



Wednesday

Stocks, Funds, FDs,  
Insurance, RBI Bonds,  
Bullion, Real Estate

[Home](#) | [Change Password](#) | [Logout](#)

Telefolio Plus

Vol. No. : 5 Issue No. : 34

Wednesday, February 14, 2007

## Reliance Communications

Wired to growth

Besides the continuing favourable industry scenario, value-unlocking plans, aggressive expansion plans and new initiatives will keep the company wired to fast growth

<b>Buy</b>	Reliance Communications
<b>BSE Code</b>	532712
<b>NSE Code</b>	RCOM
<b>Bloomberg</b>	RCOM.IN
<b>Reuter</b>	RLCM.BO
<b>52-week High/Low</b>	Rs 518 / Rs 186
<b>Current Price</b>	Rs 451 (as on 14th February 2007)

Related Tables
► <a href="#">Reliance Communication: Consolidated Financials</a>
► <a href="#">Reliance Communication: Consolidated Result</a>

Reliance Communications (RComm) was formed by the demerger and vesting of the telecommunications undertakings of Reliance Industries Limited. RCOM is India's largest integrated communications service provider in the private sector with over 30 million individual consumer, enterprise, and carrier customers as at December 30, 2006. It has pan-Indian operations and provides wireless, wireline and long distance voice, data, and internet communication services. It has an extensive international presence through the provision of long distance voice, data, and internet services and submarine cable network infrastructure globally.

The wireless network of the company covers over 6,000 towns across India, providing coverage of over 54% of the population. This is the largest wireless network in India in terms of coverage and capacity.

RComm has registered impressive results for December 2006 quarter. With over 30 million wireless subscriber base, the total revenue for the quarter ended December 2006 increased by 7% on Q-o-Q basis to Rs 3755.30 crore. OPM stood higher by a solid 650 bps to 40.7%. Margins improved due to higher margins from each of its business segment – with the highest gain coming from the broadband division, at 47%. PAT expanded by 73% Q-o-Q to Rs 924.42 crore.

For the quarter, RCOM added 4.0 million wireless subscribers, a y-o-y and sequential growth of 88.1% and 15.7% in net adds. The company's overall wireless subscriber base stood at 30.0 million, with a 20.1% market share. In the wireline segment, the company added 98000 subs, and its overall wireline subscriber base stood at 490k.

Revenues of the Wireless business, which contributed 73% of the total revenue, increased to Rs 2752 crore, up 39% on Y-o-Y basis. The PBIT increased to Rs 554.19 crore with a rise of 65% on Y-o-Y basis. PBIT margins reached to 20.1% against 17% in corresponding previous quarter. The Global business experienced strong margin expansion and growth in profitability, driven by strong volume growth. The PBIT of this segment during the quarter increased 197% to Rs 249.09 crore on Y-o-Y basis and PBIT margins reached to 18.7% against 6% in Q3 FY06.

Broadband achieved revenue growth of 149% to Rs 316 crore and PBIT stood at Rs 109.05 crore against loss of Rs 3.07 crore at PBIT level. The PBIT margin in this

[Wednesday Telefolio](#)

[Archives](#)

segment was highest at 34.5%.

RComm's capex strategy is now unambiguously focused on GSM. Only a small minority of wireless capex will be for CDMA, going forward. Currently, RComm expects to keep its CDMA network, and will build further on CDMA only where it is most cost effective. The company will be investing USD 2.5 billion, or about Rs 11000 crore in the coming financial year ending March 2008 to support the expansion of the company's India focused businesses. The capex includes planned rollout on an aggressive basis of over 20000 new towers for supporting the wireless business and will further enhance coverage and capacity on a nationwide basis.

The company plans to launch IPTV and DTH services in Q3 of coming financial year.

Rcomm has proposed two value-unlocking proposals. RComm's board has approved a scheme of transfer under which its wireless towers and related infrastructure will be transferred to a subsidiary. To put the quantum of potential savings into perspective, as per RCOM's estimates, sharing of new cell sites could result in capex savings of 30% and opex savings of 30-36%, while the sharing of existing cell sites could result in capex savings of 10% and opex savings of 15-18%.

RCOM's board has also approved a proposal to globally list its subsidiary FLAG Telecom. RCOM has turned around the performance of FLAG Telecom over the past year and aligned it with the Indian franchise. FLAG Telecom sees enormous growth potential in bridging the digital divide and had recently announced nearly Rs 7,000 crore (US\$1.5 billion) Next Generation Network project which on completion will make the company the largest fully IP-enabled global undersea cable system operator touching 80% of the world population.

In FY 2007 we expect RComm to register sales and net profit of Rs 14286.67 crore and Rs 2987.48 crore. Adjusted EPS works out to Rs 14.8, which is expected to go up to Rs 20.2 in FY 2008. The share price trades at Rs 451, giving a P/E of 22.3 times FY 2008 projected EPS. Indian telecom sector is likely to continue to grow at a fast rate going forward and the RComm scrip will outperform the market indices, in spite of the recent disappointment on losing the Hutch acquisition battle.

#### Reliance Communication: Consolidated Financials

	0603(12)	0703 (12P)	0803 (12P)
Sales	10766.35	14286.67	17344.02
OPM (%)	23.5	39.3	42.0
OP	2535.22	5612.58	7284.49
Other inc.	0.00	0.00	0.00
PBDIT	2535.22	5612.58	7284.49
Interest	321.47	49.52	35.00
PBDT	2213.75	5563.06	7249.49
Dep.	1698.68	2479.98	2988.38
PBT	515.07	3083.08	4261.11
EO	37.43	35.98	0.00
PBT After EO	477.64	3047.10	4261.11
Tax	33.73	59.62	127.83
PAT	443.91	2987.48	4133.28
EPS	2.3	14.8	20.2

\*Annualized on current equity of Rs 1022.31 crore. Face Value of Rs 5

(P): Projections

EPS is calculated after excluding EO and relevant tax

EO: Extraordinary items

Figures in Rs crore  
Source: Capitaline Corporate Databases

**Reliance Communication: Consolidated Result**

	0612(3)	0512(3)	Var. (%)	0609(3)	Var. (%)	0612(9)	0512(9)	Var. (%)	0603(12)
Sales	3755.3	2991	26	3525.98	7	10531.37	7796	35	10766.35
OPM (%)	40.7	29.1		34.2		38.8	18.9		23.5
OP	1527.17	869.18	76	1206.20	27	4085.41	1473.55	177	2535.22
Other inc.	0.00	0.00		0.00		0.00	0.00		0
PBDIT	1527.17	869.18	76	1206.20	27	4085.41	1473.55	177	2535.22
Interest	-65.69	149.18	LP	5.58	LP	39.52	259.55	-85	321.47
PBDT	1592.86	720.00	121	1200.62	33	4045.89	1214.00	233	2213.75
Dep.	652.44	398.00	64	623.68	5	1827.54	1153.00	59	1698.68
PBT	940.42	322.00	192	576.94	63	2218.35	61.00	999	515.07
EO	2.99	0.00		15.00		32.99	0.00		37.43
PBT After EO	937.43	322.00	191	539.90	74	2185.36	61.00	999	477.64
Tax	13.01	12.00	8	5.94	119	46.61	20.00	133	33.73
PAT	924.42	310.00	198	533.96	73	2138.75	41.00	999	443.91
EPS	18.1	6.1		11.2		14.2	0.3		2.3

**Terms & Disclaimer :**

Keep all our advice strictly confidential. It should not be shared in any form with others.

Though all care is taken in arriving at recommendations, the equity shares may rise or fall in a manner not foreseen.

Hence Capital Market or any of its employees will not be liable for any loss suffered.

[Top](#)