



## Reliance Communications

<b>STOCK INFO.</b>	<b>BLOOMBERG</b>
BSE SENSEX: 18,167	RCOM IN
	<b>REUTERS CODE</b>
S&P CNX: 5,452	RLCM.BO

13 August 2010

Buy

Previous Recommendation: Under Review

Rs168

Equity Shares (m)	2,063.0
52-Week Range (Rs)	320/132
1,6,12 Rel. Perf. (%)	-12/-14/-54
M.Cap. (Rs b)	346.8
M.Cap. (US\$ b)	7.4

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	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	6.1
3/10A	222,457	48,812	23.7	-20.7	7.1	0.9	12.6	5.8	2.4	6.9
3/11E	209,335	11,022	5.3	-77.4	31.5	0.9	2.8	2.8	3.1	9.6
3/12E	239,028	15,823	7.7	43.6	21.9	0.8	3.9	3.2	2.6	7.8

**RCom's 1QFY11 results were in-line with operating performance showing stability after three consecutive quarters of revenue and EBITDA decline.** Consolidated revenue was flat QoQ at Rs51b while EBITDA grew 1.9% QoQ to Rs16.3b. PAT (pre minorities) declined 76% QoQ to Rs3b mainly led by net finance cost of Rs4.4b (forex loss of ~Rs2b) v/s income in comparable quarters.

**Wireless performance in-line but traffic growth yet to pick-up:** Wireless revenue and EBITDA grew 1.5% QoQ. RPM increased 0.8% QoQ (Rs0.44) vs 4-6% decline for GSM peers; traffic grew by just ~1% QoQ (v/s 10-13%) as RCom reduced free minutes. Management expects traffic growth to be in-line with industry going forward.

**Pricing pressure in global segment; broadband stable:** Global segment revenue declined 10.6% QoQ to Rs18.1b due to pricing pressure in US / Europe and one-time NLD revenue in 4QFY10. Broadband revenue remained largely flat YoY and QoQ at Rs6.8b with stable margin.

**Net debt up by Rs86b on 3G pay-out; capex guidance unchanged:** Net debt increased to Rs285b owing to 3G spectrum payment of Rs85.9b; net debt / annualised EBITDA has increased to 4.4x (net debt/equity at 0.73x). Capex guidance is unchanged at ~Rs30b ex-3G (Rs7.9b in 1QFY11).

**Revenue/EBITDA estimates unchanged:** We maintain revenue/EBITDA estimates but cut FY11 EPS by 14% (forex loss in 1QFY11); FY12 EPS is unchanged. RCom trades at FY12 EV/EBITDA of 7.8x. We expect operating performance to improve on 1) relatively stable pricing, 2) operating leverage, and 3) growth from 3G. Potential cash inflow of Rs150-180b from tower merger with GTL Infra and strategic stake sale could be positive triggers. We put a **Buy** rating (Under Review earlier) with target of Rs200 based on DCF value of Rs154 for core business ex-towers (implied FY12 EV/EBITDA of ~9x) and incremental upside of Rs47 (~Rs2m/tower) for towers.

### QUARTERLY PERFORMANCE (CONSOLIDATED)

Y/E MARCH	(RS MILLION)									
	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2QE	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>51,650</b>	<b>52,807</b>	<b>53,734</b>	<b>222,457</b>	<b>209,335</b>
YoY Growth (%)	15.5	1.0	-9.3	-16.8	-16.9	-9.4	-0.5	5.5	-3.0	-5.9
QoQ Growth (%)	0.4	-7.2	-7.0	-4.0	0.3	1.1	2.2	1.8		
<b>EBITDA</b>	<b>24,525</b>	<b>20,199</b>	<b>18,126</b>	<b>16,020</b>	<b>16,320</b>	<b>16,548</b>	<b>17,205</b>	<b>17,507</b>	<b>78,869</b>	<b>67,579</b>
YoY Growth (%)	9.0	-12.2	-22.9	-32.8	-33.5	-18.1	-5.1	9.3	-15.1	-14.3
QoQ Growth (%)	2.9	-17.6	-10.3	-11.6	1.9	1.4	4.0	1.8		
Margin (%)	39.9	35.4	34.2	31.5	31.9	32.0	32.6	32.6	35.5	32.3
Net Finance Costs	-6,205	6,551	-4,075	-8,134	4,396	3,116	3,227	4,632	-11,863	15,371
Depreciation & Amortization	11,144	7,144	8,331	10,847	9,648	9,937	10,216	10,797	37,466	40,598
<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>3,495</b>	<b>3,762</b>	<b>2,077</b>	<b>53,266</b>	<b>11,610</b>
Income Tax Expense / (Income)	2,267	-1,739	2,003	1,923	-719	489	527	291	4,454	588
<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>3,005</b>	<b>3,236</b>	<b>1,786</b>	<b>48,812</b>	<b>11,022</b>
YoY Growth (%)	5.6	-50.8	-19.8	-16.3	-82.7	-63.5	-72.7	-84.3	-20.7	-77.4
QoQ Growth (%)	27.4	-52.4	44.0	-4.1	-73.7	0.4	7.7	-44.8		
Margin (%)	28.2	14.5	22.4	22.4	5.9	5.8	6.1	3.3	21.9	5.3
Extraordinary Exp/Minority Interest	953	840	790	-811	486	310	329	348	1,772	1,472
<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>2,696</b>	<b>2,907</b>	<b>1,438</b>	<b>47,040</b>	<b>9,550</b>

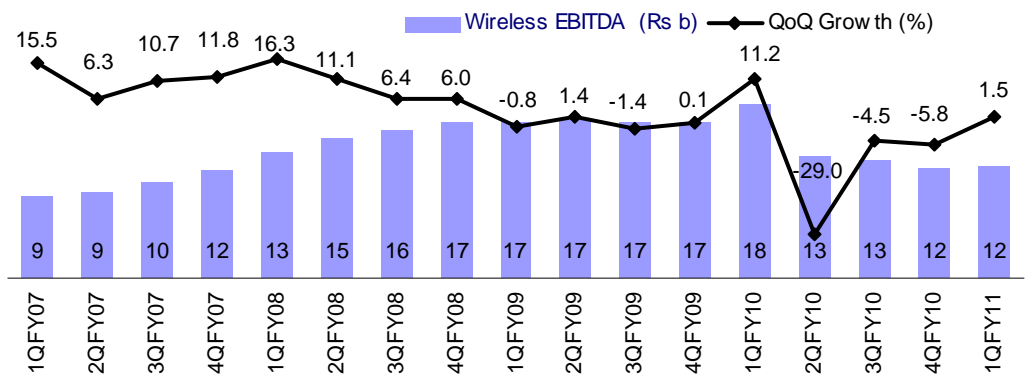
E: MOSL Estimates

- Reliance Communications 1QFY11 results are in line with estimates at the operating level.
- Consolidated EBITDA declined 33% YoY but grew 1.9% QoQ to Rs16.3b (estimate of Rs16.2b).
- EBITDA margin increased ~50bp QoQ to 31.9%, led by stable margins across segments and decline in loss in the “others” segment.
- Consolidated Revenue declined 17% YoY but was flat QoQ at Rs51b (est of Rs50.9b) v/s average decline of ~6% QoQ during 1QF10-4QFY10.
- PAT (pre minorities and exceptionals) declined 83% YoY and 76% QoQ to Rs3b (vs estimate of Rs3.2b).
- PAT was impacted by ~Rs2b forex loss, partially off-set by tax write-back of Rs0.7b.
- Additionally RCOM incurred a forex loss of Rs7.8b, which has not been debited to P&L but would be subject to withdrawal from General Reserve.
- ARPU (Rs130; down 6.5% QoQ) was in-line with estimate (Rs131) as negative impact of ~7% QoQ MOU decline was partially offset by stable RPM (Rs0.44; up 0.8% QoQ).

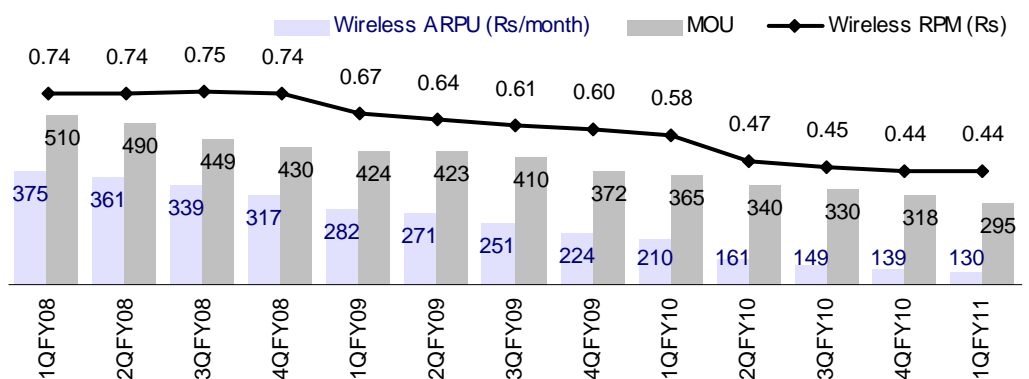
#### **Wireless performance in-line but traffic growth yet to pick-up**

- RCOM’s 1QFY11 wireless EBITDA declined 35% YoY but grew 1.5% QoQ to Rs12b (4% above estimate).
- Wireless revenue declined 13% YoY but increased 1.5% QoQ to Rs41.5b (in-line).
- Wireless ARPU declined 6.5% QoQ vs 2-3% decline reported by Bharti / Idea / Vodafone.
- RPM increased 0.8% QoQ vs 4-6% decline for Bharti/Idea/Vodafone.
- Wireless traffic grew by just ~1% QoQ v/s 10-13% growth for Bharti / Idea / Vodafone.
- This is the first QoQ increase in wireless net revenue and EBITDA for RCOM in the last four quarters.
- Management mentioned that RCOM has reduced the free minutes offered by as much as 50%; resulting in muted traffic growth but stable RPM.
- RCOM’s wireless RPM at Rs0.44 is now comparable to GSM peers v/s a sharp discount three quarters back.
- The management expects traffic growth for RCOM to be broadly in-line with industry going forward.
- 3G launch is likely over the next two quarters provided the spectrum is allocated in Sept-10.

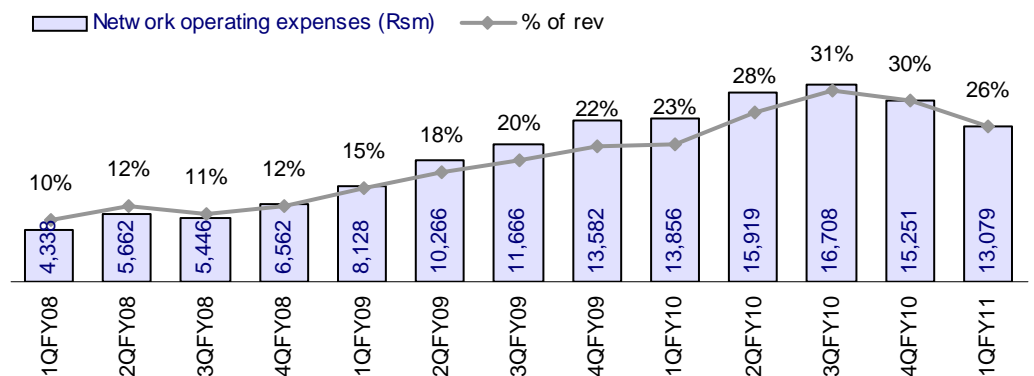
**WIRELESS EBITDA UP 1.5% QOQ**



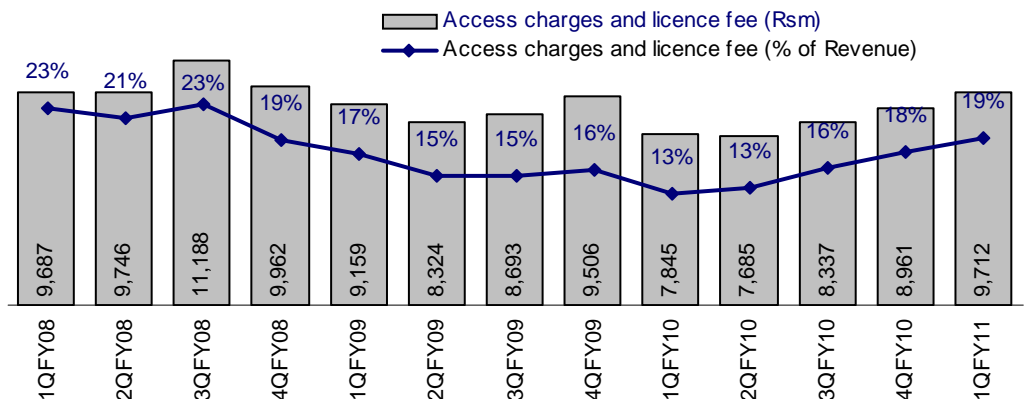
**RPM RELATIVELY STABLE; MOU DECLINE CONTINUES IN CONTRAST TO PEERS**



**NETWORK COSTS DECLINED ON LOWER FUEL AND MAINTENANCE EXP**



**ACCESS CHARGES INCREASE ON HIGHER OFF-NET TRAFFIC**



Source: Company/MOSL

**Global segment remains under pressure due to soft demand and pricing cuts; broadband segment performance stable QoQ**

- Global segment revenue declined 3.7% YoY and 10.6% QoQ to Rs18.1b (v/s est of Rs19.3b) due to pricing pressure in US / European markets.
- QoQ decline was also due to one-time NLD revenue from external traffic in 4QFY10.
- EBITDA margin declined 570bp YoY but increased ~75bp QoQ to 18.3% (v/s est of 19%).
- Broadband revenue remained largely flat YoY and QoQ at Rs6.8b with stable EBITDA margin (36.6%) on a QoQ basis.
- The company expects activity in the broadband segment to pick-up as corporate spending outlook is improving with more projects being announced.

**Net debt up by Rs86b QoQ on 3G spectrum pay-out; Capex guidance unchanged at ~Rs30b ex-3G**

- RCOM's net debt increased to Rs285b (v/s Rs199b in 4QFY10) owing to 3G spectrum payment of Rs85.9b.
- RCOM's net debt / annualised EBITDA has increased to 4.4x while net debt/equity is 0.73x.
- Almost 70% of the Gross Debt of Rs332b is denominated in foreign currency while balance is Rupee loans.
- RCOM incurred a capex of ~Rs7.9b in 1QFY11. Capex guidance remains unchanged at ~Rs30b excluding 3G.
- RCOM does not expect significant incremental capex for 3G rollout.
- We model capex of Rs47b for FY11 (excluding payment for 3G spectrum).

**Revenue / EBITDA / PAT estimate for FY12 unchanged; FY11 PAT downgrade of 14% due to forex loss**

- We are maintaining our revenue and EBITDA estimates given in-line performance. We are cutting our FY11 EPS by 14% to Rs5.3 to factor-in higher-than-expected finance costs (forex loss). Our FY12 EPS is unchanged at Rs7.7.
- 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 of Rs150-180b from monetization of tower assets (proposed merger with GTL Infrastructure) and strategic stake sale could be positive triggers in the near-term.
- We are putting a **Buy** (Under Review earlier) rating with a target price of Rs200/sh based on DCF value of Rs154 for core business ex-towers (implied FY12 EV/EBITDA of 9x) and incremental upside of Rs47/sh (~Rs2m/tower) for tower business.

## RCOM: 1QFY11 SEGMENT-WISE SUMMARY

	1QFY10	4QFY10	1QFY11	YOY%	QOQ%	1QFY11E	V/S EST (%)
<b>Revenue</b>							
Wireless	47,931	40,900	41,528	-13.4	1.5	41,775	-0.6
Global	18,844	20,278	18,137	-3.7	-10.6	19,348	-6.3
Broadband	6,842	6,798	6,763	-1.2	-0.5	6,756	0.1
Others	3,031	2,845	3,348	10.5	17.7	2,902	15.4
Total Revenue	76,648	70,821	69,776	-9.0	-1.5	70,780	-1.4
Others/Eliminations	-15,196	-19,893	-18,684	23.0	-6.1	-19,881	-6.0
<b>Consolidated Revenue</b>	<b>61,452</b>	<b>50,928</b>	<b>51,092</b>	<b>-16.9</b>	<b>0.3</b>	<b>50,899</b>	<b>0.4</b>
<b>EBITDA</b>							
Wireless	18,489	11,815	11,989	-35.2	1.5	11,503	4.2
EBITDA Margin (%)	38.6	28.9	28.9	-970bps	-2bps	27.5	133bps
Global	4,515	3,555	3,317	-26.5	-6.7	3,681	-9.9
EBITDA Margin (%)	24.0	17.5	18.3	-567bps	76bps	19.0	-74bps
Broadband	2,994	2,526	2,477	-17.3	-1.9	2,567	-3.5
EBITDA Margin (%)	43.8	37.2	36.6	-713bps	-53bps	38.0	-137bps
Total EBITDA	25,998	17,896	17,783	-31.6	-0.6	17,751	0.2
Others/Eliminations	-1473	-1876	-1463	-0.7	-22.0	-1600	-8.6
Consolidated EBITDA	24,525	16,020	16,320	-33.5	1.9	16,151	1.0
Consolidated EBITDA Margin (%)	39.9	31.5	31.9	-797bps	49bps	31.7	21bps
Depreciation and amortization	11,144	10,847	9,648	-13.4	-11.1	9,476	1.8
Net finance cost	-6,205	-8,134	4,396	-170.8	-154.0	2,947	49.2
<b>Profit Before Taxes</b>	<b>19,586</b>	<b>13,307</b>	<b>2,276</b>	<b>-88.4</b>	<b>-82.9</b>	<b>3,728</b>	<b>-39.0</b>
Total Tax	2,267	1,923	-719	-131.7	-137.4	522	-237.7
Effective Tax Rate (%)	11.6	14.5	-31.6	-4316bps	-4604bps	14	-4559bps
<b>PAT before minority/extraordinaries</b>	<b>17,319</b>	<b>11,384</b>	<b>2,995</b>	<b>-82.7</b>	<b>-73.7</b>	<b>3,206</b>	<b>-6.6</b>
Extraordinary Expenses + Minority Interest	953	-811	486	-49.0	-159.9	300	62.0
<b>Reported Net Profit</b>	<b>16,366</b>	<b>12,195</b>	<b>2,509</b>	<b>-84.7</b>	<b>-79.4</b>	<b>2,906</b>	<b>-13.7</b>

Source: Company/MOSL

## CAPEX (RS M)

	1QFY10	4QFY10	1QFY11	YOY%	QOQ%
Wireless	9,402	2,016	87,683	832.6	4249.4
Capex/Sales (%)	19.6	4.9	211.1		
Global	182	6,197	5,255	2787.4	-15.2
Capex/Sales (%)	1.0	30.6	29.0		
Broadband	136	547	250	83.8	-54.3
Capex/Sales (%)	2.0	8.0	3.7		
Other	33	25	602		
Consolidated Capex	9,753	8,785	93,790	861.7	967.6
Consolidated Capex/Sales (%)	15.9	17.2	183.6		

Source: Company/MOSL

## RCOM - SEGMENT TRENDS

Y/E MARCH	FY10				FY11			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
<b>Segmental Revenue Growth (%)</b>								
Wireless	6.5	-16.3	0.2	1.8	1.5	1.8	3.3	2.4
Global	0.2	20.2	-12.5	2.3	-10.6	0.4	1.0	1.0
Broadband	-3.3	12.5	-8.5	-3.5	-0.5	-1.6	-1.2	-0.8
<b>Segmental EBITDA Margin (%)</b>								
Wireless	38.6	32.7	31.2	28.9	28.9	28.3	28.2	27.6
Global	24.0	23.1	21.2	17.5	18.3	19.2	20.4	21.6
Broadband	43.8	41.5	39.1	37.2	36.6	38.0	38.0	38.0

Source: Company/MOSL

**KEY METRICS - RCOM**

Y/E MARCH	FY10				FY11			
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE
Wireless Subs (m)	80	86	94	102	111	118	126	133
QoQ Growth (%)	9.6	8.2	8.9	9.2	8.2	6.8	6.3	6.0
Wireless ARPU (Rs/month)	210	161	149	139	130	122	117	112
QoQ Growth (%)	-6.3	-23.3	-7.5	-6.7	-6.5	-5.9	-4.0	-4.9
Total Minutes of Use (b)	83	85	89	94	94	97	104	108
QoQ Growth (%)	11.5	1.4	5.4	5.1	0.8	3.2	6.5	4.0
Minutes of Use/Sub/Month	365	340	330	318	295	283	283	278
QoQ Growth (%)	-1.9	-6.8	-2.9	-3.6	-7.2	-4.0	0.0	-2.0
Effective Wireless Rev. per Min.(Rs)	0.58	0.47	0.45	0.44	0.44	0.43	0.41	0.40
QoQ Growth (%)	-4.5	-17.7	-4.6	-3.2	0.8	-2.0	-4.0	-3.0
NLD Minutes (m)	10,349	11,205	13,643	16,086	15,265	15,876	16,511	17,171
QoQ Growth (%)	13.9	8.3	21.8	17.9	-5.1	4.0	4.0	4.0
ILD Minutes (m)	2,209	2,165	2,823	2,656	3,123	3,248	3,378	3,513
QoQ Growth (%)	11.4	-2.0	30.4	-5.9	17.6	4.0	4.0	4.0
Consolidated EBITDA Margin (%)	39.9	35.4	34.2	31.5	31.9	32.0	32.6	32.6
Consolidated Capex (Rsb)	10	10	13	9	94	13	13	13
Consolidated Capex/Sales (%)	15.9	17.2	25.0	17.2	183.6	25.3	24.8	24.5

Source: Company/MOSL

**RCOM: SOTP VALUATION (RS)**

	METHODOLOGY	FAIR VALUE	IMPLIED EV/EBITDA (FY12E)
Core Business	DCF	154	9.0
Reliance Infratel (incremental upside)	Rs2m/tower	47	
<b>Total Value</b>		<b>200</b>	<b>7.8</b>
CMP		168	
Upside (%)		19.2	

Source: MOSL

**SUMMARY OF ESTIMATE CHANGE**

	<b>FY10</b>	<b>FY11E</b>	<b>FY12E</b>
<b>Wireless Subs (m)</b>			
Old	102	130	146
New	102	133	151
Change (%)	0	3	4
<b>Wireless ARPU (Rs/month)</b>			
Old	161	131	126
New	161	130	122
Change (%)	0	-1	-3
<b>Revenue (Rsb)</b>			
Old	222	212	240
New	222	209	239
Change (%)	0	-1	0
<b>EBITDA (Rsb)</b>			
Old	79	68	79
New	79	68	80
Change (%)	0	0	0
<b>EBITDA margin (%)</b>			
Old	35	32	33
New	35	32	33
Change (bp)	0	23	26
<b>Net Profit (Rsb)</b>			
Old	49	13	16
New	49	11	16
Change (%)	0	-14	0
<b>EPS (Rs/sh)</b>			
Old	23.7	6.2	7.7
New	23.7	5.3	7.7
Change (%)	0	-14	0
<b>Wireless MOU</b>			
Old	334	305	311
New	334	285	291
Change (%)	0	-6	-6
<b>Net finance cost (Rsb)</b>			
Old	-12	14	16
New	-12	15	15
Change (%)	0	12	-5
<b>Tax rate (%)</b>			
Old	8	14	15
New	8	5	15
Change (bp)	0	-894	0

Source: Company/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 ~18% 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

- RCom's net debt/annualized EBITDA has increased to 4.4x. However, post Reliance Infratel and GTL Infra deal, there would be cash infusion, thereby bringing down net debt/EBITDA to reasonable levels ~2.9x for FY11E.

- MNP implementation likely to put pressure on post-paid RPM; subscriber retention costs remain overhang.
- 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 passed a Board resolution for induction of strategic/private equity investor's for upto 26% equity stake
- RCom's subsidiary, Reliance Infratel has announced merger with GTL Infra to create world's largest independent telecom infrastructure company.
- RCom board has approved a proposal to merge its DTH/IPTV business with cable TV service provider Digicable

### Valuation and view

We maintain revenue/EBITDA estimates but cut FY11 EPS by 14% (forex loss in 1QFY11); FY12 EPS is unchanged. RCom trades at FY12 EV/EBITDA of 7.8x. We put a **Buy** rating (Under Review earlier) with target of Rs200 based on DCF value of Rs154 for core business ex-towers (implied FY12 EV/EBITDA of ~9x) and incremental upside of Rs47 (~Rs2m/tower) for towers.

#### COMPARATIVE VALUATIONS

		BHARTI	IDEA	RCOM
P/E (x)	FY11E	15.1	50.6	31.5
	FY12E	13.9	39.7	21.9
EV/EBITDA (x)	FY11E	7.8	9.6	9.6
	FY12E	6.4	7.1	7.8
EV/Sales (x)	FY11E	3.0	2.3	3.1
	FY12E	2.4	1.9	2.6
P/BV (x)	FY11E	2.4	2.0	0.9
	FY12E	2.1	1.9	0.8

#### EPS: MOST FORECAST V/S CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY11	5.3	12.5	-57.7
FY12	7.7	14.0	-44.9

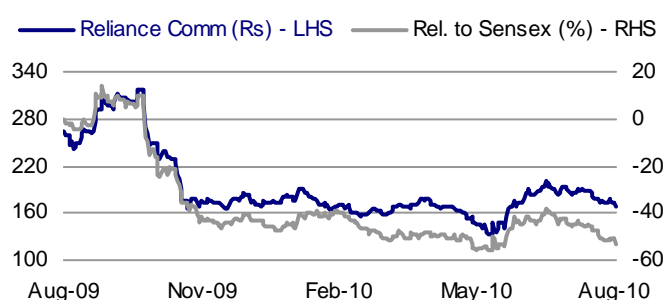
#### TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
168	200	19.0	Buy

#### SHAREHOLDING PATTERN (%)

	JUN-10	MAR-10	JUN-09
Promoter	67.8	67.6	67.3
Domestic Inst	9.3	9.7	9.2
Foreign	9.3	9.0	10.8
Others	13.6	13.7	12.8

#### STOCK PERFORMANCE (1 YEAR)





## 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>209,335</b>	<b>239,028</b>	
<i>Change (%)</i>	20.3	-3.0	-5.9	14.2	
Total Expenses	-136,535	-143,588	-141,756	-159,168	
<b>EBITDA</b>	<b>92,875</b>	<b>78,869</b>	<b>67,579</b>	<b>79,860</b>	
<i>% of Gross Sales</i>	40.5	35.5	32.3	33.4	
Depn. & Amortization	39,313	37,466	40,598	46,039	
EBIT	53,562	41,403	26,981	33,820	
Net Interest and others	7,867	11,863	-15,371	-15,206	
<b>PBT</b>	<b>61,429</b>	<b>53,266</b>	<b>11,610</b>	<b>18,615</b>	
Tax	-123	4,454	588	2,791	
<i>Rate (%)</i>	-0.2	8.4	5.1	15.0	
<b>Adjusted PAT</b>	<b>61,552</b>	<b>48,812</b>	<b>11,022</b>	<b>15,823</b>	
<i>Change (%)</i>	11.7	-20.7	-77.4	43.6	
<b>PAT after EO</b>	<b>59,077</b>	<b>47,039</b>	<b>9,550</b>	<b>14,393</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	294,683	307,145	
<b>Net Worth</b>	<b>370,003</b>	<b>387,825</b>	<b>395,309</b>	<b>407,771</b>	
Loans	335,520	247,473	354,564	324,964	
Minority Interest	8,228	7,472	8,346	9,776	
<b>Capital Employed</b>	<b>713,751</b>	<b>642,770</b>	<b>758,219</b>	<b>742,511</b>	
Gross Block	870,545	906,160	1,036,374	1,066,824	
Less: Depreciation	141,069	190,765	237,227	283,266	
<b>Net Block</b>	<b>729,476</b>	<b>715,395</b>	<b>799,147</b>	<b>783,559</b>	
Investments	2,857	1,199	1,229	1,229	
<b>Curr. Assets</b>	<b>246,560</b>	<b>164,152</b>	<b>162,604</b>	<b>178,952</b>	
Inventories	5,427	5,446	5,722	6,534	
Debtors	54,785	33,380	34,115	38,954	
Cash & Bank Balance	109,577	48,585	47,349	47,349	
Other Current Assets	76,771	76,741	75,417	86,115	
<b>Curr. Liab. &amp; Prov.</b>	<b>265,142</b>	<b>237,976</b>	<b>204,761</b>	<b>221,229</b>	
<b>Net Curr. Assets</b>	<b>-18,582</b>	<b>-73,824</b>	<b>-42,157</b>	<b>-42,277</b>	
<b>Appl. of Funds</b>	<b>713,751</b>	<b>642,770</b>	<b>758,219</b>	<b>742,511</b>	

E: MDSL Estimates

RATIOS		(Rs Million)			
Y/E MARCH	2009	2010	2011E	2012E	
<b>Basic (Rs)</b>					
<b>EPS</b>	<b>29.8</b>	<b>23.7</b>	<b>5.3</b>	<b>7.7</b>	
Cash EPS	48.9	41.8	25.0	30.0	
Book Value	183.3	191.6	195.7	202.4	
DPS	0.9	0.9	0.9	0.9	
Payout % (Incl. Div. Taxes)	3.1	4.1	20.2	13.4	
<b>Valuation (x)</b>					
P/E	5.6	7.1	31.5	21.9	
Cash P/E	3.4	4.0	6.7	5.6	
EV/EBITDA	6.1	6.9	9.6	7.8	
EV/Sales	2.5	2.4	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	
<b>Profitability Ratios (%)</b>					
RoE	18.7	12.6	2.8	3.9	
RoCE	8.9	5.8	2.8	3.2	
<b>Turnover Ratios</b>					
Debtors (Days)	87	55	59	59	
Asset Turnover (x)	0.47	0.37	0.32	0.34	
<b>Leverage Ratio</b>					
Debt/Equity Ratio(x)	0.9	0.6	0.9	0.8	
CASH FLOW STATEMENT		(Rs Million)			
Y/E MARCH	2009	2010	2011E	2012E	
Op. Profit/(Loss) bef Tax	90,401	77,097	66,107	78,430	
Other Income	0	0	0	0	
Interest Paid	7,867	11,863	-15,371	-15,206	
Direct Taxes Paid	123	-4,454	-588	-2,791	
(Inc)/Dec in W/kg. Cap.	39,955	-33,037	-33,038	119	
<b>CF from Op. Activity</b>	<b>138,346</b>	<b>51,469</b>	<b>17,110</b>	<b>60,552</b>	
(inc)/Dec in FA + CWIP	-246,636	-23,385	-124,350	-30,450	
(Pur)/Sale of Investments	-60	1,658	-30	0	
<b>CF from Inv. Activity</b>	<b>-246,696</b>	<b>-21,727</b>	<b>-124,380</b>	<b>-30,450</b>	
Issue of Shares	0	0	0	0	
Inc/(Dec) in Debt	119,839	-88,047	107,091	-29,600	
Other Financing Activities	-17,893	-2,687	-1,057	-501	
<b>CF from Fin. Activity</b>	<b>101,947</b>	<b>-90,732</b>	<b>106,036</b>	<b>-30,100</b>	
<b>Inc/(Dec) in Cash</b>	<b>-6,404</b>	<b>-60,992</b>	<b>-1,236</b>	<b>0</b>	
Add: Opening Balance	115,981	109,577	48,585	47,349	
<b>Closing Balance</b>	<b>109,577</b>	<b>48,585</b>	<b>47,349</b>	<b>47,349</b>	



For more copies or other information, contact

**Institutional:** Navin Agarwal. **Retail:** Manish Shah

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com

**Motilal Oswal Securities Ltd, 3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021**

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**Reliance Communications**

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| 1. Analyst ownership of the stock                       | No |
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