



## Reliance Communications

STOCK INFO.	BLOOMBERG
BSE SENSEX: 20,310	RCOM IN
	REUTERS CODE
S&P CNX: 6,122	RLCM.BO

15 November 2010

Buy

Previous Recommendation: Buy

Rs168

Equity Shares (m)	2,063.0
52-Week Range (Rs)	205/132
1,6,12 Rel. Perf. (%)	-5/-3/-24
MCap. (Rs b)	346.7
MCap. (US\$ b)	7.7

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BY	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GR. (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
3/09A	229,410	61,552	29.8	11.7	5.6	0.9	18.7	8.9	2.5	6.2
3/10A	222,457	48,812	23.7	-20.7	7.1	0.9	12.6	5.8	2.5	6.9
3/11E	208,145	14,211	6.9	-70.9	24.4	0.9	3.6	3.0	3.1	9.6
3/12E	236,430	17,452	8.5	22.8	19.9	0.8	4.3	3.3	2.6	7.8

- RCom's 2QFY11 results were broadly in-line at the operating level:** Consolidated revenue was flat QoQ at Rs51.2b while EBITDA grew 1.7% QoQ to Rs16.6b. EBITDA margin increased ~48bp QoQ to 32.4% led by improved margins in broadband segment and stable margins in wireless and global segments. PAT (pre minorities) increased 63.8% QoQ to Rs4.9b led by lower depreciation, net finance cost and tax write-back.
- Wireless performance in-line; traffic growth to rebound in 2HFY11:** Wireless revenue increased 3.8% YoY and 0.2% QoQ to Rs41.6b (est of Rs42.3b). RCOM's 2QFY11 wireless EBITDA declined 7.9% YoY but grew 0.9% QoQ to Rs12.1b (1.3% above estimate). Wireless traffic grew by ~0.3% QoQ v/s 0-3% growth for Bharti / Idea / Vodafone. RCom has held its RPM in the Rs0.44-0.45 band for past four quarters now.
- Strong traffic growth in NLD/ILD traffic; Broadband EBITDA flat QoQ:** Global segment reported strong traffic growth. NLD and ILD minutes increased 7.3% and 20.2% QoQ respectively. Broadband margin grew ~90bp while wireless and global segment EBITDA margins were up 15-20bp QoQ.
- Net debt up 2.5% QoQ to Rs~292b; de-leveraging is the key:** RCOM's net debt increased to Rs292b (v/s Rs285b in 1QFY11). Net debt / annualized EBITDA remains high at 4.4x. We believe de-leveraging is key for RCom stock.
- Revenue/EBITDA estimates largely unchanged:** Our revenue/EBITDA estimates remain unchanged; however, we are upgrading our earnings estimates by 29% in FY11 and 10% in FY12 on lower depreciation, net finance cost and tax write-back. RCOM trades at EV/EBITDA of 9.6x FY11 and 7.8x FY12. Potential cash inflow from monetization of tower assets and strategic stake sale could be positive triggers in the near-term. Maintain **Buy** rating with a target price of Rs200/sh based on 8.5x FY12 EV/EBITDA for core business and incremental upside of Rs48/sh (~Rs2m/tower) for tower business.

### QUARTERLY PERFORMANCE (CONSOLIDATED)

(RS MILLION)

Y/E MARCH	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
<b>Gross Revenue</b>	<b>61,452</b>	<b>57,026</b>	<b>53,052</b>	<b>50,928</b>	<b>51,092</b>	<b>51,183</b>	<b>52,368</b>	<b>53,088</b>	<b>222,457</b>	<b>208,145</b>
YoY Growth (%)	15.5	1.0	-9.3	-16.8	-16.9	-10.2	-1.3	4.2	-3.0	-6.4
QoQ Growth (%)	0.4	-7.2	-7.0	-4.0	0.3	0.2	2.3	1.4		
<b>EBITDA</b>	<b>24,525</b>	<b>20,199</b>	<b>18,126</b>	<b>16,020</b>	<b>16,320</b>	<b>16,595</b>	<b>17,404</b>	<b>17,367</b>	<b>78,869</b>	<b>67,687</b>
YoY Growth (%)	9.0	-12.2	-22.9	-32.8	-33.5	-17.8	-4.0	8.4	-15.1	-14.2
QoQ Growth (%)	2.9	-17.6	-10.3	-11.6	1.9	1.7	4.9	-0.2		
Margin (%)	39.9	35.4	34.2	31.5	31.9	32.4	33.2	32.7	35.5	32.5
Net Finance Costs	-6,205	6,551	-4,075	-8,134	4,396	2,797	2,868	4,098	-11,863	14,159
Depreciation & Amortization	11,144	7,144	8,331	10,847	9,648	9,553	9,959	10,509	37,466	39,669
<b>Profit before Tax</b>	<b>19,586</b>	<b>6,504</b>	<b>13,870</b>	<b>13,307</b>	<b>2,276</b>	<b>4,245</b>	<b>4,577</b>	<b>2,760</b>	<b>53,266</b>	<b>13,859</b>
Income Tax Expense / (Income)	2,267	-1,739	2,003	1,923	-719	-661	641	386	4,454	-353
<b>Adjusted Net Profit / (Loss)</b>	<b>17,319</b>	<b>8,243</b>	<b>11,867</b>	<b>11,384</b>	<b>2,995</b>	<b>4,906</b>	<b>3,937</b>	<b>2,374</b>	<b>48,812</b>	<b>14,211</b>
YoY Growth (%)	5.6	-50.8	-19.8	-16.3	-82.7	-40.5	-66.8	-79.1	-20.7	-70.9
QoQ Growth (%)	27.4	-52.4	44.0	-4.1	-73.7	63.8	-19.8	-39.7		
Margin (%)	28.2	14.5	22.4	22.4	5.9	9.6	7.5	4.5	21.9	6.8
Extraordinary Exp/Minority Interest	953	840	790	-811	486	447	329	348	1,772	1,610
<b>Reported Net Profit / (Loss)</b>	<b>16,366</b>	<b>7,403</b>	<b>11,077</b>	<b>12,195</b>	<b>2,509</b>	<b>4,459</b>	<b>3,608</b>	<b>2,026</b>	<b>47,040</b>	<b>12,602</b>

E: MOSL Estimates

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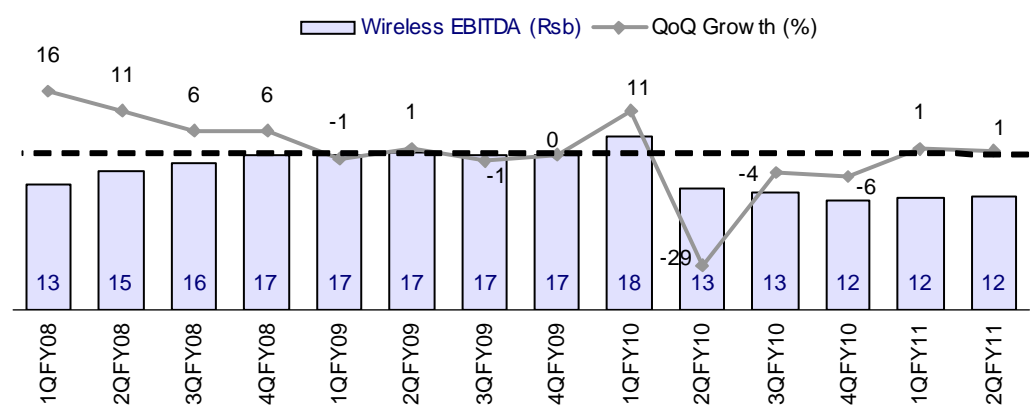
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- Reliance Communications' 2QFY11 results are broadly in line at the operating level.
- Consolidated revenue declined 10.2% YoY but was flat QoQ at Rs51.2b (est of Rs51.7b).
- Consolidated EBITDA declined 17.8% YoY but grew 1.7% QoQ to Rs16.6b (estimate of Rs16.5b).
- EBITDA margin increased ~48bp QoQ to 32.4% led by improved margins in broadband segment and stable margins in wireless and global segments.
- PAT (pre minorities and exceptionals) declined 40.5% YoY but increased 63.8% QoQ to Rs4.9b (vs estimate of Rs3b). PAT is above estimates due to lower depreciation, finance cost, and tax write-back.
- Depreciation and amortization declined 1% QoQ to Rs9.55b (est of Rs9.94b). Net finance cost declined 36.4% QoQ to Rs2.8b (est of Rs3.1b).
- RCom reported negative tax rate for 2QFY11- tax write-back of Rs661m (Rs719m in 1QFY11) v/s estimate of Rs489m provision.
- ARPU (Rs122; down 6.2% QoQ) was in-line with estimate as negative impact of ~6.4% QoQ MOU decline was partially offset by stable RPM (Rs0.44; flat QoQ).
- RCOM trades at EV/EBITDA of 9.6x FY11 and 7.8x FY12.

**Wireless performance in-line; traffic growth expected to pick-up in 2HFY11**

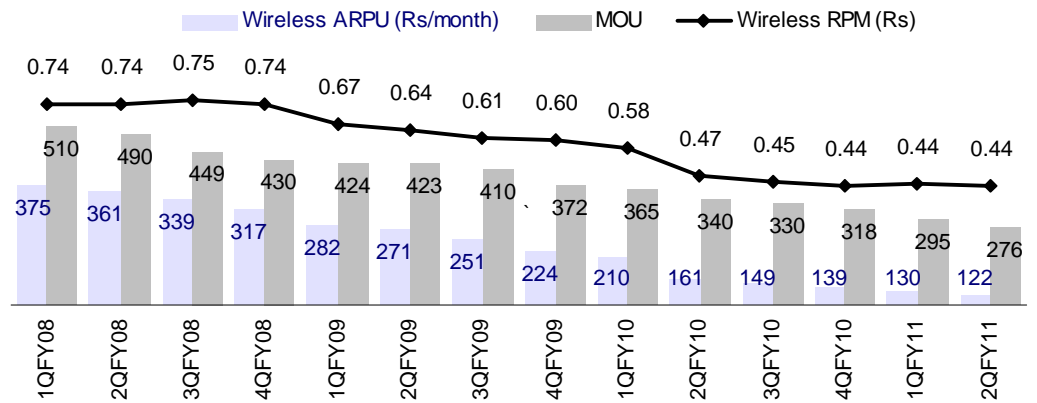
- RCOM's 2QFY11 wireless EBITDA declined 7.9% YoY but grew 0.9% QoQ to Rs12.1b (1.3% above estimate).
- Wireless revenue increased 3.8% YoY and 0.2% QoQ to Rs41.6b (est of Rs42.3b).
- Wireless ARPU declined 6.2% QoQ (vs 6-8% decline reported by Bharti / Idea / Vodafone) to Rs122 (in line).
- RPM increased 0.3% QoQ vs 1-3% decline for Bharti/Idea/Vodafone.
- Wireless traffic grew by ~0.3% QoQ v/s 0-3% growth for Bharti / Idea / Vodafone.
- Flat RPM for RCom re-confirms abating tariff pressure - RCom being a key challenger in the GSM segment.
- Even on a YoY basis, tariff decline for RCom at 7% is the lowest amongst majors (decline of 18-24% for Bharti/Idea/Vodafone).
- RCom has held its RPM in the Rs0.44-0.45 band for past four quarters now.

**Wireless EBITDA: Stable over past two quarters**

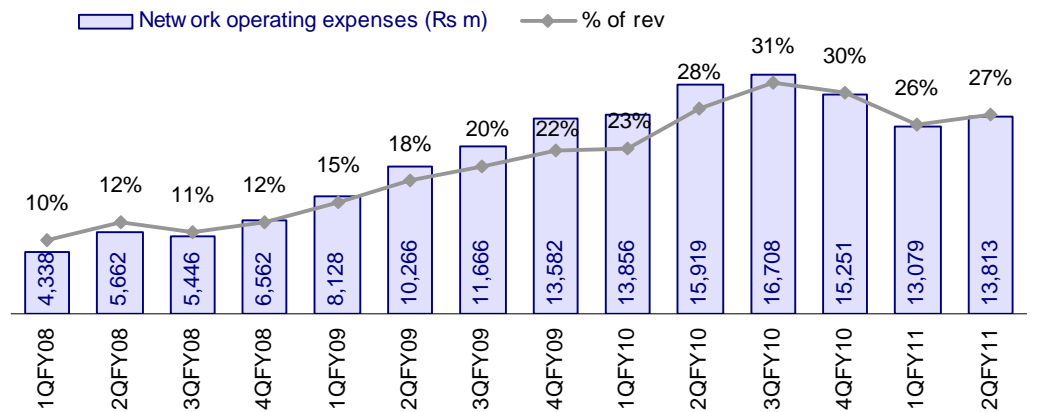


Source: Company/MOSL

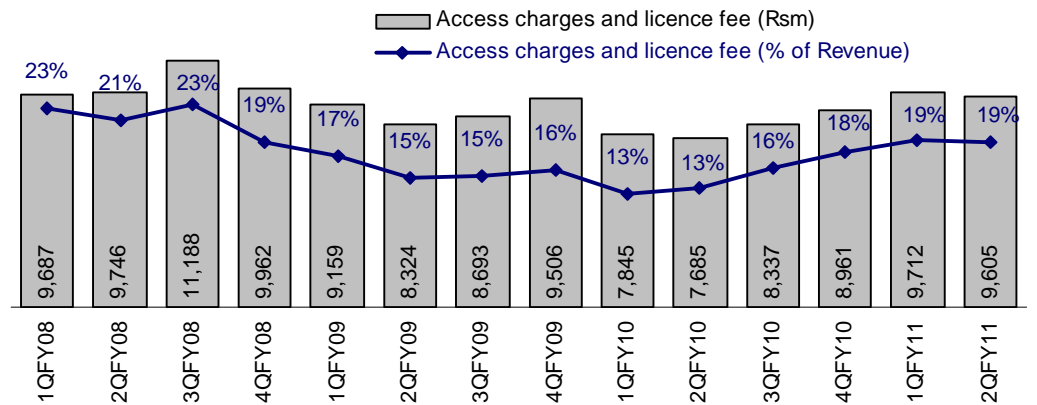
**RPM stable; ARPU and MOU decline continues**



**Network costs higher likely due to increased diesel prices**



**Access charges remain steady**



Source: Company/MOSL

**Strong traffic growth in NLD/ILD traffic; Broadband EBITDA flat QoQ**

- Global segment revenue declined 18.8% YoY but increased 1.4% QoQ to Rs18.4b (v/s est of Rs18.2b).
- EBITDA margin declined 463bp YoY but increased ~16bp QoQ to 18.4% (v/s est of 19.2%).
- Broadband revenue declined 14% YoY and 2.2% QoQ to Rs6.6b (est of Rs6.7b); However, EBITDA margin improved from 36.6% in 1QFY11 to 37.5% in 2QFY11.
- Global segment reported strong traffic growth.
- National Long Distance (NLD) minutes increased 46.2% YoY and 7.3% QoQ to 16.4b mins (3.2% above est)
- International Long Distance (ILD) minutes increased 73.3% YoY and 20.2% to 3.8b mins (15.6% above est)

**Net debt up 2.5% QoQ to Rs~292b; de-leveraging is the key**

- RCOM's net debt increased to Rs292b (v/s Rs285b in 1QFY11).
- Net debt / annualized EBITDA remains high at 4.4x while net debt/equity is 0.77x.
- RCOM incurred a capex of Rs9.3b in 2QFY11.
- We currently model capex of Rs38b for FY11 v/s guidance of Rs30b (excluding payment for 3G spectrum).
- We believe de-leveraging is key for RCom stock. Tower merger/sale and induction of a strategic partner are two options for RCom.

**Valuation and view**

- Our revenue/EBITDA estimates remain unchanged; however, we are upgrading our earnings estimates by 29% in FY11 and 10% in FY12 on lower depreciation, net finance cost and tax write-back.
- RCOM trades at EV/EBITDA of 9.6x FY11 and 7.8x FY12.
- While valuations are fair, we expect operating performance to improve led by 1) more stable pricing environment, 2) operating leverage on fixed network costs for GSM, and 3) incremental growth from 3G.
- Potential cash inflow from monetization of tower assets and strategic stake sale could be positive triggers in the near-term.
- Maintain **Buy** rating with a target price of Rs200/sh based on 8.5x FY12 EV/EBITDA for core business and incremental upside of Rs48/sh (~Rs2m/tower) for tower business.

## RCOM: 2QFY11 SEGMENT-WISE SUMMARY

	2QFY10	1QFY11	2QFY11	YOY%	QOQ%	2QFY11E	V/S EST (%)
<b>Revenue</b>							
Wireless	40,100	41,528	41,613	3.8	0.2	42,257	-1.5
Global	22,643	18,137	18,391	-18.8	1.4	18,212	1.0
Broadband	7,700	6,763	6,617	-14.1	-2.2	6,652	-0.5
Others	2,760	3,348	3,984	44.3	19.0	3,415	16.7
<b>Total Revenue</b>	<b>73,203</b>	<b>69,775</b>	<b>70,605</b>	<b>-3.5</b>	<b>1.2</b>	<b>70,536</b>	<b>0.1</b>
Others/Eliminations	-16,177	-18,683	-19,422	20.1	4.0	-18,887	2.8
<b>Consolidated Revenue</b>	<b>57,026</b>	<b>51,092</b>	<b>51,183</b>	<b>-10.2</b>	<b>0.2</b>	<b>51,650</b>	<b>-0.9</b>
<b>EBITDA</b>							
Wireless	13,132	11,989	12,101	-7.9	0.9	11,944	1.3
EBITDA Margin (%)	32.7	28.9	29.1	-367bp	21bp	28.3	81bp
Global	5,227	3,317	3,393	-35.1	2.3	3,488	-2.7
EBITDA Margin (%)	23.1	18.3	18.4	-463bp	16bp	19.2	-70bp
Broadband	3,199	2,477	2,481	-22.4	0.2	2,528	-1.9
EBITDA Margin (%)	41.5	36.6	37.5	-405bp	87bp	38.0	-51bp
<b>Total EBITDA</b>	<b>21,558</b>	<b>17,783</b>	<b>17,975</b>	<b>-16.6</b>	<b>1.1</b>	<b>17,961</b>	<b>0.1</b>
Others/Eliminations	-1360	-1463	-1380	1.5	-5.7	-1413	-2.3
<b>Consolidated EBITDA</b>	<b>20,199</b>	<b>16,320</b>	<b>16,595</b>	<b>-17.8</b>	<b>1.7</b>	<b>16,548</b>	<b>0.3</b>
Consolidated EBITDA margin (%)	35.4	31.9	32.4	-300bp	48bp	32.0	38bp
Depreciation and amortization	7,144	9,648	9,553	33.7	-1.0	9,937	-3.9
Net finance cost	6,551	4,396	2,797	-57.3	-36.4	3,116	-10.2
<b>Profit before Taxes</b>	<b>6,504</b>	<b>2,276</b>	<b>4,245</b>	<b>-34.7</b>	<b>86.5</b>	<b>3,495</b>	<b>21.5</b>
Total Tax	-1,739	-719	-661	-62.0	-8.1	489	-235.1
Effective Tax Rate (%)	-26.7	-31.6	-15.6	1117bp	1602bp	14	-2957bp
<b>PAT before minority/extraordinaries</b>	<b>8,243</b>	<b>2,995</b>	<b>4,906</b>	<b>-40.5</b>	<b>63.8</b>	<b>3,005</b>	<b>63.2</b>
Extraordinary Expenses + Minority Interest	840	486	447	-46.8	-8.0	310	44.4
<b>Reported Net Profit</b>	<b>7,403</b>	<b>2,509</b>	<b>4,459</b>	<b>-39.8</b>	<b>77.7</b>	<b>2,696</b>	<b>65.4</b>

Source: Company/MOSL

## CAPEX (RS M)

	2QFY10	1QFY11	2QFY11	YOY%	QOQ%
Wireless	8,964	87,683	6,021	-32.8	-93.1
Capex/Sales (%)	22.4	211.1	14.5		
Global	670	5,255	1,841	174.8	-65.0
Capex/Sales (%)	3.0	29.0	10.0		
Broadband	168	250	595	254.2	138.0
Capex/Sales (%)	2.2	3.7	9.0		
Other	33	602	830		
<b>Consolidated Capex</b>	<b>9,835</b>	<b>93,790</b>	<b>9,287</b>	<b>-5.6</b>	<b>-90.1</b>
Consolidated Capex/Sales (%)	17.2	183.6	18.1		

Source: Company/MOSL

## RCOM - SEGMENT TRENDS

Y/E MARCH	FY10				FY11			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE
<b>Segmental Revenue Growth (%)</b>								
Wireless	6.5	-16.3	0.2	1.8	1.5	0.2	3.5	1.8
Global	0.2	20.2	-12.5	2.3	-10.6	1.4	0.9	1.0
Broadband	-3.3	12.5	-8.5	-3.5	-0.5	-2.2	-1.0	-0.9
<b>Segmental EBITDA Margin (%)</b>								
Wireless	38.6	32.7	31.2	28.9	28.9	29.1	29.5	28.5
Global	24.0	23.1	21.2	17.5	18.3	18.4	19.2	19.9
Broadband	43.8	41.5	39.1	37.2	36.6	37.5	37.5	37.5

Source: Company/MOSL

**Key metrics - RCOM**

Y/E March	FY10				FY11			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE
Wireless Subs (m)	80	86	94	102	111	117	124	131
QoQ Growth (%)	9.6	8.2	8.9	9.2	8.2	5.9	5.6	5.3
Wireless ARPU (Rs/month)	210	161	149	139	130	122	117	111
QoQ Growth (%)	-6.3	-23.3	-7.5	-6.7	-6.5	-6.2	-4.0	-4.9
Total Minutes of Use (b)	83	85	89	94	94	95	100	103
QoQ Growth (%)	11.5	1.4	5.4	5.1	0.8	0.3	5.6	3.4
Minutes of Use/Sub/Month	365	340	330	318	295	276	276	270
QoQ Growth (%)	-1.9	-6.8	-2.9	-3.6	-7.2	-6.4	0.0	-2.0
Effective Wireless Rev. per Min.(Rs)	0.58	0.47	0.45	0.44	0.44	0.44	0.42	0.41
QoQ Growth (%)	-4.5	-17.7	-4.6	-3.2	0.8	0.3	-4.0	-3.0
NLD Minutes (m)	10,349	11,205	13,643	16,086	15,265	16,383	17,038	17,720
QoQ Growth (%)	13.9	8.3	21.8	17.9	-5.1	7.3	4.0	4.0
ILD Minutes (m)	2,209	2,165	2,823	2,656	3,123	3,753	3,903	4,059
QoQ Growth (%)	11.4	-2.0	30.4	-5.9	17.6	20.2	4.0	4.0
Consolidated EBITDA Margin (%)	39.9	35.4	34.2	31.5	31.9	32.4	33.2	32.7
Consolidated Capex (Rsb)	10	10	13	9	94	9	11	11
Consolidated Capex/Sales (%)	15.9	17.2	25.0	17.2	183.6	18.1	20.1	19.9

Source: Company/MOSL

**RCOM: SOTP Valuation (Rs)**

	Methodology	Driver	Multiple	Fair Value (Rsb)	Value/sh (Rs)
Core Business	FY12 EV/EBITDA	75	8.5	640	310
Reliance Infratel	Tower base	48,000	Rs2m/tower	96	47
Less Net debt (FY12E)				324	157
<b>Total Value</b>				<b>413</b>	<b>200</b>
Shares o/s (m)				2,063	
Value per share (Rs)				200	
CMP				168	
Upside (%)				19	

Source: MOSL

**RCOM: Summary of estimate change**

	FY11E	FY12E
<b>Wireless Subs (m)</b>		
Old	133	151
New	131	149
Change (%)	-2	-2
<b>Wireless ARPU (Rs/month)</b>		
Old	122	122
New	121	120
Change (%)	-1	-2
<b>Revenue (Rs b)</b>		
Old	209	239
New	208	236
Change (%)	-1	-1
<b>EBITDA (Rs b)</b>		
Old	68	80
New	68	80
Change (%)	0	0
<b>EBITDA margin (%)</b>		
Old	32	33
New	33	34
Change (bp)	24	40
<b>Net Profit (Rs b)</b>		
Old	11	16
New	14	17
Change (%)	29	10
<b>EPS (Rs/sh)</b>		
Old	5.3	7.7
New	6.9	8.5
Change (%)	29	10
<b>Wireless MOU</b>		
Old	285	291
New	280	286
Change (%)	-2	-2
<b>Net finance cost (Rs b)</b>		
Old	15	15
New	14	15
Change (%)	-8	-2
<b>Tax rate (%)</b>		
Old	5	15
New	-3	15
Change (bp)	-761	0

Source: MOSL

## Reliance Communication: an investment profile

### Company description

RCom is an integrated telecom operator with presence in wireless (CDMA+GSM), long-distance (wholesale voice and data), and broadband segments. RCom has ~17% subscriber share of the Indian wireless market (second highest). 'Global' segment includes wholesale voice services, retail ILD calling cards, and network infrastructure based services. Broadband segment caters to voice, data, video, internet, and IT infrastructure requirements of enterprises.

### Key investment arguments

- RCom's GSM expansion has increased its addressable market, driving higher subscriber momentum.
- Potential value unlocking in the tower business and strategic stake sale at the parent level would lead to de-leveraging and provide adequate resources to drive growth in GSM and 3G.
- Potential margin inflection in the wireless segment as bulk of the network rollout for GSM is already through.

### Key investment risks

- MNP implementation likely to put pressure on post-paid RPM; subscriber retention costs to remain an overhang.
- RCom's net debt/annualized EBITDA remains high at 4.4x.

- Reliance Industries announced entry into telecom sector with the acquisition of pan-India BWA spectrum is aimed at technology leapfrog and is potentially disruptive for incumbents like RCom.

### Recent developments

- RCom has passed a Board resolution for induction of strategic/ private equity investor's for upto 26% equity stake
- RCom's subsidiary, Reliance Infratel has called-off the merger with GTL Infra.
- RCom board has approved a proposal to merge its DTH/IPTV business with cable TV service provider Digicable

### Valuation and view

- Our revenue/EBITDA estimates remain unchanged; however, we are upgrading our earnings estimates by 29% in FY11 and 10% in FY12 on lower depreciation, net finance cost and tax write-back.
- RCOM trades at EV/EBITDA of 9.6x FY11 and 7.8x FY12.
- While valuations are fair, we expect operating performance to improve led by 1) more stable pricing environment, 2) operating leverage on fixed network

### Comparative valuations

		RCOM	Bharti	Idea
P/E (x)	FY11E	24.4	17.3	37.9
	FY12E	19.9	14.0	26.0
EV/EBITDA (x)	FY11E	9.6	8.4	9.6
	FY12E	7.8	6.4	6.9
EV/Sales (x)	FY11E	3.1	2.9	2.3
	FY12E	2.6	2.3	1.9
P/BV (x)	FY11E	0.9	2.2	1.9
	FY12E	0.8	1.9	1.8

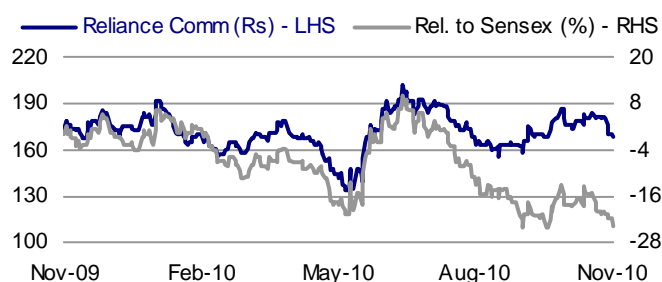
### EPS: MOSL forecast v/s consensus (Rs)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY11	6.9	9.4	-26.2
FY12	8.5	11.4	-25.7

### Target Price and Recommendation

Current Price (Rs)	Target Price (Rs)	Upside (%)	Reco.
168	200	19.0	Buy

### Stock performance (1 year)



### Shareholding Pattern (%)

	Sep-10	Jun-10	Sep-09
Promoter	67.8	67.8	67.3
Domestic Inst	9.2	9.3	9.8
Foreign	9.7	9.3	10.7
Others	13.3	13.6	12.3



## Financials and Valuation

INCOME STATEMENT		(Rs Million)			
Y/E MARCH	2009	2010	2011E	2012E	
<b>Revenues</b>	<b>229,410</b>	<b>222,457</b>	<b>208,145</b>	<b>236,430</b>	
<i>Change (%)</i>	<i>20.3</i>	<i>-3.0</i>	<i>-6.4</i>	<i>13.6</i>	
Total Expenses	-136,535	-143,588	-140,458	-156,491	
<b>EBITDA</b>	<b>92,875</b>	<b>78,869</b>	<b>67,687</b>	<b>79,939</b>	
<i>% of Gross Sales</i>	<i>40.5</i>	<i>35.5</i>	<i>32.5</i>	<i>33.8</i>	
Depn. & Amortization	39,313	37,466	39,669	44,474	
EBIT	53,562	41,403	28,017	35,465	
Net Interest and others	7,867	11,863	-14,159	-14,934	
<b>PBT</b>	<b>61,429</b>	<b>53,266</b>	<b>13,859</b>	<b>20,531</b>	
Tax	-123	4,454	-353	3,079	
<i>Rate (%)</i>	<i>-0.2</i>	<i>8.4</i>	<i>-2.5</i>	<i>15.0</i>	
<b>Adjusted PAT</b>	<b>61,552</b>	<b>48,812</b>	<b>14,211</b>	<b>17,452</b>	
<i>Change (%)</i>	<i>11.7</i>	<i>-20.7</i>	<i>-70.9</i>	<i>22.8</i>	
<b>PAT after EO</b>	<b>59,077</b>	<b>47,039</b>	<b>12,602</b>	<b>16,022</b>	

BALANCE SHEET		(Rs Million)			
Y/E MARCH	2009	2010	2011E	2012E	
Share Capital	10,320	10,320	10,320	10,320	
Additional Paid up Capital	90,306	90,306	90,306	90,306	
Reserves	269,377	287,199	286,230	300,321	
<b>Net Worth</b>	<b>370,003</b>	<b>387,825</b>	<b>386,856</b>	<b>400,947</b>	
Loans	335,520	247,473	386,949	359,722	
Minority Interest	8,228	7,472	8,255	9,684	
<b>Capital Employed</b>	<b>713,751</b>	<b>642,770</b>	<b>782,059</b>	<b>770,353</b>	
Gross Block	870,545	906,160	1,009,525	1,041,610	
Less: Depreciation	141,069	190,765	238,332	282,806	
<b>Net Block</b>	<b>729,476</b>	<b>715,395</b>	<b>771,193</b>	<b>758,803</b>	
Investments	2,857	1,199	1,190	1,190	
<b>Curr. Assets</b>	<b>246,560</b>	<b>164,152</b>	<b>203,244</b>	<b>219,157</b>	
Inventories	5,427	5,446	5,616	6,379	
Debtors	54,785	33,380	33,749	38,336	
Cash & Bank Balance	109,577	48,585	86,148	86,148	
Other Current Assets	76,771	76,741	77,731	88,294	
<b>Curr. Liab. &amp; Prov.</b>	<b>265,142</b>	<b>237,976</b>	<b>193,568</b>	<b>208,797</b>	
<b>Net Curr. Assets</b>	<b>-18,582</b>	<b>-73,824</b>	<b>9,676</b>	<b>10,359</b>	
<b>Appl. of Funds</b>	<b>713,751</b>	<b>642,770</b>	<b>782,059</b>	<b>770,353</b>	

E: MDSL Estimates

RATIOS					
Y/E MARCH	2009	2010	2011E	2012E	
<b>Basic (Rs)</b>					
<b>EPS</b>	<b>29.8</b>	<b>23.7</b>	<b>6.9</b>	<b>8.5</b>	
Cash EPS	48.9	41.8	26.1	30.0	
Book Value	183.3	191.6	191.5	199.0	
DPS	0.9	0.9	0.9	0.9	
Payout % (Incl.Div.Taxes)	3.1	4.1	15.3	12.1	
<b>Valuation (x)</b>					
P/E	5.6	7.1	24.4	19.9	
Cash P/E	3.4	4.0	6.4	5.6	
EW/EBITDA	6.2	6.9	9.6	7.8	
EV/Sales	2.5	2.5	3.1	2.6	
Price/Book Value	0.9	0.9	0.9	0.8	
Dividend Yield (%)	0.5	0.6	0.6	0.6	

**Profitability Ratios (%)**

RoE	18.7	12.6	3.6	4.3
RoCE	8.9	5.8	3.0	3.3

**Turnover Ratios**

Debtors (Days)	87	55	59	59
Asset Turnover (x)	0.47	0.37	0.32	0.34

**Leverage Ratio**

Debt/Equity Ratio(x)	0.9	0.6	1.0	0.9
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**CASH FLOW STATEMENT**

		(Rs Million)			
Y/E MARCH	2009	2010	2011E	2012E	
Op.Profit/(Loss) bef Tax	90,401	77,097	66,077	78,510	
Other Income	0	0	0	0	
Interest Paid	7,867	11,863	-14,159	-14,934	
Direct Taxes Paid	123	-4,454	353	-3,079	
(Inc)/Dec in 'wkg. Cap.	39,955	-33,037	-57,577	-684	
<b>CF from Op.Activity</b>	<b>138,346</b>	<b>51,469</b>	<b>-5,306</b>	<b>59,813</b>	
(inc)/Dec in FA + CWIP	-246,636	-23,385	-95,467	-32,084	
(Pur)/Sale of Investments	-60	1,658	9	0	
<b>CF from Inv.Activity</b>	<b>-246,696</b>	<b>-21,727</b>	<b>-95,458</b>	<b>-32,084</b>	
Issue of Shares	0	0	0	0	
Inc/(Dec) in Debt	119,839	-88,047	139,476	-27,227	
Other Financing Activities	-17,893	-2,687	-1,148	-501	
<b>CF from Fin.Activity</b>	<b>101,947</b>	<b>-90,732</b>	<b>138,329</b>	<b>-27,726</b>	
<b>Inc/(Dec) in Cash</b>	<b>-6,404</b>	<b>-60,992</b>	<b>37,563</b>	<b>0</b>	
Add: Opening Balance	115,981	109,577	48,585	86,148	
<b>Closing Balance</b>	<b>109,577</b>	<b>48,585</b>	<b>86,148</b>	<b>86,148</b>	



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