

Reliance Communications Limited

Q1'FY12 Wrap: Tariff increases welcome but watching Global Enterprise and high-leverage

- RCOM confirms tariff increases:** Management has confirmed increasing GSM and CDMA tariffs by 20% across several circles. The impact from on financials is expected to take ~2 quarters. We have increased our FY12/FY13 ARPM estimates by 1.2/0.9paise respectively which drives a 3.6%/1.8% increase in our revenue estimates.
- Global Enterprise lags:** RCOM's new Global Enterprise Business Unit [GEBU = Global + Broadband; 33% of gross revenue] saw revenue decline 12.6% Q/Q and EBITDA down 7.2%, despite network opex declining meaningfully in the quarter. Visibility of order wins implies growth going forward but the miss vs. our estimates drives a downward revision to our revenue estimates of 10% each for FY12/13 and 7%/4% on EBITDA.
- Capex spends remain low.** Q1 capex of INR 3.6bn (7.3% of sales, 24% of FY12 guidance of INR 15bn) declined another 45% from the low levels seen in Q4. We remain concerned that capex levels are rather low at ~7% of sales (wireless: ~5%) vs. the rest of the industry.
- Leverage remains high:** Debt at end Q1FY12 was INR332bn (~US\$7.4bn) and net debt/EBITDA ratio was 5.0x vs. 4.9x in FY11. We estimate this can fall to ~3.6x by end-FY12 however this would still be higher than peers.
- Forecast changes.** We reduce our FY12/FY13 revenue estimates by 4.6%/5.1% driven by lower estimates for GEBU but raise our margin estimates by 40/50bp given the lower than expected expenses in Q1. These changes drive a 8%/15% decline in EPS estimates to INR 6.1/10.3. RCOM has not started amortization of 3G license/spectrum and we expect the full impact on D&A to be seen in Q3FY12.
- Our Mar-12 price target is INR 90 (vs. INR 95 earlier).** Our PT is adjusted downward for INR38/share for the regulatory risk. De-leveraging of the balance sheet would make us more positive. Downside risks include sharper decline in minutes and also in ARPM; longer-than-expected regulatory uncertainty.

Neutral

RLCM.BO, RCOM IN

Price: Rs77.55

▼ **Price Target: Rs90.00**
Previous: Rs95.00

India

Telecommunications

Malvika Gupta ^{AC}

(91-22) 6157 3595

malvika.x.gupta@jpmorgan.com

J.P. Morgan India Private Limited

Amit Sharma

(91-22) 6157 3598

amit.d.sharma@jpmorgan.com

J.P. Morgan India Private Limited

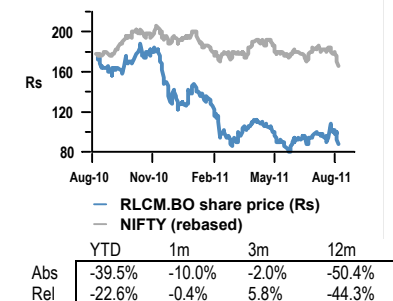
James R. Sullivan, CFA

(65) 6882-2374

james.r.sullivan@jpmorgan.com

J.P. Morgan Securities Singapore Private Limited

Price Performance



Reliance Communications Limited (Reuters: RLCM.BO, Bloomberg: RCOM IN)

Rs in mn, year-end Mar	FY10A	FY11A	FY12E	FY13E	FY14E
Revenue (Rs mn)	221,323	205,627	210,635	232,574	255,461
EBITDA (Rs mn)	77,689	65,365	70,695	82,086	94,407
EBITDA margin	35.1%	31.8%	33.6%	35.3%	37.0%
Net Profit (Rs mn)	45,861	13,307	12,547	21,204	33,918
Adjusted EPS (Rs)	22.2	6.4	6.1	10.3	16.4
Adjusted EPS growth (%)	(22.4%)	(71.3%)	(4.8%)	69.0%	60.0%
EV/EBITDA (x)	4.8	7.6	6.4	5.1	3.5
Adjusted P/E	3.49	12.14	12.76	7.55	4.72
FCF to mkt cap (%)	27.9%	(14.8%)	34.3%	31.1%	66.5%
ROE	12.1%	3.6%	3.5%	5.7%	8.5%
Net debt/EBITDA	2.6	4.9	4.0	3.0	-

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data

52-wk range (Rs)	188.50 - 74.65
Mkt cap (Rs mn)	160,065
Mkt cap (\$ mn)	3,531
Shares O/S (mn)	2,064
Free float (%)	32.1%
3-mth avg trading volume	8
3m Average daily value (\$ mn)	17.45
NIFTY	5,073
Exchange Rate	45.34

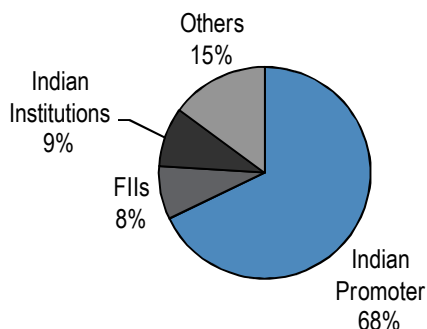
See page 9 for analyst certification and important disclosures, including non-US analyst disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Company Description

Reliance Communications Limited (RCOM), a group company of Reliance Anil Dhirubhai Ambani Group, is an integrated telecommunications service provider which has established a pan-India integrated (wireless and wireline), convergent (voice, data and video) digital network covering over 24,000 towns and 600,000 villages. RCOM's subscriber share is 18% while its revenue share is 15%. Non-wireless businesses (Global, Broadband) account for 38% of gross revenue and 37% of EBITDA.

Shareholding (Mar-11)



Source: Company reports.

J.P. Morgan vs. consensus

Sales

INR mn	J. P. Morgan	Consensus
FY12E	210,635	228,000
FY13E	232,574	250,282

EBITDA

INR mn	J. P. Morgan	Consensus
FY12E	70,695	73,457
FY13E	82,086	83,858

EPS

INR	J. P. Morgan	Consensus
FY12E	6.1	6.5
FY13E	10.3	8.3

Source: J.P. Morgan Estimates and Bloomberg.

Table 1: Valuation comparison

Company name	Ticker	Rating	Current Price	Target price	Upside / downside	P/E (x)			EV/EBITDA (x)		
						FY11A	FY12E	FY13E	FY11A	FY12E	FY13E
Bharti Airtel	BHARTI IN	OW	396	480	21%	24.2	21.6	12.7	10.5	8.1	6.1
Reliance Communications	RCOM IN	N	78	90	16%	12.1	12.8	7.5	7.4	6.2	5.0
Idea Cellular	IDEA IN	N	92	90	-3%	34.0	28.7	15.5	10.7	7.3	6.2
Tulip Telecom	TTSL IN	OW	145	230	58%	7.7	6.7	4.9	5.3	4.2	3.1
Tata Communications	TCOM IN	UW	204	175	-14%	3.6	3.3	2.8	11.0	8.4	7.2

Source: Bloomberg, J.P. Morgan estimates. Priced as of 16 Aug, 2011.

P&L sensitivity metrics

	FY12E EBITDA impact (%)	FY12E EPS impact (%)
Mobile revenue (INR mn)	174,345	
Impact of each 5%	3.5%	18.8%
Global revenue (INR mn)	70,742	
Impact of each 5%	1.1%	5.8%
EBITDA margin (%)	33.6%	
Impact of each 1%	3.0%	15.8%
Capex (INR mn)	15,942	
Impact of each 5%	NA	0.2%

Source: J.P. Morgan estimates.

Price target and valuation analysis

Our Mar-12 price target is INR 90. This is based on a sum-of-the-parts fair value of RCOM's core business of INR 128. To this we make a INR 38 adjustment for the risks in the regulatory environment. We run a full DCF model and value the Wireless business at Rs87 /share, the Globalcom and Broadband (GEBU) business at Rs72/share.

Risk free rate:	7.6%
Market risk premium:	7.5%
Beta:	1.0
Debt/capital	25%
Cost of debt:	4.7%
Terminal "g":	3.0%
WACC	12.1%

Upside risks: [1] Sustained ARPMS coupled with MOU growth; [2] Better performance in Globalcom from data revenue; [3] Wireless margin strength; [4] consolidation in the market [5] De-leveraging of balance sheet.

Downside risks: [1] Less success for RCOM in MNP than we expect resulting in continued declines in ARPMS vs. the stabilization we forecast; [2] Delays in or unsuccessful stake sale (cash inflow from which would be used for debt reduction) [3] regulatory uncertainty continuing.

Key takeaways from the results and analyst call

Wireless metrics slightly ahead; ARPMs flat for the 6th consecutive quarter – positive

Total wireless minutes grew 3.1% Q/Q to 97.3bn in-line with JPMe of 3%. Bharti saw +4.6% growth in Q1, 6.5% for Idea, 7.0% for Vodafone. We note that MOU trends remain below peers. Management commented that they are still one quarter away from cleaning their base of unwanted minutes.

Reported ARPM was 44 paisa flat Q/Q vs. JPMe of -0.7%/0.3paisa decline. This is RCOM's 6th quarter of ARPM being stable at 44paisa. RCOM's MOU declined 3.3% Q/Q to 233 (JPMe 232) and ARPU was INR 103 down 3.7% Q/Q (JPMe of INR102).

Management confirms tariff increases – positive

RCOM has raised tariffs by 20% for both GSM and CDMA subs across most circles. "We have increased tariffs in most of the circles over last couple of months in a phased manner, from 1 paisa to 1.2 paise per second," Syed Safawi, the head of RCOM's wireless business, said according to The Business Standard. For GSM subs the increase is for on-net and off-net calls across 18-19 circles while for CDMA it is for off-net only. The total impact can take up to 6 months and management commented that ARPM can be 1 paisa higher by then.

Management attributed the increase to inflationary pressures catching up with the company. Management does not expect to see a major step down in tariffs going forward though stability post increases is possible.

We have raised our ARPM estimates for RCOM by 1 paisa as a result: FY12: +2.8%; FY13 +2.0%.

Network opex low – positive

Network opex declined by ~INR2bn Q/Q driven by lower costs in the Global Enterprise unit. Network opex for wireless segment increase by ~INR1bn. Q1 tends to be a quarter of lower network opex.

Weak revenue drives bottom-line miss despite healthy margins – mixed

Consolidated revenue of INR 49.4bn, (-7% Q/Q, -3% Y/Y), missed JPMe/cons by 9% each. The miss vs. our estimates was driven by the Global, Broadband (GEBU) and Other segments. EBITDA margin was strong at 32.4% (+2.6pp Q/Q, +0.5pp Y/Y) and beat JPMe/cons of 30.7%/30.8%. We note that network and SG&A costs were lower than expected. EPS was INR 0.76 ahead of JPMe of IN 0.61 (due to lower depreciation & amortization charges) but a miss vs. consensus estimate of INR 1.0.

Global + Broadband = GEBU: Weak performance – negative

RCOM has merged its Global and Broadband segments into "Global Enterprise Business Unit" (GEBU). Revenue in this segment was weak at INR 22.9bn (-12.6% Q/Q, -8.0% Y/Y) missing JPMe by 12%. EBITDA in this segment was ~INR 5.6bn (35% of consolidated EBITDA), lower than JPMe by 9% and down 8% Q/Q, 3% Y/Y. However, the implied margin of 24.6% shows a ~1pp improvement from last quarter.

Net profit: miss vs. consensus – negative

Net income of INR 1.56n (-7.4% Q/Q), beat JPMe of INR 1.26bn due to lower D&A expenses. D&A was INR 9.8bn in Q1 down from INR 10.2bn in Q4. However net profit missed consensus expectation of INR 2.1bn by a large margin. EPS was INR 0.76

RCOM has not started amortizing its 3G license fee in Q1 as acceptance testing on 3G is ongoing. We expect a full impact from amortization to start in Q3FY12 and we have adjusted our estimates accordingly.

3G update – take-up slower than expected – negative

RCOM has launched 3G services across all 13 circles where it has spectrum and covers 333 towns. They had 2 mn subs as of end-June vs. 1.7m in the previous quarter. They have ~11K NodeBs in their network. The company targets a pan-India 3G presence during 2012 via roaming agreements. Management stated that the handset ecosystem needs to develop further to drive 3G take-up and pricing of devices needs to be at INR2000-2500.

Q1 capex low: 24% of FY guidance of INR 15bn – positive

Capex for the quarter was INR 3.6bn (7.3% of sales), including INR 2.0bn in the wireless segment. This came in much lower than our estimate of INR 5.2bn and already accounts for 24% of FY capex guidance of INR 15bn. Management reiterated their view that the peak capex is in the past and future capex will be driven by capacity needs.

Leverage remains high at 5.0x – negative

RCOM's debt balance declined to INR 332bn from INR 374bn in Q1 – RCOM repaid INR50bn of INR loans. However net debt remains flat at INR320bn and leverage (net debt/EBITDA) remained high at 5.0x.

Forecast changes

Table 2: RCOM: New vs. old estimates

Rs in million, year-end March	FY12E	FY13E
Revenue		
New	210,635	232,574
Old	220,795	244,985
Change (INR million)	(10,160)	(12,411)
% Change	-4.6%	-5.1%
Y/Y growth (%)	2.4%	10.4%
EBITDA		
New	70,695	82,086
Old	73,137	85,171
Change (INR million)	(2,442)	(3,085)
% Change	-3.3%	-3.6%
Y/Y growth (%)	8.2%	16.1%
EBITDA Margin (%)		
New	33.6%	35.3%
Old	33.1%	34.8%
% Change	0.4%	0.5%
D&A		
New	(41,444)	(42,848)
Old	(44,278)	(43,128)
Change (INR million)	2,834	280
% Change	-6.4%	-0.6%
Y/Y growth (%)	4.3%	3.4%
Interest expense		
New	(14,054)	(13,716)
Old	(12,496)	(12,572)
Change (INR million)	(1,558)	(1,144)
% Change	12.5%	9.1%
Y/Y growth (%)	31.1%	-2.4%
Tax expense		
New	(883)	(2,552)
Old	(1,145)	(2,947)
Change (INR million)	263	395
% Change	-22.9%	-13.4%
Y/Y growth (%)	651.8%	189.2%
Reported Profit		
New	12,547	21,204
Old	13,616	24,923
Change (INR million)	(1,069)	(3,719)
% Change	-7.8%	-14.9%
Y/Y growth (%)	-4.8%	69.0%
EPS (INR)		
New	6.1	10.3
Old	6.6	12.1
% Change	-7.9%	-14.9%
Y/Y growth (%)	-4.8%	69.0%
Capex		
New	15,942	17,589
Old	16,982	17,818
% Change	-6.1%	-1.3%
Y/Y growth (%)	-62.9%	10.3%
Capex/sales		
New	7.6%	7.6%
Old	7.7%	7.3%
% point change	-0.1%	0.3%

Source: J.P. Morgan estimates.

Valuation and rating analysis

Our March-12 price target is now INR 90 (vs. INR 95 earlier). This is based on our SOTP-based fair market value of INR 128/share for RCOM's core businesses and an INR 38 reduction for estimated risk of the current regulatory environment.

Table 3: RCOM: Sum of the parts valuation

	Enterprise value (INR million)	Equity value (INR million)	Value per share (INR)
Wireless	431,020	179,166	87
Globalcom and Broadband (GEBU)	192,614	148,559	72
<u>Other / Eliminations</u>	<u>(46,296)</u>	<u>(62,884)</u>	<u>(30)</u>
Total	577,339	264,841	128
Quantified regulatory risk			(38)
Price Target			90

Source: J.P. Morgan estimates.

Risks to our ratings and price target include

Upside risks: [1] Better minute volume performance in wireless; [2] Better performance in Globalcom from data revenue; [3] Wireless margin strength; [4] consolidation in the market; [5] Stake sale confirmation – the RCOM board has approved a 26% stake sale in the company. An equity infusion would be positive and help de-lever the company.

Downside risks: [1] Less success for RCOM in Mobile Number Portability resulting in continued declines in ARPMs vs. the stabilization we forecast; [2] Delays in or unsuccessful stake sale (cash inflow from which would be used for debt reduction) [3] Continued regulatory-related issues.

Reliance Communications Limited: Summary of Financials

Profit and Loss Statement				Balance Sheet statement					
Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E
Revenue	205,627	210,635	232,574	255,461	Cash and equivalents	53,272	26,677	49,602	118,213
EBITDA	65,365	70,695	82,086	94,407	Accounts receivable	40,017	47,196	52,112	57,240
D&A	(39,739)	(41,444)	(42,848)	(41,025)	Others	67,495	75,286	77,182	79,160
					Total Current assets	160,784	149,159	178,895	254,613
EBIT	25,627	29,250	39,238	53,382	Total current liabilities	151,761	164,013	158,717	203,312
Interest income	0	2,299	1,526	3,356	Net working capital	9,023	(14,854)	20,178	51,301
Interest expense	-	(16,354)	(15,241)	(14,756)	Net fixed assets	547,496	515,058	489,799	467,969
Net Interest expense	0	(14,054)	(13,716)	(11,400)	Other long term assets	183,001	182,044	182,044	182,044
Profit before tax	14,903	15,196	25,522	41,982	Total non-current assets	730,497	697,102	671,843	650,013
Tax	(117)	(883)	(2,552)	(6,297)	Total Assets	891,281	846,261	850,739	904,626
Net profit - reported	13,307	12,547	21,204	33,918	Long-term debt	373,757	307,729	296,948	275,385
Net profit - adjusted	13,184	12,547	21,204	33,918	Other liabilities	151,761	164,013	158,717	203,312
					Total Liabilities	525,518	471,742	455,665	478,697
Shares Outstanding	2,064	2,064	2,064	2,064	Shareholders' equity	357,518	364,565	383,354	412,442
EPS (Rs) (Reported)	6.4	6.1	10.3	16.4	Minority interests	8,245	9,954	11,720	13,487
EPS (Adjusted)	6.4	6.1	10.3	16.4	Total liabilities and equity	891,281	846,261	850,739	904,626
Revenue growth	(7.1%)	2.4%	10.4%	9.8%	Net debt/(cash)	320,485	281,052	247,346	157,172
EBITDA growth	(15.9%)	8.2%	16.1%	15.0%	Book value per share	173.24	176.63	185.73	199.83
Net profit growth	(71.0%)	(5.7%)	69.0%	60.0%					
EPS growth	(71.0%)	(5.7%)	69.0%	60.0%					
EBITDA margin	31.8%	33.6%	35.3%	37.0%					
EBIT Margin	12.5%	13.9%	16.9%	20.9%					
Net margin	6.5%	6.0%	9.1%	13.3%					
Ratio Analysis				Cash flow statement					
%, year end Mar	FY11	FY12E	FY13E	FY14E	Rs in millions, year end Mar	FY11	FY12E	FY13E	FY14E
P/E (Adjusted)	12.1	12.8	7.5	4.7	Cash flow from operations	19,273	70,898	67,426	125,599
EV/EBITDA	7.6	6.4	5.1	3.5	Capex	(42,957)	(15,942)	(17,589)	(19,195)
P/B	0.4	0.4	0.4	0.4	Cash flow from other investing	(10,123)	(14,156)	(13,716)	(11,400)
ROE	3.6%	3.5%	5.7%	8.5%	Cash flow from financing	90,550	-70,193	-13,196	-26,392
ROCE	3.8%	4.2%	5.8%	7.8%	Change in cash for year	4,687	(26,595)	22,925	68,612
ROA	1.5%	1.4%	2.5%	3.9%	Beginning cash	48,586	53,273	26,678	49,602
FCF Yield	(14.8%)	34.3%	31.1%	66.5%	Closing cash	53,273	26,678	49,602	118,214
Capex to sales	(20.9%)	(7.6%)	(7.6%)	(7.5%)					
Debt/Capital	51.1%	45.8%	43.7%	40.0%	FCF	(23,684)	54,956	49,837	106,404
Net debt/EBITDA	4.9	4.0	3.0	-					

Source: Company reports and J.P. Morgan estimates.

JPM Q-Profile

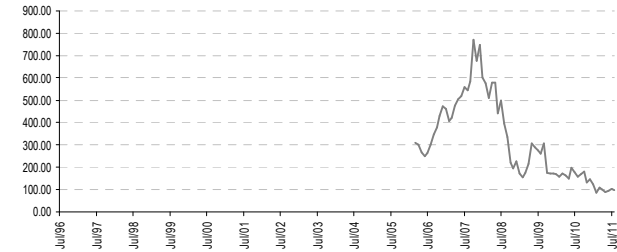
Reliance Communications Ltd. (INDIA / Telecommunication Services)

As Of: 11-Aug-2011

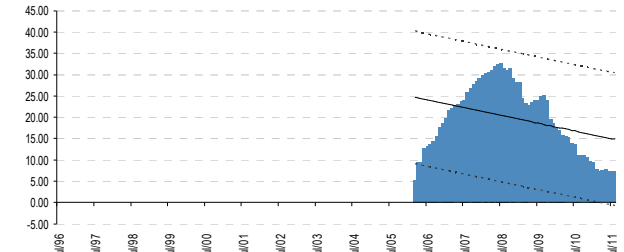
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

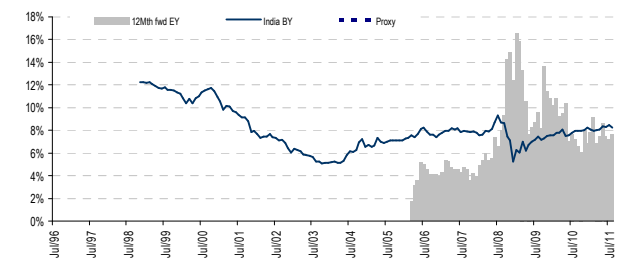
Local Share Price Current: **98.55**



12 Mth Forward EPS Current: **7.49**



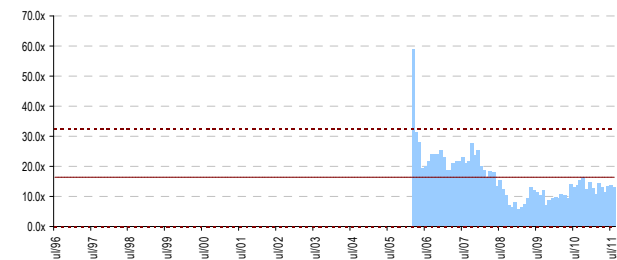
Earnings Yield (& local bond Yield) Current: **8%**



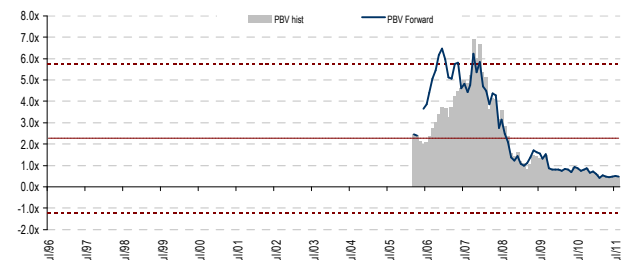
Implied Value Of Growth* Current: **42.48%**



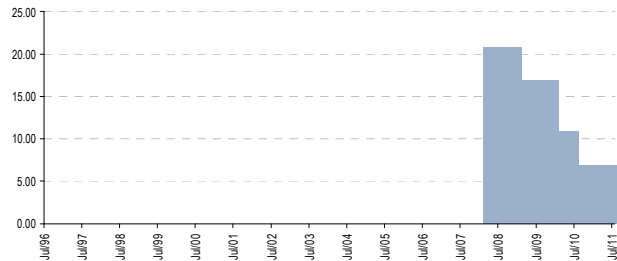
PE (1Yr Forward) Current: **13.2x**



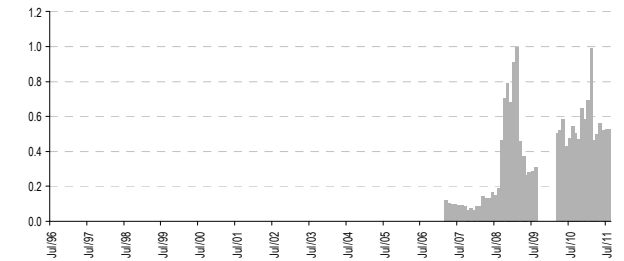
Price/Book Value Current: **0.5x**



ROE (Trailing) Current: **6.91**



Dividend Yield (Trailing) Current: **0.53**



Summary

Reliance Communications Ltd.		SEDOL		B0WNL7				As Of: 11-Aug-11			
INDIA								Local Price: 98.55			
Telecommunication Services								EPS: 7.49			
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	13.16x	6.06	59.03	14.08	16.36	32.65	0.07	-54%	349%	7%	24%
P/BV (Trailing)	0.47x	0.41	6.88	1.53	2.28	5.79	-1.23	-13%	1356%	224%	383%
Dividend Yield (Trailing)	0.53	0.00	1.00	0.15	0.28	0.85	-0.29	-100%	89%	-72%	-47%
ROE (Trailing)	6.91	6.91	20.79	16.95	14.31	25.64	2.99	0%	201%	145%	107%
Implied Value of Growth	42.5%	-0.47	0.86	0.46	0.41	0.99	-0.17	-210%	104%	9%	-4%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

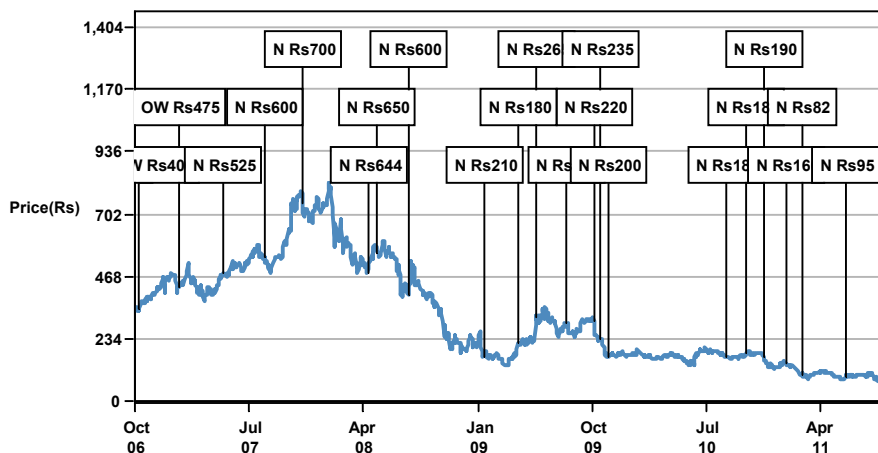
* Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity = Bond Yield + 5.0% (ERP)

Analyst Certification: The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures

- **Client:**J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients: Reliance Communications Limited.
- **Client/Investment Banking:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as investment banking clients: Reliance Communications Limited.
- **Client/Non-Investment Banking, Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-investment-banking, securities-related: Reliance Communications Limited.
- **Client/Non-Securities-Related:** J.P. Morgan currently has, or had within the past 12 months, the following company(ies) as clients, and the services provided were non-securities-related: Reliance Communications Limited.
- **Investment Banking (past 12 months):** J.P. Morgan received in the past 12 months compensation for investment banking Reliance Communications Limited.
- **Investment Banking (next 3 months):** J.P. Morgan expect to receive, or intend to seek, compensation for investment banking services in the next three months from Reliance Communications Limited.
- **Non-Investment Banking Compensation:**J.P. Morgan has received compensation in the past 12 months for products or services other than investment banking from Reliance Communications Limited.

Reliance Communications Limited (RLCM.BO) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Oct 10, 2006.

Date	Rating	Share Price (Rs)	Price Target (Rs)
10-Oct-06	OW	344.25	400.00
13-Jan-07	OW	429.90	475.00
02-May-07	N	477.10	525.00
08-Aug-07	N	544.15	600.00
06-Nov-07	N	745.40	700.00
10-Apr-08	N	484.40	644.00
04-May-08	N	554.25	650.00
17-Jul-08	N	399.30	600.00
14-Jan-09	N	168.00	210.00
07-Apr-09	N	218.10	180.00
22-May-09	N	315.55	265.00
02-Aug-09	N	289.90	250.00
06-Oct-09	N	299.80	220.00
22-Oct-09	N	232.65	235.00
10-Nov-09	N	168.75	200.00
16-Aug-10	N	163.65	188.00
07-Oct-10	N	178.15	182.00
16-Nov-10	N	168.05	190.00
07-Jan-11	N	139.35	160.00
16-Feb-11	N	99.60	82.00
31-May-11	N	87.55	95.00

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

J.P. Morgan ratings: OW = Overweight, N= Neutral, UW = Underweight

Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: Overweight [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] Neutral [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst's (or the analyst's team's) coverage

universe.] Underweight [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst's (or the analyst's team's) coverage universe.] The analyst or analyst's team's coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

Coverage Universe: Gupta, Malvika: Bharti Airtel Limited (BRTI.BO), Idea Cellular Limited (IDEA.BO), Reliance Communications Limited (RLCM.BO), Tata Communications Ltd (TATA.BO), Tulip Telecom Limited (TULP.BO)

J.P. Morgan Equity Research Ratings Distribution, as of June 30, 2011

	Overweight (buy)	Neutral (hold)	Underweight (sell)
J.P. Morgan Global Equity Research Coverage	47%	42%	11%
IB clients*	50%	46%	32%
JPMS Equity Research Coverage	45%	47%	8%
IB clients*	70%	64%	52%

*Percentage of investment banking clients in each rating category.

For purposes only of FINRA/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

Equity Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your J.P. Morgan representative.

Equity Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMS, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMS, and may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan ("JPM") is the global brand name for J.P. Morgan Securities LLC ("JPMS") and its affiliates worldwide. J.P. Morgan Cazenove is a marketing name for the U.K. investment banking businesses and EMEA cash equities and equity research businesses of JPMorgan Chase & Co. and its subsidiaries.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation's Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC's website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>

Legal Entities Disclosures

U.S.: JPMS is a member of NYSE, FINRA, SIPC and the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorized and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul Branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited, having its registered office at J.P. Morgan Tower, Off. C.S.T. Road, Kalina, Santacruz East, Mumbai - 400098, is a member of the National Stock Exchange of India Limited (SEBI Registration Number - INB 230675231/INF 230675231/INE 230675231) and Bombay Stock Exchange Limited (SEBI Registration Number - INB 010675237/INF 010675237) and is regulated by Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPSS) [MICA (P) 025/01/2011 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-X) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan. **Saudi Arabia:** J.P. Morgan Saudi Arabia Ltd. is authorized by the Capital Market Authority of the Kingdom of

Saudi Arabia (CMA) to carry out dealing as an agent, arranging, advising and custody, with respect to securities business under licence number 35-07079 and its registered address is at 8th Floor, Al-Faisaliyah Tower, King Fahad Road, P.O. Box 51907, Riyadh 11553, Kingdom of Saudi Arabia. **Dubai:** JPMorgan Chase Bank, N.A., Dubai Branch is regulated by the Dubai Financial Services Authority (DFSA) and its registered address is Dubai International Financial Centre - Building 3, Level 7, PO Box 506551, Dubai, UAE.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Germany:** This material is distributed in Germany by J.P. Morgan Securities Ltd., Frankfurt Branch and J.P.Morgan Chase Bank, N.A., Frankfurt Branch which are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider/market maker for derivative warrants, callable bull bear contracts and stock options listed on the Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. 82 Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul Branch. **Singapore:** JPMSS and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence. **Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMS and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMS distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised June 13, 2011.

Copyright 2011 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.