



## Reliance Communications

STOCK INFO.	BLOOMBERG
BSE Sensex: 8,757	RCOM IN
	REUTERS CODE
S&P CNX: 2,719	RLCM.BO

13 March 2009

Buy

Previous Recommendation: Buy

Rs147

Equity Shares (m)	2,063.0
52-Week Range (Rs)	609/131
1,6,12 Rel. Perf. (%)	-6/-25/-28
M.Cap. (Rs b)	303.0
M.Cap. (US\$b)	5.9

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/08A	190,679	55,095	26.7	71.0	5.5	1.1	22.7	12.0	2.1	4.9
3/09E	228,195	62,044	30.1	12.6	4.9	1.0	20.9	9.4	2.4	5.8
3/10E	293,568	49,906	24.2	-19.6	6.1	0.8	14.9	8.1	2.0	5.1
3/11E	363,947	63,956	31.0	28.2	4.7	0.7	16.5	9.9	1.5	3.7

- Subscriber momentum remains strong:** RCOM added 3.38m subscribers in February 2009, retaining the lead in monthly net adds post its 14-circle GSM launch in January 2009. February additions indicate strong momentum for RCOM despite the rationalization of initial GSM promotional offer which now requires higher upfront payment and offers lower quantum of free minutes. Subscriber momentum should remain strong given increased addressable market post GSM expansion.
- Focus on margin defense:** Our recent meeting with the management indicated strong focus on margin defense. We expect wireless margin to stabilize at 34-36% (37.7% in 3QFY09) in FY10/FY11. RCOM is currently focusing more on localized promotions and utilization of spare network capacity while limiting mass media advertising (especially electronic media). A significant 114% increase in network expenses over the past four quarters indicates that the bulk of network cost hike due to GSM expansion is likely built into the current cost structure.
- Regulatory developments are favorable:** Recent regulatory developments have been favorable. RCOM is a net gainer from the reduction in termination charges and should also benefit from MNP implementation. Telecordia and Syniverse were recently selected as the third party MNP operators; implementation is likely by end of CY09.
- Leverage comfortable, though higher than peers; 3G auction postponement a relief:** RCOM's debt programme was recently assigned the highest rating by ICRA. Out of the total gross debt of Rs267b, ECB/FCCB constitutes Rs178b and is repayable from FY11 end/FY12; balance Rs88b is revolving INR loan (cost of borrowing estimated at 9-10%). Despite highest leverage among listed telecom majors, balance sheet position is comfortable with a net debt/EBITDA of 2x and net debt /equity of 0.65x. 3G auction postponement would provide relief on near-term capex.
- Upgrading subscriber estimates by 7-14%; PAT unchanged on lower ARPU:** We upgrade monthly wireless net adds assumptions to 3.7m (v/s 2.04m) for 4QFY09 and 3m (v/s 2.3m) for FY10, implying a 7-14% increase in FY09 and FY10 subscriber estimates. Revenue, EBITDA and PAT estimates are largely unchanged as we lower our ARPU assumptions by 5-10% on lower quality of incremental subscribers and free promotional minutes.
- Valuations attractive; Buy:** RCOM is down 72% over the past one year, underperforming the Sensex by 28% and Bharti by 44%. At 6.1x FY10E P/E and 5.1x EV/EBITDA, it trades at 15-40% discount to Bharti. Maintain **Buy** on likely operational turnaround post recent GSM launch and sharp reduction in capex intensity. **Key risks:** higher-than-expected pressure on wireless RPM, upward risk to finance costs given significant net debt, and any adverse findings in the licence fee investigation.

#### COMPARATIVE VALUATIONS (FY10)

COMPANY	RECO	CMP	TARGET	UPSIDE	MCAP	EV	EPS	P/E	EV/ EBITDA	EV/	ROE	ROIC
		(RS)	(RS)	(%)	(US\$b)	(US\$b)	(RS)	(X)	(X)	SALES (X)	(%)	(%)
Bharti	Buy	559	850	52.1	20.4	21.5	52.3	10.7	6.1	2.5	27.5	24.6
Idea	Neutral	44	UR	-	2.6	3.3	2.9	15.3	6.2	1.5	6.1	6.6
RCOM	Buy	147	220	49.8	5.9	10.4	24.2	6.1	5.1	2.0	14.9	10.2

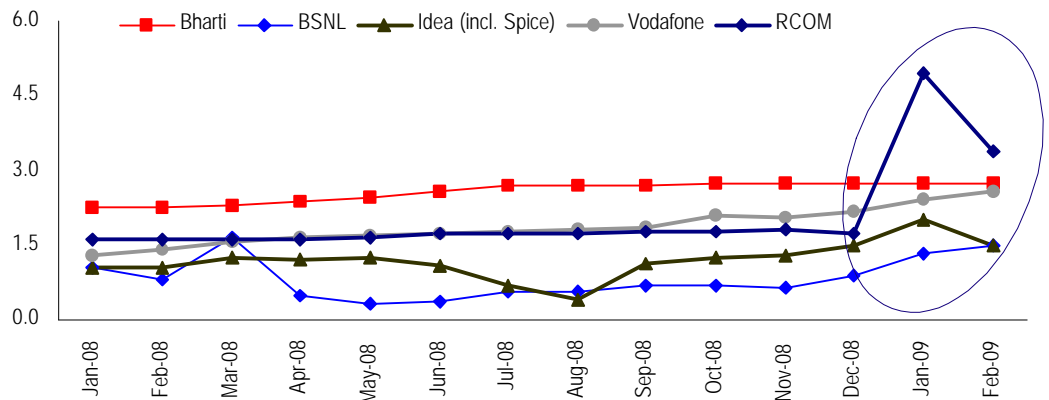
Source: MOSL

**Subscriber momentum remains strong; 3.4m subscribers added in February**

RCOM added 3.38m subscribers in February 2009, retaining the lead in monthly net adds post its 14-circle GSM launch in January 2009. February additions indicate strong momentum for RCOM despite the rationalization of initial GSM promotional offer which now requires higher upfront payment and offers lower quantum of free minutes. Subscriber momentum should remain strong given increased addressable market post GSM expansion.

RCOM IS LEADING IN MONTHLY NET ADDS POST ITS JANUARY 2009 GSM LAUNCH

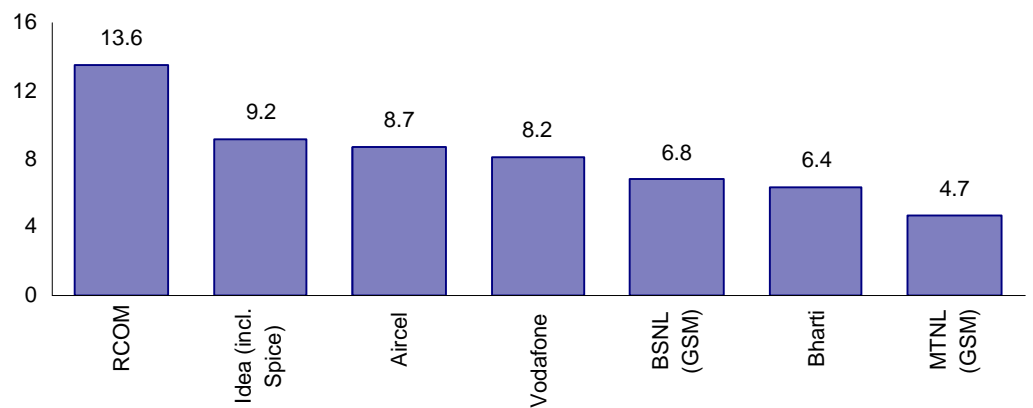
*RCOM clocked the highest monthly subscriber additions for the second consecutive month*



Source: Company/MOSL

QTD WIRELESS SUBSCRIBER GROWTH: RCOM'S SUBSCRIBER BASE UP 13.6% DURING DECEMBER 2008-FEBRUARY 2009

*RCOM's subscriber base is up 13.6% during December 2008-February 2009*



Source: Company/MOSL

**Strong momentum despite rationalization of promotional GSM offer**

In February 2009, RCOM had significantly rationalized its promotional GSM offer v/s the initial launch offer in January 2009. In most of the newly launched GSM circles, RCOM is currently offering free daily credit of Rs4 (v/s Rs10 earlier) and is charging Rs109 upfront as MRP of SIM and first e-recharge. Also, the additional benefits like free night calling (local on-net) are now available only for a one-time payment of Rs15 per month.

*GSM promotional offer rationalized*

RCOM: GSM PROMO OFFER DETAILS FOR A TYPICAL CIRCLE

SIMMRP	Rs49
First E-Recharge MRP	Rs60
Free daily credit*	Rs4
Double talktime	Upto March 31st
90 days free night calling pack#	Rs15
30 days 500 local SMS pack	Rs32
Rate for local call	Re1
Rate for NLD call	Rs1.5

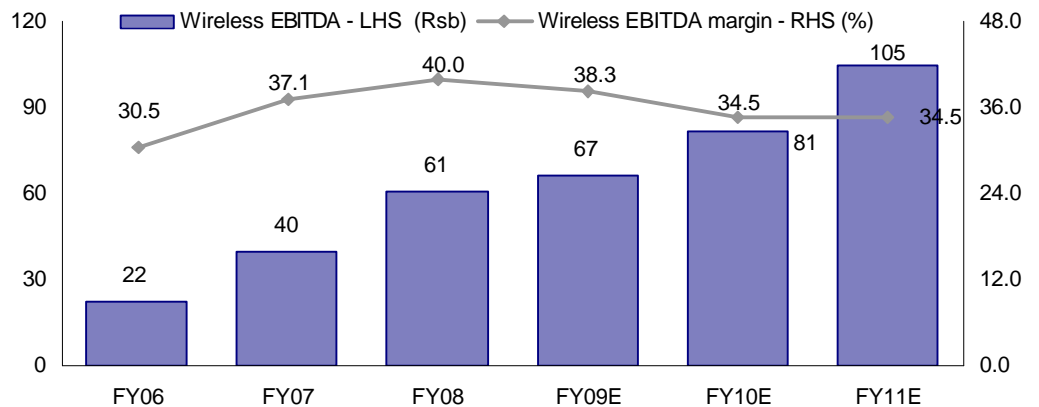
\* every 24 hrs for first 90 days, applicable only for local calls; # intracircle RCOM to RCOM during 11pm - 6am

Source: Company/MOSL

**Focus on margin defense**

Our recent meeting with the management indicated strong focus on margin defense. We expect wireless margin to stabilize at 34-36% (37.7% in 3QFY09) in FY10/FY11. RCOM is currently focusing more on localized promotions and utilization of spare network capacity while limiting mass media advertising (especially electronic media).

RCOM: WIRELESS MARGIN TO STABILIZE POST GSM EXPANSION



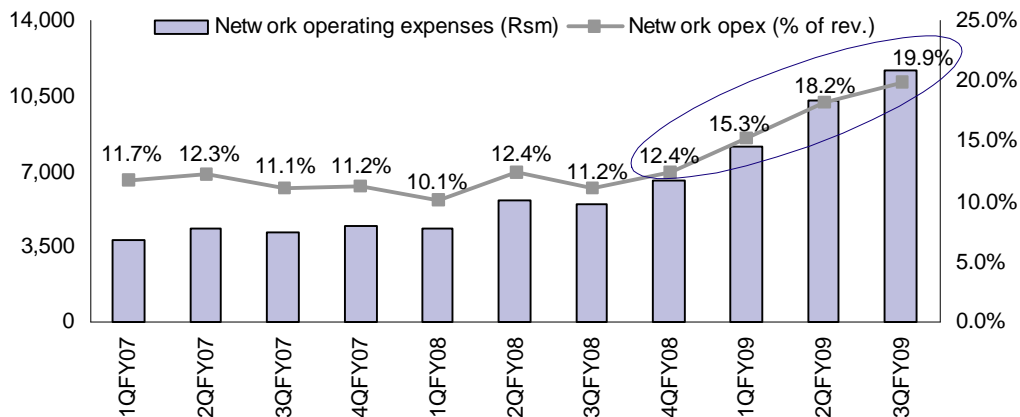
Source: Company/MOSL

*We expect wireless margin to stabilize at 34-36% in FY10/FY11*

**Network cost push to abate as capex intensity slows down**

A 114% increase in network expenses over the past four quarters reflects that the bulk of network cost hike from GSM expansion is already included in the current margin. As of December 2008, RCOM had 43,000 towers with a tenancy of 1.7x and is likely to add ~5,00 more towers by mid-CY09. The company would also be a tenant on most of the USO funded ~8,000 towers that are expected to be ready for use during CY09.

RCOM: NETWORK COST UP 114% IN FOUR QUARTERS



Bulk of the network cost push is already incorporated in the current margins

Source: Company/MOSL

**Recent regulatory developments are favorable**

Recent regulatory developments have been favorable; RCOM being a net gainer from reduction in termination charges and scope for market share gains post MNP implementation (Telecordia and Syniverse have been recently selected as the third party MNP operators).

**Termination cut EPS accretive by ~2%; adds tariff flexibility**

TRAI recently cut the termination charges from Rs0.3/min to Rs0.2/min for calls originating within India, while increasing the termination charges on incoming ILD calls from Rs0.3/min to Rs0.4/min. As per our calculations, the termination cut is EPS accretive for RCOM by ~2%. Moreover, the cut implies that RCOM would have to save on the interconnect charges incurred on the free promotional off-net minutes and would also be able to compete more effectively with the GSM incumbent’s on-net schemes.

CALCULATION FOR IMPACT OF RECENT TERMINATION CHARGE CUT FROM RS0.3/MIN TO RS0.2/MIN

BASED ON 3QFY09 DATA	BHARTI	IDEA	RCOM	REMARKS
<b>Total minutes carried (b)</b>	<b>123.6</b>	<b>40.3</b>	<b>72.2</b>	<b>a</b>
On-net minutes (% of total)*	55.0	50.0	55.0	b
Total on-net minutes (b)	68.0	20.1	39.7	c = a*b/100
Incoming on-net minutes (b)	34.0	10.1	19.9	d = c/2
<b>Total off-net minutes (b)</b>	<b>55.6</b>	<b>20.1</b>	<b>32.5</b>	<b>e = c-a</b>
Incoming (proportion of total minutes)*	52.0	52.0	48.5	f
Incoming minutes (b)	64.3	20.9	35.0	g = a*f/100
Incoming offnet minutes (b)	30.3	10.9	15.2	h = g-d
Outgoing offnet minutes (b)	25.3	9.3	17.3	i = a-c-h
Net termination minutes (b)	4.9	1.6	-2.2	j = h - i
Net termination income @Rs0.3/min (Rsb)	1.5	0.5	-0.7	k = 0.3*j
Net termination income @Rs0.2/min (Rsb)	1.0	0.3	-0.4	l = 0.2*j
<b>Decline in termination revenues (Rsb)</b>	<b>0.5</b>	<b>0.2</b>	<b>-0.2</b>	<b>m = k - l</b>
Reported PBT (Rsb)	24.6	2.2	15.0	n
<b>PBT impact (%)</b>	<b>-2.0</b>	<b>-7.4</b>	<b>1.5</b>	<b>o = 100*m/n</b>

\* MOSL Estimate

Source: Company reports, TRAI, MOSL

Termination charge cut is EPS accretive for RCOM

CALCULATION FOR IMPACT OF ILD TERMINATION CHARGE HIKE FROM RS0.3/MIN TO RS0.4/MIN

**Industry calculation**

ILD incoming minutes in FY10E (b)	25.0
Estimated share of wireless (%)	80.0
ILD incoming minutes terminating on wireless	20.0
ILD termination revenues @Rs0.3/min (Rsb)	6.0
ILD termination revenues @Rs0.4/min	8.0
<b>Expected increase in termination revenues (Rs b)</b>	<b>2.0</b>

*Wireless sector to benefit from termination charge hike on incoming ILD calls*

**Company wise calculation**

	Bharti	Idea	RCOM
Increase in industry termination revenues (Rsb)	2.0	2.0	2.0
Wireless subscriber share (%)	24.8	11.2	18.6
Increase in company's termination revenues (Rsb)	0.5	0.2	0.4
FY10E PBT (Rsb)	121.5	9.3	52.9
<b>PBT impact (%)</b>	<b>0.4</b>	<b>2.4</b>	<b>0.7</b>

Source: Company reports, TRAI, MOSL

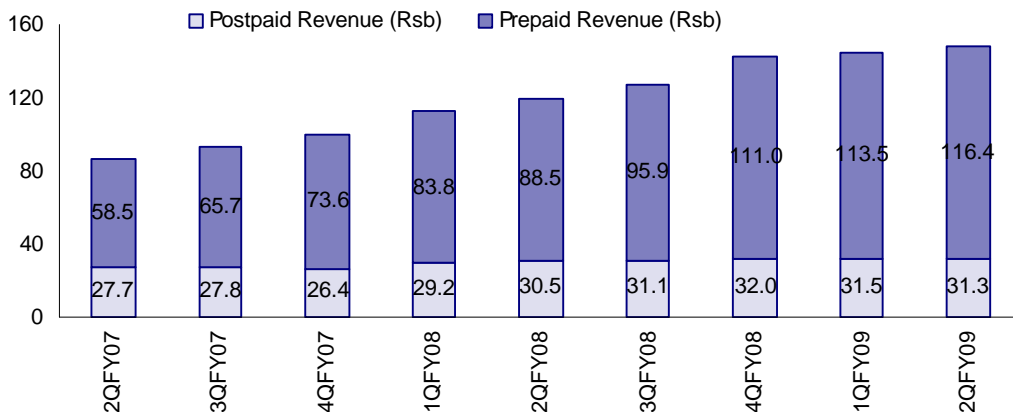
**MNP implementation likely in CY09**

The DoT recently selected Syniverse and Telecordia as the two companies that will implement MNP services in the country. The companies will provide Indian operators with number portability clearing house and centralized database solutions. Syniverse will provide the services for Zone 1 (northern and western regions) while telecordia will be the MNP operator for Zone 2 (southern and eastern regions). The MNP implementation will first focus on the larger metropolitan service areas before moving into rural locations.

The likely MNP implementation in CY09 will open up the GSM post-paid market for new GSM operators like RCOM. TRAI data suggests that GSM post-paid revenue base currently stands at ~Rs120b annually.

GSM PREPAID/POST PAID REVENUE BREAK-UP

*GSM post-paid revenue base currently at ~Rs120b annually*



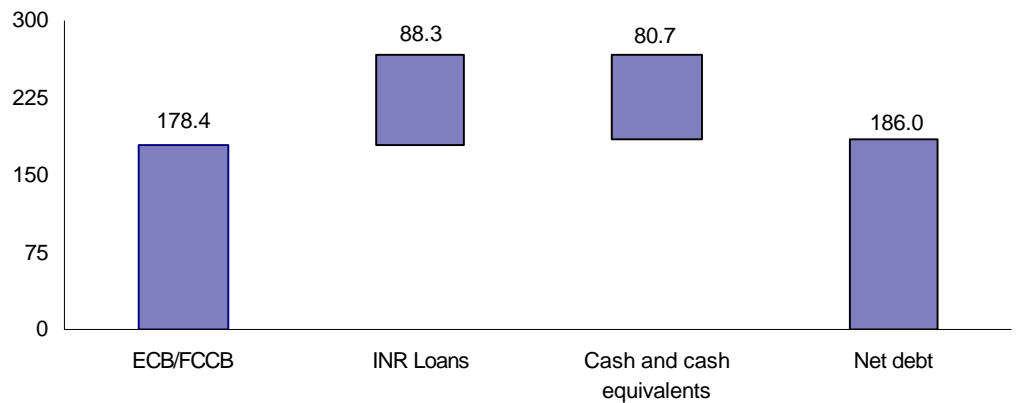
Source: TRAI/MOSL

**Leverage comfortable, though higher than peers; 3G auction postponement a relief**

RCOM’s debt programme was recently assigned the highest rating by ICRA. Out of the total gross debt of Rs267b, ECB/FCCB constitutes Rs178b and is repayable from FY11 end/FY12; balance Rs88b is revolving INR loan (cost of borrowing estimated at 9-10%). Despite highest leverage among listed telecom majors, balance sheet position is comfortable with a net debt/EBITDA of 2x and net debt /equity of 0.65x. 3G auction postponement would provide relief on near-term capex.

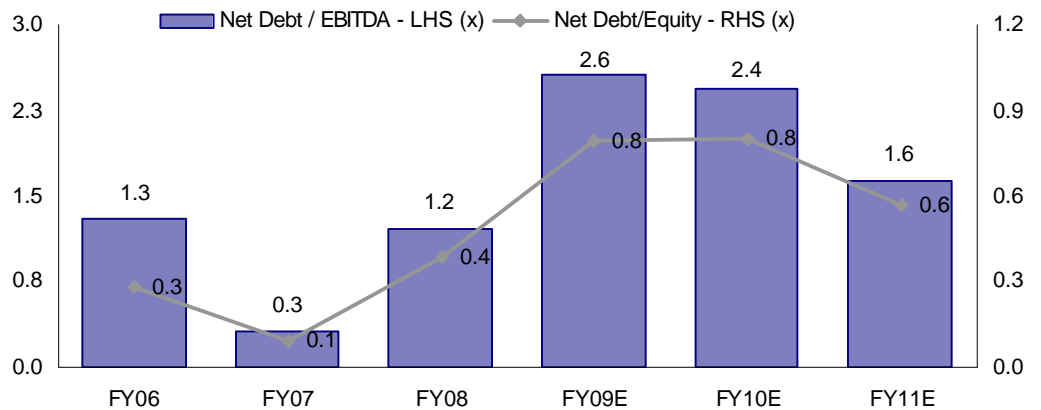
RCOM: NET DEBT BREAK-UP (RSB)

*ECB/FCCB repayment starts only from FY11 end/FY12*



RCOM: LEVERAGE RATIOS

*We expect leverage ratios to peak out in FY09*



Source: Company/MOSL

**Upgrading subscriber estimates by 7-14%; PAT unchanged on lower ARPU assumptions:**

We are upgrading our monthly wireless netadds assumptions to 3.7m (v/s 2.04m) for 4QFY09 and 3m (v/s 2.3m) for FY10, implying a 7-14% increase in FY09 and FY10 subscriber estimates. Our revenue, EBITDA, and PAT estimates are largely unchanged as we lower the ARPU assumptions by 5-10% to incorporate lower quality of incremental subscribers and free promotional minutes.

## SUMMARY OF ESTIMATE CHANGE

	FY09E	FY10E	FY11E
<b>Wireless Subs (m)</b>			
Old	67.5	95.1	-
New	72.4	108.4	132.4
Change (%)	7.4	14.1	-
<b>Wireless ARPU (Rs)</b>			
Old	258.1	241.4	-
New	245.2	217.1	209.7
Change (%)	-5.0	-10.0	-
<b>Revenue (Rs b)</b>			
Old	229.8	292.9	-
New	228.2	293.6	363.9
Change (%)	-0.7	0.2	-
<b>EBITDA (Rs b)</b>			
Old	93.3	113.5	-
New	92.7	113.3	141.7
Change (%)	-0.6	-0.2	-
<b>Net Profit (Rs b)</b>			
Old	62.7	50.8	-
New	62.0	49.9	64.0
Change (%)	-1.0	-1.7	-
<b>EPS (Rs/sh)</b>			
Old	30.4	24.6	-
New	30.1	24.2	31.0
Change (%)	-1.0	-1.7	-
<b>Mobile MOU</b>			
Old	416.4	458.1	-
New	395.2	426.8	448.2
Change (%)	-5.1	-6.8	-
<b>Net Finance Cost (Rs b)</b>			
Old	-8.0	9.9	-
New	-8.1	10.3	15.2
Change (%)	0.7	4.0	-
<b>Tax Rate (%)</b>			
Old	-0.7	2.0	-
New	-0.8	2.0	5.0
Change (bp)	-1.8	0.0	-

Source: Company/MOSL

**Valuations attractive; Buy**

RCOM is down 72% over the past one year, underperforming the Sensex by 28% and Bharti by 44%. At 6.1x FY10E P/E and 5.1x EV/EBITDA, RCOM is currently trading at 15-40% discount to Bharti. Maintain **Buy** on likely operational turnaround post recent GSM launch and sharp reduction in capex intensity. **Key risks:** higher-than-expected pressure on wireless RPM, upward risk to finance costs given significant net debt, and any adverse findings in the licence fee investigation.

RCOM: SOTP VALUATION (RS)

	METHODOLOGY	FAIR VALUE	IMPLIED EV/EBITDA (FY10E)	IMPLIED P/E (FY10E)
Core Business (ex-towers)	30% discount to DCF	135		
Reliance Infratel	50% discount to DCF	85		
<b>Total Value</b>		<b>220</b>	<b>6.4</b>	<b>9.1</b>
CMP		147		
Upside (%)		49.9		

Source: MOSL

COMPARATIVE VALUATIONS

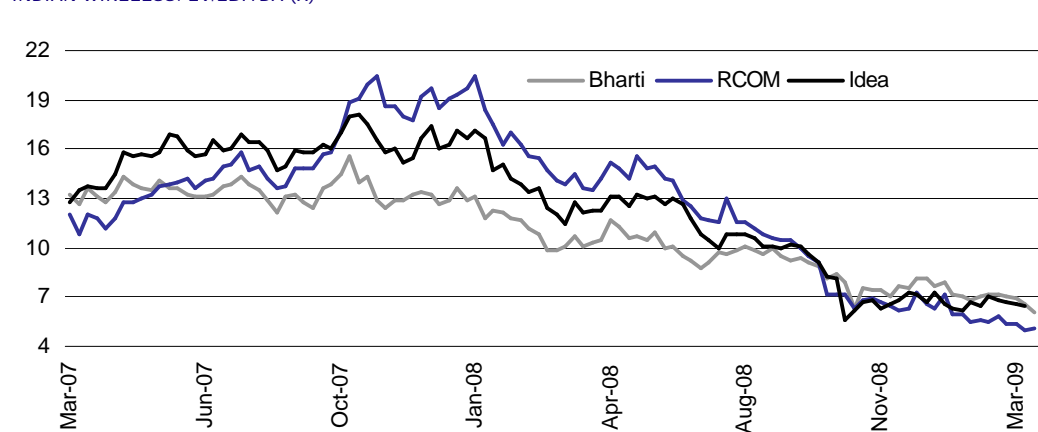
	CMP (RS)	RATING	TARGET (RS)	UPSIDE (%)	MCAP (US\$B)	EV (US\$B)	P/E (X)			EV/EBITDA (X)			EV/SALES (X)		
							FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E
Bharti	559	Buy	850	52.1	20.4	21.5	15.8	12.4	10.7	9.7	7.3	6.1	4.1	3.0	2.5
Idea	44	Neutral	UR	-	2.6	3.3	11.2	15.2	15.3	8.6	6.1	6.2	2.9	1.7	1.5
RCOM	147	Buy	220	49.8	5.9	10.4	5.5	4.9	6.1	4.9	5.8	5.1	2.1	2.4	2.0
TTML	24	Not Rated	-	-	0.9	1.4	N.A.	N.A.	N.A.	17.8	14.8	11.5	4.2	3.9	3.3

	ROIC (%)			ROE (%)			EBITDA MARGIN (%)			NET DEBT/EBITDA (X)			NET DEBT/EQUITY (X)		
	FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E
Bharti	30.5	29.7	24.6	36.9	31.5	27.5	42.1	41.1	41.0	0.4	0.4	0.3	0.2	0.2	0.1
Idea	17.1	9.9	6.6	30.2	9.9	6.1	33.5	27.3	24.9	2.5	1.2	2.4	1.6	0.2	0.5
RCOM	17.4	11.7	10.2	22.7	20.9	14.9	43.0	40.6	38.6	1.2	2.6	2.4	0.2	0.7	0.7
TTML	-1.8	2.5	8.1	N.A.	N.A.	N.A.	23.6	26.2	28.5	6.4	5.0	4.0	N.A.	N.A.	N.A.

	CAPEX/SALES (%)			SALES GROWTH (%)			EBITDA GROWTH (%)			NET PROFIT GROWTH (%)			EPS GROWTH (%)		
	FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E	FY08	FY09E	FY10E
Bharti	51.2	29.4	27.8	45.9	37.7	20.3	52.6	34.4	20.2	35.4	44.9	52.3	57.4	27.0	16.5
Idea	69.8	63.2	45.0	53.9	51.6	42.8	53.8	23.7	30.1	4.0	2.9	2.9	77.6	-26.3	-0.4
RCOM	111.1	104.8	51.3	31.8	19.7	28.6	43.3	13.1	22.2	26.7	30.1	24.2	71.0	12.6	-19.6
TTML	40.8	35.7	19.4	21.3	15.0	16.4	41.4	27.6	26.7	-0.7	-0.9	0.0	N.A.	N.A.	N.A.

Source: MOSL

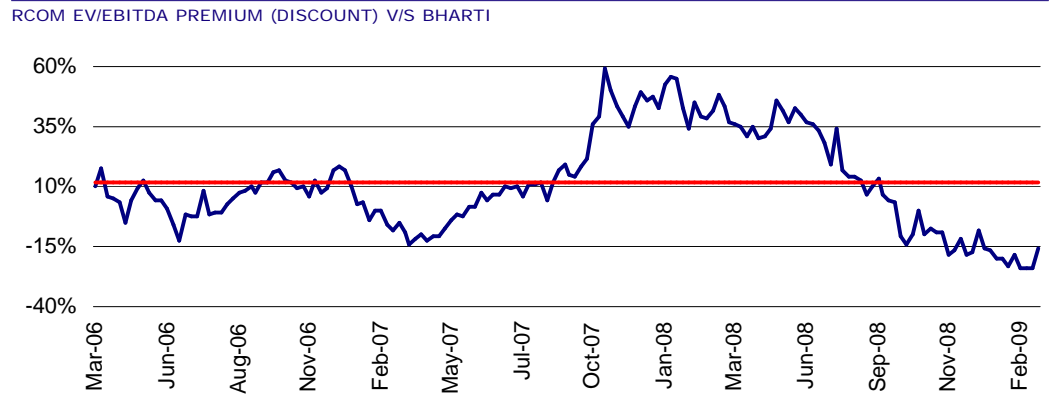
INDIAN WIRELESS: EV/EBITDA (X)



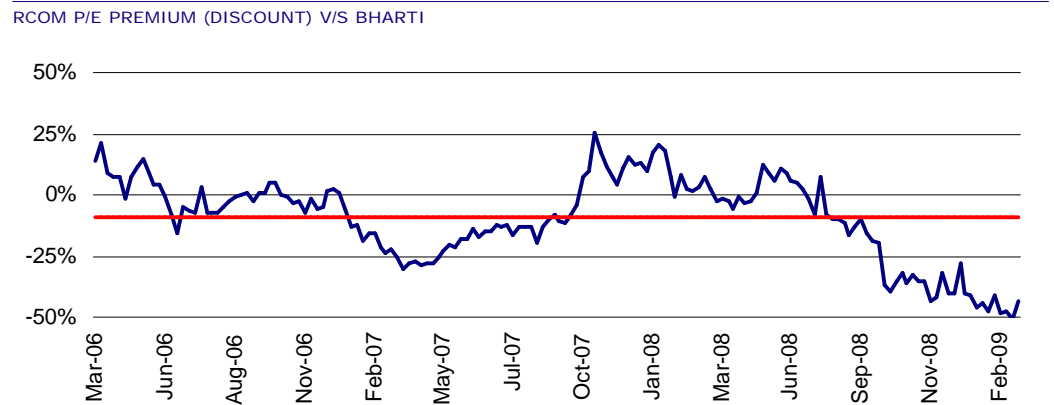
Source: Company/MOSL



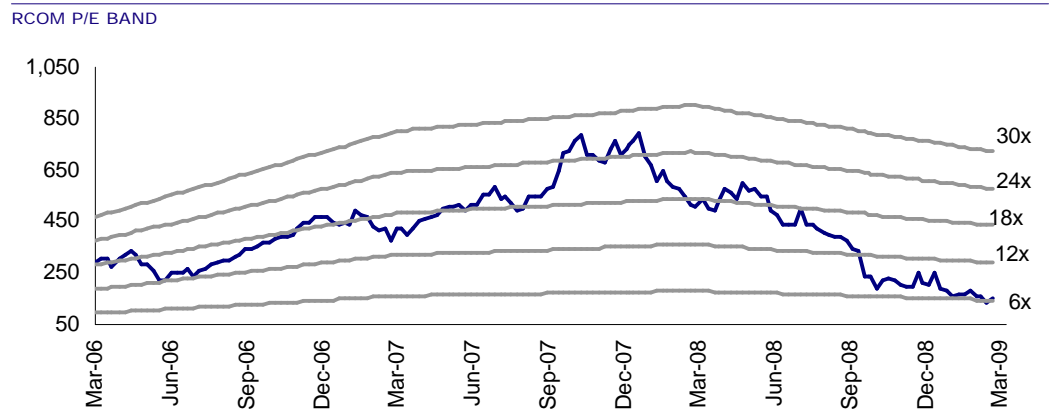
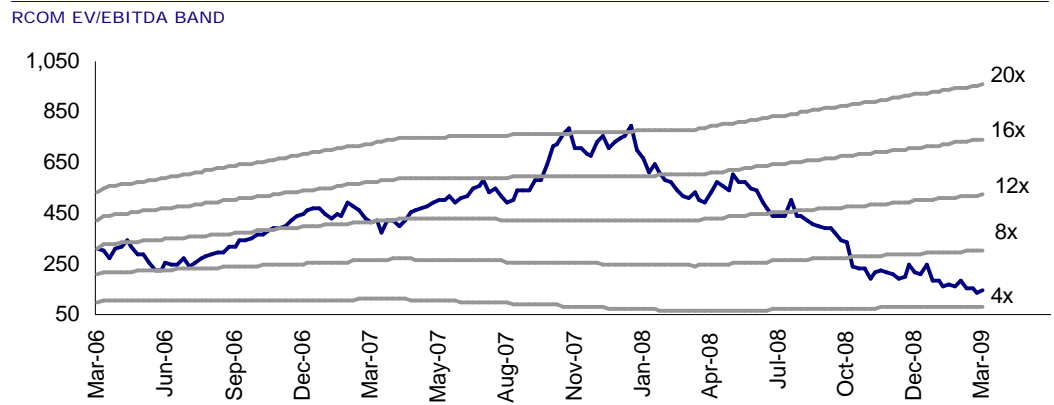
*RCOM trades at ~15% discount to Bharti on EV/EBITDA*



*RCOM trades at ~40% discount to Bharti on P/E*



*Absolute valuations are at historic lows for RCOM*



Source: Company/MOSL

## KEY ASSUMPTIONS - RCOM

	FY06	FY07	FY08	FY09E	FY10E	FY11E
<b>Wireless</b>						
Subs (m)	20	28	46	72	108	132
YoY (%)		39	64	58	50	22
Average subs (m)	16	24	37	59	90	120
YoY (%)		51	53	60	53	33
Netadds per month (m)	0.71	0.65	1.48	2.22	3.00	2.00
YoY (%)		-9	128	50	35	-33
Total Mobile Traffic (b min)	99	146	204	280	463	648
YoY (%)		48	40	37	65	40
Average Rev Per User (Rs/month)	385	371	344	245	217	210
YoY (%)		-4	-7	-29	-11	-3
Minutes of Use/Sub/Month	516	503	461	395	427	448
YoY (%)		-2	-9	-14	8	5
Wireless RPM (Rs)	0.75	0.74	0.75	0.62	0.51	0.47
YoY (%)		-1	1	-17	-18	-8
Wireless EBITDA/min (Rs)	0.23	0.27	0.30	0.24	0.18	0.16
YoY (%)		20	9	-20	-26	-8
Wireless EBITDA/sub/month (Rs)	118	138	137	94	75	72
YoY (%)		17	0	-32	-20	-3
Wireless opex/sub/month (Rs)	267	233	206	151	142	137
YoY (%)		-13	-12	-27	-6	-3
Mobile EBITDA/sub/annum (US\$)	31	41	41	25	19	18
Wireless capex (Rs m)		45,469	171,705	189,294	115,920	55,200
Wireless capex/sales (%)		42	113	109	49	18
Wireless capex per incr. sub (Rs)		5,833	9,654	7,103	3,220	2,300
Wireless capex per incr. sub (US\$)		146	241	158	67	48
<b>Global</b>						
NLD minutes (b)	9	16	23	32	39	45
YoY (%)		75	42	39	20	17
ILD minutes (b)	4	5	7	8	9	10
YoY (%)		23	24	11	16	15
Capex (Rsm)		14,222	25,714	31,958	23,444	13,494
Capex (US\$m)		309	627	690	478	275
Capex/Sales (%)		27	47	48	30	15
<b>Broadband</b>						
Access lines ('000s)	256	620	1,031	1,411	1,791	2,209
YoY (%)		142	66	37	27	23
Average access lines ('000s)	175	438	826	1,221	1,601	2,000
YoY (%)		150	88	48	31	25
Netadds per month ('000s)	14	22	32	33	32	33
YoY (%)		62	47	2	-4	5
Average Revenue Per Line (Rs)	2,439	2,213	1,804	1,698	1,562	1,484
YoY (%)		-9	-18	-6	-8	-5
Capex (Rs m)		6,262	14,411	8,912	11,106	11,862
Capex/sales (%)		55	81	36	37	33

Source: Company/MOSL

INCOME STATEMENT					
(Rs Million)					
Y/E MARCH	2007	2008	2009E	2010E	2011E
<b>Revenues</b>	<b>144,684</b>	<b>190,679</b>	<b>228,195</b>	<b>293,568</b>	<b>363,947</b>
Change (%)	34.4	31.8	19.7	28.6	24.0
Total Expenses	-87,479	-108,692	-135,483	-180,264	-222,216
<b>EBITDA</b>	<b>57,205</b>	<b>81,987</b>	<b>92,712</b>	<b>113,304</b>	<b>141,730</b>
% of Gross Sales	39.5	43.0	40.6	38.6	38.9
Deprn. & Amortization	24,653	28,054	39,194	52,097	59,215
EBIT	32,552	53,933	53,517	61,206	82,515
Net Interest and others	-4	3,998	8,064	-10,284	-15,195
<b>PBT</b>	<b>32,548</b>	<b>57,931</b>	<b>61,582</b>	<b>50,923</b>	<b>67,321</b>
Tax	611	2,836	-462	1,017	3,365
Rate (%)	19	4.9	-0.8	2.0	5.0
<b>Adjusted PAT</b>	<b>31,937</b>	<b>55,095</b>	<b>62,044</b>	<b>49,906</b>	<b>63,956</b>
Change (%)	563.6	72.5	2.6	-19.6	28.2
<b>PAT after EO</b>	<b>31,634</b>	<b>54,013</b>	<b>57,927</b>	<b>47,847</b>	<b>61,897</b>

BALANCE SHEET					
(Rs Million)					
Y/E MARCH	2007	2008	2009E	2010E	2011E
Share Capital	10,220	10,320	10,320	10,320	10,320
Additional Paid up Capital	90,306	90,306	90,306	90,306	90,306
Reserves	103,402	155,801	200,521	245,975	304,777
<b>Net Worth</b>	<b>203,928</b>	<b>256,427</b>	<b>301,147</b>	<b>346,601</b>	<b>405,403</b>
Loans	155,438	215,681	318,791	356,879	311,100
Minority Interest	59	24,311	11,014	11,014	11,014
<b>Capital Employed</b>	<b>359,425</b>	<b>496,419</b>	<b>630,951</b>	<b>714,494</b>	<b>727,516</b>
Gross Block	386,363	611,967	851,762	1,002,298	1,082,920
Less : Depreciation	55,940	89,814	139,941	192,039	251,254
<b>Net Block</b>	<b>330,423</b>	<b>522,153</b>	<b>711,820</b>	<b>810,259</b>	<b>831,666</b>
Investments	11,925	2,797	2,818	2,818	2,818
<b>Curr. Assets</b>	<b>196,263</b>	<b>213,156</b>	<b>234,266</b>	<b>278,246</b>	<b>325,593</b>
Inventories	4,821	4,059	5,244	6,746	8,363
Debtors	18,316	27,224	48,674	62,618	77,630
Cash & Bank Balance	137,200	115,981	80,747	80,747	80,747
Other Current Assets	35,926	65,892	99,601	128,135	158,853
<b>Curr. Liab. &amp; Prov.</b>	<b>179,186</b>	<b>241,687</b>	<b>317,953</b>	<b>376,829</b>	<b>432,561</b>
<b>Net Curr. Assets</b>	<b>17,077</b>	<b>-28,531</b>	<b>-83,687</b>	<b>-98,583</b>	<b>-106,968</b>
<b>Appl. of Funds</b>	<b>359,425</b>	<b>496,419</b>	<b>630,951</b>	<b>714,494</b>	<b>727,516</b>

E: MOSL Estimates

RATIOS					
Y/E MARCH	2007	2008	2009E	2010E	2011E
<b>Basic (Rs)</b>					
<b>EPS</b>	<b>15.6</b>	<b>26.7</b>	<b>30.1</b>	<b>24.2</b>	<b>31.0</b>
Cash EPS	27.7	40.3	49.1	49.4	59.7
Book Value	99.7	136.1	151.3	173.3	201.9
DPS	0.0	0.0	1.4	1.2	1.5
Payout %(Incl.Div.Taxes)	0.0	0.0	5.0	5.0	5.0
<b>Valuation (x)</b>					
P/E	9.4	5.5	4.9	6.1	4.7
Cash P/E	5.3	3.6	3.0	3.0	2.5
EV/EBITDA	5.6	4.9	5.8	5.1	3.7
EV/Sales	2.2	2.1	2.4	2.0	1.5
Price/Book Value	1.5	1.1	1.0	0.8	0.7
Dividend Yield (%)	0.0	0.0	1.0	0.8	1.0
<b>Profitability Ratios (%)</b>					
RoE	19.9	22.7	20.9	14.9	16.5
RoCE	11.1	12.0	9.4	8.1	9.9
<b>Turnover Ratios</b>					
Debtors (Days)	46	52	78	78	78
Asset Turnover (x)	0.80	0.65	0.49	0.50	0.57
<b>Leverage Ratio</b>					
Debt/Equity Ratio(x)	0.8	0.8	1.0	1.0	0.7
<b>CASH FLOW STATEMENT</b>					
(Rs Million)					
Y/E MARCH	2007	2008	2009E	2010E	2011E
Op.Profit/(Loss) bef Tax	56,902	80,905	88,596	111,246	139,672
Other Income	0	0	0	0	0
Interest Paid	-4	3,998	8,064	-10,284	-15,195
Direct Taxes Paid	-611	-2,836	462	-1,017	-3,365
(Inc)/Dec in Wkg. Cap.	47,882	22,775	9,610	14,896	8,383
<b>CF from Op.Activity</b>	<b>104,169</b>	<b>104,842</b>	<b>106,732</b>	<b>114,841</b>	<b>129,496</b>
(inc)/Dec in FA + CWIP	-77,720	-219,784	-228,862	-150,536	-80,622
(Pur)/Sale of Investment	-11,804	9,128	-21	0	0
<b>CF from Inv.Activity</b>	<b>-89,524</b>	<b>-210,656</b>	<b>-228,883</b>	<b>-150,536</b>	<b>-80,622</b>
Issue of Shares	-3	100	0	0	0
Inc/(Dec) in Debt	62,462	60,243	103,110	38,088	-45,779
Other Financing Activities	59	24,252	-16,193	-2,392	-3,095
<b>CF from Fin.Activity</b>	<b>62,518</b>	<b>84,595</b>	<b>86,917</b>	<b>35,698</b>	<b>-48,872</b>
<b>Inc/(Dec) in Cash</b>	<b>77,162</b>	<b>-21,219</b>	<b>-35,234</b>	<b>0</b>	<b>0</b>
Add: Opening Balance	60,038	137,200	115,981	80,747	80,747
<b>Closing Balance</b>	<b>137,200</b>	<b>115,981</b>	<b>80,747</b>	<b>80,747</b>	<b>80,747</b>



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**Reliance Communications**

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|---|----|
| 1. Analyst ownership of the stock                       | No |
| 2. Group/Directors ownership of the stock               | No |
| 3. Broking relationship with company covered            | No |
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