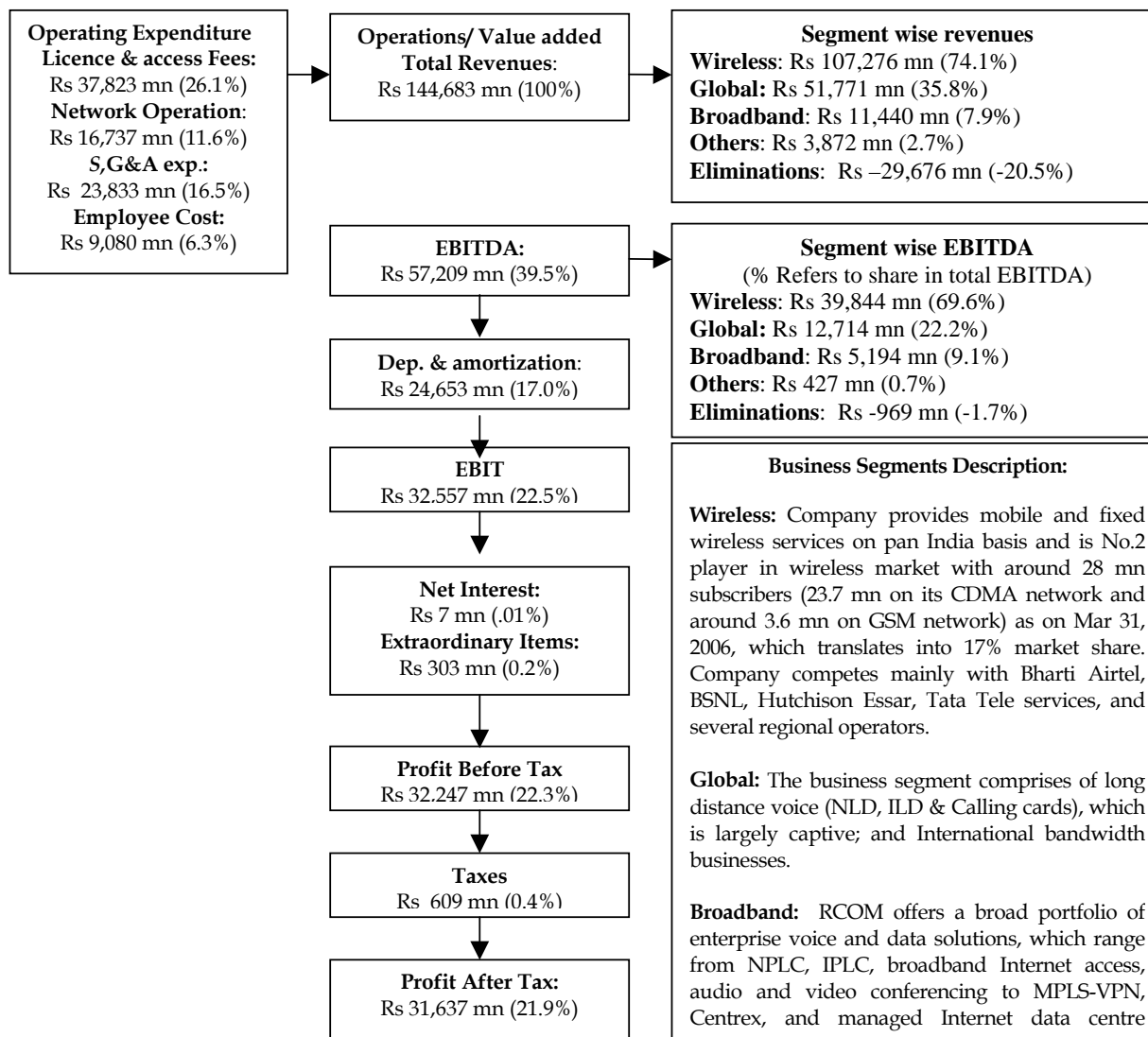


Telecom Service Provider	
Industry:	Telecom Service Provider
52 Week Hi:Lo:	Rs. 518.85 / 186.10
CMP:	Rs. 478.05
Avg Daily Vol (20 days):	5.02 mn
Avg Daily Val (20 days):	Rs 2,303 mn
Performance over 52 weeks:	
RCOM:	Up 49.4%
Nifty:	Up 10.1 %



Reliance Communications' Business in Pictures... (FY07)

(All figures are in Rs . mn except where stated otherwise. All percentages are percent of revenues, unless otherwise stated)





What Happened Last Quarter

For Reliance Communications Ltd. (RCOM) (RCOM.IN)(RLCM.BO), Q4 FY07 proved to be yet another quarter of slow sequential revenue growth. The topline growth of 5% sequentially and 33% Y-o-Y to Rs.39.4 bn lagged behind the sequential revenue growth recorded by its listed peers, Bharti Airtel (BHARTI) (10%) and Idea Cellular (IDEA) (14%). The EBITDA and net profit came in at Rs.16.4 bn and Rs.10.24 bn, as against our estimates of Rs.16.7 bn and Rs.9.9 bn respectively. The effective tax rate continued to be lower at 1.4%, which resulted in a higher than expected net profit.

Revenues of the key Wireless segment grew by 7.9% sequentially and 40% Y-o-Y, on the back of an increase of 15% sequentially and 66% Y-o-Y in the company's subscriber base, excluding the impact of 5.6 mn subscriber disconnections undertaken in the quarter. Revenues of the Global segment declined by 3% sequentially and 8.6% Y-o-Y on account of lower realization. Revenues of the Broadband segment were up 4.4% sequentially (69.4% Y-o-Y), which was quite lower than the average growth of 17% recorded for the first three quarters of the year. The EBITDA margin of the Wireless and Broadband segments expanded by 137 bps and 182 bps respectively, while that of the Global segment declined by 250 bps.

RCOM has provided a capex guidance of \$2.5 bn for FY08, which excludes the capex by Reliance Telecom Infrastructure Limited (RTIL), the passive infrastructure (tower) company and Flag Telecom (FLAG). The company expects around \$ 1 bn to be spent on GSM expansion.

RCOM has been reporting a significant improvement in the EBITDA margin, which has been up 630 bps since Q4 FY06, while the sequential revenue growth continues to be rather mediocre, averaging at around 8%. The company has gone slow on its CDMA expansion ahead of its impending GSM roll out in non-GSM circles (evident from the capex of Rs.67 bn incurred in FY07, as against the guidance of around Rs.76 bn) which possibly explains the scenario. We believe that the rich valuation being commanded by the sector is primarily due to its strong growth prospects. However, profit growth through margin expansion has its limits. RCOM's net margin currently stands at 26% and we do not see too much of an upside from hereon. Further, the increase in the effective tax rate from the current 1.4% would prove to be a significant drag on the profit growth.

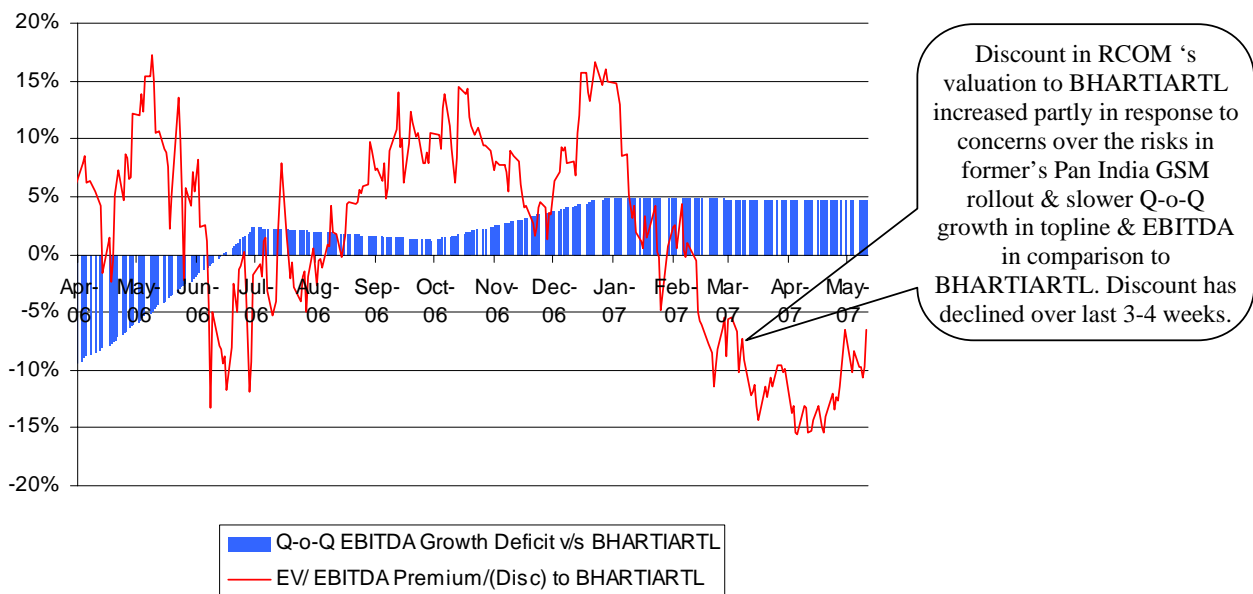
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While RCOM's valuations are at a discount to those of BHARTIARTL (currently at ~9% on FY08 EV/EBITDA), the discount appears to be leniently factoring in the differences in expected growth (in topline as well as bottom line) and return ratios, apart from the risks (lack of/delay in spectrum availability) associated with the former's GSM foray.

While RCOM's valuations are at a discount to those of BHARTIARTL (currently at 10% on FY08 EV/EBITDA), the discount appears to be leniently factoring in the differences in expected growth (in topline as well as bottom line) and return ratios, apart from the risks (lack of/delay in spectrum availability) associated with the former's GSM foray

Premium/(Discount) in RCOM's valuation vis-a-vis BHARTIARTL and Q-o-Q EBITDA growth deficit (BHARTIARTL's EBITDA Growth minus RCOM's EBITDA Growth)



Besides, we believe that the overall valuations of the Indian wireless sector are too stretched, which had led us to downgrade both RCOM and BHARTIARTL to Market Perform in February (please refer to First Global's, "Bharti Airtel Ltd. (BHARTI.IN/ BRTI.BO) & Reliance Communications (RCOM.IN/ RLCM.BO): Downgrading on FY10/FY15 Reality Check", dated Feb 23, 2007).

We reiterate our rating of Market Perform on RCOM.



Comparative Valuation

	YE	P/E (x)		P/S (x)		P/BV (x)		EV/EBITDA (x)		EV/Sales (x)		EBITDA Margin %	ROE %	ROCE %	EPS Growth %	Sales Growth %	EV/Sub (\$)	ARPU (\$)
		08E	09E	08E	09E	08E	09E	08E	09E	08E	09E	08E	08E	08E	09/08	09/08		
Company																		
Bharti Airtel	Mar	23.7	18.2	5.7	4.3	7.7	5.6	13.8	10.5	5.8	4.4	42%	39%	29%	30%	33%	990	9.9
Reliance Comm	Mar	22.1	19.0	5.2	4.0	5.0	4.1	12.6	9.9	5.3	4.1	42%	27%	15%	16%	29%	847	9.2
Idea Cellular	Mar	35.6	25.0	4.3	3.1	6.6	5.2	14.7	10.1	4.9	3.5	33%	21%	14%	42%	38%	576	8.0
China Mobile	Dec	17.8	14.5	4.1	3.6	4.0	3.4	7.0	6.3	3.8	3.3	54%	23%	- NA -	23%	12%	538	10.8
America Movil @	Dec	17.5	14.2	3.3	2.9	7.6	7.2	11.2	8.4	4.0	3.5	35%	46%	- NA -	23%	14%	827	13.5
Mobile TeleSystem *	Dec	12.2	11.4	3.0	2.8	4.2	3.6	7.0	6.2	3.4	3.1	48%	34%	- NA -	7%	8%	339	8.1
VimpelCom *	Dec	18.0	15.1	3.7	3.3	2.4	2.0	7.4	6.6	3.7	3.3	50%	27%	- NA -	19%	13%	391	8.1
Vodafone	Mar	13.2	12.5	2.6	2.5	0.9	0.9	8.5	8.2	3.1	3.0	38%	8%	- NA -	6%	4%	1028	38.8

Source: FG estimates for Bharti Airtel, Reliance Communications and Idea Cellular and Bloomberg estimates for the rest

^ Return ratios and Book Value per share (used in the calculation of P/BV) is adjusted for revaluation of assets based on our estimates.

America Movil operates in Latin America

* Mobile TeleSystem and Vimpelcom are Russian mobile service providers

Note: FY08 implies YE Mar 08 for Bharti Airtel, Reliance Communication, Idea Cellular & Vodafone and YE December 07 for the rest and so on.

Note: RCOM's previous financial year ended on Dec 31, 2005 and the current financial year will be of 15 months ending on March 31, 2007. In this report, we have referred to past and future financials using the normal 12-month financial year (April to March).



Latest Quarterly Result Analysis

Particulars	FY07 Q4	FY06 Q4	Change Y-o-Y	FY07 Q3	Change Q-o-Q	FY07	FY06	Change Y-o-Y
Operating revenues								
Wireless Segment	29,692	21,200	40.1%	27,520	7.9%	107,276	73,637	45.7%
Global segment	12,938	14,158	-8.6%	13,335	-3.0%	51,771	51,858	-0.2%
Broadband segment	3,299	1,948	69.4%	3,161	4.4%	11,440	5,128	123.1%
Others	947	440	115.2%	769	23.1%	3,872	3,213	20.5%
Less: Eliminations	7,507	8,042	-6.7%	7,232	3.8%	29,677	26,173	13.4%
Total Operating Revenues	39,369	37,553	4.8%	37,553	4.8%	144,683	107,663	34.4%
License fees and access charges	9,978	10,291	-3.0%	9,491	5.1%	37,823	40,402	-6.4%
Network operations	4,424	3,349	32.1%	4,165	6.2%	16,737	15,348	9.1%
Employees	2,452	1,824	34.4%	2,200	11.5%	9,080	8,394	8.2%
SG&A	2,452	3,764	-34.9%	6,426	-61.8%	15,895	18,627	-14.7%
Total operating expenses	23,018	19,228	19.7%	22,282	3.3%	87,473	82,771	5.7%
							-	
EBITDA before extra ordinaries	16,352	10,422	56.9%	15,271	7.1%	57,210	24,839	130.3%
Depreciation / amortization	6,378	5,457	16.9%	6,524	-2.2%	24,653	16,987	45.1%
EBIT	9,974	8,747	14.0%	8,747	14.0%	32,558	7,852	314.7%
Net interest	(391)	479	-181.6%	(657)	-40.5%	7	2,752	-99.8%
Profit before tax and extra ordinaries	10,365	4,541	128.3%	9,404	10.2%	32,551	5,155	531.5%
Extraordinary item	(27)	374	- NM -	30	-190.0%	303	374	
Profit before tax	10,392	4,167	149.4%	9,374	10.9%	32,248	4,781	574.6%
Provision for tax	148	137	8.0%	130	13.8%	609	337	80.8%
Net profit after tax	10,244	4,030	154.2%	9,244	10.8%	31,638	4,444	612.0%
Net Profit (Excluding extra ordinaries)	10,217	9,274	10.2%	9,274	10.2%	31,933	4,805	564.5%
Earning per share - Basic (in Rs)	5.01	4.52	10.8%	4.52	10.8%	15.47	2.17	612.0%
Earning per share - Diluted (in Rs)	4.90	4.42	10.8%	4.42	10.8%	15.01	2.12	608.1%
Basic number of shares (in mn)	2,045	2,045		2,045		2,045	2,045	
Diluted number of shares (in mn)	2,091	2,045		2,091		2,108	2,096	
EBITDA Margin (%)	41.5%	27.8%	1378 bps	40.7%	87 bps	39.5%	23.1%	1647 bps
EBIT Margin (%)	25.3%	13.2%	1211 bps	23.3%	204 bps	22.5%	7.3%	1521 bps
PBT Margin (%)	26.3%	12.1%	1424 bps	25.0%	129 bps	22.5%	4.8%	1771 bps
Adj NPM (%)	26.0%	10.7%	1529 bps	24.6%	140 bps	21.9%	4.1%	1774 bps
Effective Tax Rate (%)	1.4%	3.3%		1.4%		1.9%	7.0%	

Source: Company data

- ❑ The sequential revenue growth of 4.8% was pulled down by the decline of 3% in the Global segment and a modest 3.8% growth in Broadband, which has been consistently growing at around 17% over the last couple of quarters.
- ❑ The EBITDA margin increased by 90 bps in the quarter, helped largely by a 150 bps decline in S, G&A (as a percentage of revenues).
- ❑ Depreciation & amortisation expenses declined by 2.2% sequentially in the quarter.
- ❑ The effective tax rate continued to be significantly low at 1.4% in the quarter, as the company benefited from carrying forward accumulated losses.



Segment-wise Analysis

Wireless – Slower CDMA expansion pulls down subscriber addition

Wireless segment Snapshot*

Particulars	FY07 Q4	FY06 Q4	Change Y-o-Y	FY07 Q3	Change Q-o-Q	FY07	FY06	Change Y-o-Y
Subscribers (in mn)	28.0	20.2	38.6%	24.4	15%	28.0	20.2	38.6%
ARPU (Rs)	378	379	-0.3%	410	-7.8%	391	404	-3.2%
Voice ARPU	354	356	-0.5%	384	-7.8%	356	376	-5.3%
SMS ARPU	6.4	6.4	-0.3%	7.0	-7.8%	7	6	14.2%
VAS ARPU	17.4	16.7	4.2%	18.8	-7.8%	18	17	3.2%
Revenue per minute (Rs)	0.70	0.71	-2.0%	0.72	-3.3%	0.74	0.75	-1.9%
Average MOU per sub.	541	531	1.7%	567	-4.7%	531	538	-1.3%
Total revenues (Rs mn)	29,692	21,200	40.1%	27,520	7.9%	107,276	52,437	104.6%
EBITDA (Rs mn)	11,511	7,571	52.0%	10,293	11.8%	39,844	11,464	31.0%
EBIT (Rs mn)	6,991	- NA -		5,542	26.1%	22,808	- NA -	
EBITDA Margin	38.8%	35.7%	306 bps	37.4%	137 bps	37.1%	21.9%	1528 bps
EBIT margin	23.5%	- NA -		20.1%	341 bps	21.3%	- NA -	
Cumulative Capex (Rs mn)	192,050	- NA -		182,190	5.4%	192,050	146,588	
Incremental Capex (Rs mn)	9,860	- NA -		12,090	-18.4%	45,462	- NA -	

Source: Company Reports, FG estimates

* The company disconnected 5.6 mn subscribers during the quarter as the part of subscriber verification exercise. The ARPU and MOU for Q3 FY07 & Q4FY07 are calculated after deducting 5.6 mn from subscriber base as on Dec31 2006 and Sept 30, 2006. The ARPU & MOU for Q4 FY06, FY06 and FY07 are based on originally disclosed subscriber numbers and hence Y-o-Y comparison would be erroneous.

- The company has gone slow on CDMA expansion, which resulted in lower subscriber additions of 3.6 mn in the quarter (excluding the impact of subscriber disconnections under subscriber verification undertaken in the quarter), as against 4 mn added in Q3 FY07.
- *Slower expansion in new geographies might also explain the decline in ARPU, as the quality of subscribers in an area deteriorates with increasing penetration.*



Global segment – Pricing pressures continue

Global segment snapshot

Particulars	FY07 Q4	FY06 Q4	Change Y-o-Y	FY07 Q3	Change Q-o-Q	FY07	FY06	Change Y-o-Y
Long distance voice traffic								
NLD traffic (mn mins)	4,873	2,755	76.9%	4,715	3.4%	12,139	6,630	83.1%
ILD minutes (mn minutes)	1,503	1,188	26.5%	1,472	2.1%	4,047	3,249	24.6%
Total	6,376	3,943	61.7%	6,187	3.1%	16,186	9,879	63.8%
Revenues (Rs mn)	12,938	14158	-8.6%	13,335	-3.0%	51,771	51,858	-0.2%
EBITDA	3,121	2632	18.6%	3,552	-12.1%	12,714	5,875	116.4%
EBIT	1,893	- NA -		2,491	-24.0%	7,723	1,355	
EBITDA margin	24.1%	18.6%	553 bps	26.6%	-251 bps	24.6%	11.3%	1323 bps
EBIT Margin	14.6%	- NA -		18.7%	-405 bps	14.9%	- NA -	
Cumulative Capex (Rs mn)	87,640	- NA -		84,310	3.9%	87,640	- NA -	
Incremental Capex (Rs mn)	3,330	- NA -		490	579.6%	14,217	- NA -	

Source: Company Reports, FG estimates

* Y-o-Y Long distance voice traffic not comparable due to change in definition/scope of ILD and NLD minutes. During FY07 the company has revised definition of ILD minutes to include transit minutes & global calling card minutes and that of NLD minutes to include carriage of all ILD minutes originating or terminating in India.

- The company reported a sequential revenue decline of 3% due to pricing pressures in the Long Distance Voice segment. It is not possible to break up the revenue growth into Voice and Data. However, it seems that the data revenues from the Falcon project (the company reported strong pre sales in FY07) are taking more time to come in than we had earlier anticipated.
- The company has indicated that FLAG's proposed equity issue and listing would be completed in the next 6 months. The company plans to raise \$500 mn through a listing on the London Stock Exchange to partly finance its investment of \$ 1.5 bn expected over the next 2 years.



Broadband segment - Lower sequential revenue growth pulls down overall revenue growth

Broadband segment snapshot

Particulars	FY07 Q4	FY06 Q4	Change Y-o-Y	FY07 Q3	Change Q-o-Q	FY07	FY06	Change Y-o-Y
# Buildings connected (nos) *	488,661	101,741	380.3%	379,141	28.9%	488,661	101,741	380.3%
Nos of access lines (000s)	620	256	142.2%	530	17.0%	620	256	142.2%
ARPL ^ (Rs)	1,932	2341	-17.5%	2,206	-12.4%	2381	- NA -	
Total revenues (Rs mn)	3,299	1,948	69.4%	3,161	4.4%	8,141	3,180	156.0%
EBITDA (Rs mn)	1,611	606	165.8%	1,486	8.4%	3,583	170	2007.6%
EBIT (Rs mn)	1101			1091		2460		
EBITDA Margin	48.8%	31.1%	1772 bps	47.0%	182 bps	44.0%	5.3%	3866 bps
EBIT Margin	33.4%	- NA -		34.5%	-115 bps	4.8%	- NA -	
Cumulative Capex (Rs mn)	31,760	- NA -		29,520	7.6%	31,760	- NA -	
Incremental Capex (Rs mn)	2,240	- NA -		3,230	-30.7%	6,260	- NA -	

Source: Company Reports, FG estimates

* Number of buildings directly connected to RCOM's network

^ Average revenue per line

- ❑ The Broadband segment had been growing at a healthy pace, averaging around 17% sequentially over the last couple of quarters, even as the other segments have been facing problems. However, the segment's revenues grew by just 4.4% sequentially, which dragged down the company's overall revenue growth in the quarter.
- ❑ *The company expects the commercial launch of its retail broadband initiatives FY08. Its retail Broadband plans revolve around IPTV and seek to leverage on its 20000 km intra-city Optic fibre networks in the metros. The company also plans to offer DTH services at the same time.*



Earning Model for RCOM

YE March 31st	FY06	FY 07	FY07	FY07	FY07	FY07	FY08E	FY08E	FY08E	FY08E	FY08E	FY09E
Figures in Rs mn		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		
Sales from Operations	107,664	32,501	35,260	37,553	39,369	144,683	42,647	45,946	48,949	52,025	189,566	244,083
Less:												
Access charges & License fees	40,402	9,286	9,068	9,491	9,978	37,823	10,662	11,486	12,237	13,006	47,392	61,021
Network Operating Costs	15,348	3,816	4,332	4,165	4,424	16,737	4,976	5,406	5,737	6,055	22,174	29,813
Employee costs	8,394	2,157	2,271	2,200	2,452	9,080	2,601	2,757	2,937	3,121	11,417	14,645
S,G&A	18,627	5,180	6,063	6,426	6,164	23,833	6,610	7,122	7,587	8,064	29,383	37,833
EBITDA	24,893	12,062	13,525	15,271	16,351	57,209	17,797	19,175	20,451	21,778	79,201	100,772
Depreciation / amortization	16,987	5,514	6,237	6,524	6,378	24,653	6,640	7,063	7,571	8,081	29,355	37,431
Operating Profit	7,906	6,548	7,289	8,747	9,973	32,557	11,157	12,112	12,880	13,697	49,846	63,340
Net Finance charges	2,752	999	56	(657)	(391)	7	(631)	586	595	585	1,135	2,405
Extraordinary Expenses/(Income)	374	150	150	30	(27)	303	0	-	-	-	-	-
Profit before tax	4,780	5,399	7,083	9,374	10,391	32,247	11,788	11,526	12,285	13,112	48,711	60,935
Tax	337	272	59	130	148	609	165	461	614	787	2,027	6,703
Net Profit	4,443	5,127	7,023	9,244	10,243	31,637	11,623	11,065	11,671	12,325	46,684	54,232
Net Profit (Excl extraordinary)	4,790	5,269	7,172	9,274	10,216	31,935	11,623	11,065	11,671	12,325	46,684	54,232
Diluted EPS (in Rs.)	2.34	2.52	3.43	4.43	4.73	14.80	5.39	5.13	5.41	5.71	21.63	25.13
Diluted Shares	2,045	2,091	2,091	2,091	2,158	2,158	2,158	2,158	2,158	2,158	2,158	2,158
Margin Analysis:												
EBITDA Margin	23.1%	37.1%	38.4%	40.7%	41.5%	39.5%	41.7%	41.7%	41.8%	41.9%	41.8%	41.3%
EBIT Margin	7.3%	20.1%	20.7%	23.3%	25.3%	22.5%	26.2%	26.4%	26.3%	26.3%	26.3%	26.0%
NPM	4.1%	15.8%	19.9%	24.6%	26.0%	21.9%	27.3%	24.1%	23.8%	23.7%	24.6%	22.2%
Effective Tax Rate	7.1%	5.0%	0.8%	1.4%	1.4%	1.9%	1.4%	4.0%	5.0%	6.0%	4.2%	11.0%



IMPORTANT DISCLOSURES

Price Target

Price targets (if any) are derived from a subjective and/or quantitative analysis of financial and non financial data of the concerned company using a combination of P/E, P/Sales, earnings growth, discounted cash flow (DCF) and its stock price history.

The risks that may impede achievement of the price target/investment thesis are -

- The higher than expected subscriber additions over next 3-6 months



Rating system of First Global

Our rating system consists of three categories of ratings: Positive, Neutral and Negative. Within each of these categories, the rating may be absolute or relative. When assigning an absolute rating, the price target, if any, and the time period for the achievement of this price target, are given in the report. Similarly when assigning a relative rating, it will be with respect to certain market/sector index and for a certain period of time, both of which are specified in the report.

Rating in this report is relative to: S&P CNX Nifty Index

Positive Ratings

(i) Buy (B) – This rating means that we expect the stock price to move up and achieve our specified price target, if any, over the specified time period.

(ii) Buy at Declines (BD) – This rating means that we expect the stock to provide a better (lower) entry price and then move up and achieve our specified price target, if any, over the specified time period.

(iii) Outperform (OP) – This is a relative rating, which means that we expect the stock price to outperform the specified market/sector index over the specified time period.

Neutral Ratings

(i) Hold (H) – This rating means that we expect no substantial move in the stock price over the specified time period.

(ii) Marketperform (MP) – This is a relative rating, which means that we expect the stock price to perform in line with the performance of the specified market/sector index over the specified time period.

Negative Ratings

(i) Sell (S) – This rating means that we expect the stock price to go down and achieve our specified price target, if any, over the specified time period.

(ii) Sell into Strength (SS) – This rating means that we expect the stock to provide a better (higher) exit price in the short term, by going up. Thereafter, we expect it to move down and achieve our specified price target, if any, over the specified time period.

(iii) Underperform (UP) – This is a relative rating, which means that we expect the stock price to underperform the specified market/sector index over the specified time period.

(iv) Avoid (A) – This rating means that the valuation concerns and/or the risks and uncertainties related to the stock are such that we do not recommend considering the stock for investment purposes.



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