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February 13, 2017

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**BSE Scrip Code: 532712**

**NSE Symbol: RCOM**

Dear Sir,

**Sub: Quarterly Report on the Financial Results of the Company for the Quarter ended December 31, 2016.**

We enclose herewith a quarterly report on the Financial Results of the Company for the quarter ended December 31, 2016.

Kindly inform your members accordingly.

Yours faithfully  
For **Reliance Communications Limited**

Prakash Shenoy  
Company Secretary

Encl: as above.

RELIANCE

Communications

# Quarterly Report on the Financial Results for the Quarter ended 31 December 2016



Reliance Communications Limited  
Registered office: H Block, 1st Floor,  
Dhirubhai Ambani Knowledge City, Navi Mumbai – 400710  
Corporate Identity Number (CIN) of the Company: L45309MH2004PLC147531  
13 February 2017



REAL  
UNLIMITED

VS

LIMITED  
UNLIMITED

Unlimited calls to Airtel, Vodafone, Idea & any other networks.  
Just for ₹149

| Category   | RCOM | Telco 1 | Telco 2 | Telco 3 |
|--|------|---------|---------|---------|
| MRP  | 149  | 148     | 146     | 148     |
| <b>Unlimited</b> Voice Calls To Own Network (Local + STD)    | ✓    | ✓       | ✓       | ✓       |
| <b>Unlimited</b> Voice Calls To Other Networks (Local + STD) | ✓    | ✗       | ✗       | ✗       |
| <b>Unlimited</b> Roaming Incoming Calls                      | ✓    | ✗       | ✗       | ✗       |
| 300 MB Mobile Data to any handsets (2G/ 3G/4G)               | ✓    | ✗       | ✗       | ✗       |
| Validity   | 28   | 28      | 28      | 28      |

# Truly unlimited starting @ ₹299

Switch to **Reliance 4G** and enjoy unlimited free calling to **Airtel, Vodafone, Idea and all other network.**



| Rental                 | ₹699        | ₹499      | ₹299      |
|------------------------|-------------|-----------|-----------|
| Voice - Local & STD    | Unlimited   | Unlimited | Unlimited |
| Roaming - Local & STD  | Unlimited   | Unlimited | Incoming* |
| Data for 4G Handset    | <b>10GB</b> | 7GB       | 3GB       |
| Data for 2G/3G Handset | 4GB         | 3GB       | 1GB       |

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## Supplemental Disclosures

**Safe Harbour:** Some information in this report may contain forward-looking statements. We have based these forward-looking statements on our current beliefs, expectations, and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as “believe”, “plan”, “anticipate”, “continue”, “estimate”, “expect”, “may”, “will” or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and the actual results could be material depending on the circumstances. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only of the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, any forward-looking statement made in this report or elsewhere may or may not occur and has to be read and understood along with this supplemental disclosure.

**General Risk:** Investments in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of the Company unless they can afford to take the risk of losing their investment. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved.

**Convenience Translation:** All references in this report to “Rs” and “₹” are to Indian Rupees and all references herein to “US\$” are to United States Dollars.

We publish our financial statements in Indian Rupees, the legal currency of the Republic of India. All amounts translated into United States Dollars in this report are provided solely for the convenience of the reader, and no representation is made that the Indian Rupee or United States Dollar amounts referred to herein could have been or could be converted into United States Dollars or Indian Rupees respectively, as the case may be, at any particular rate, or the rates stated in this report, or at all.

**Others:** In this report, the terms “we”, “us”, “our”, “the Company” or “the Group”, unless otherwise specified or the context otherwise implies, refer to Reliance Communications Limited (“Reliance Communications”) and its affiliates, including, inter alia, Reliance Globalcom Limited (“FLAG”), Reliance Telecom Limited (“RTL”), Reliance Communications Infrastructure Limited (“RCIL”), Reliance Infratel Limited (“Reliance Infratel”) and Global Cloud Xchange Limited (GCX). Further abbreviations are defined within this report.

Any discrepancies in any table between total and sums of the amounts listed are due to rounding off.

**Disclaimer:** This communication does not constitute an offer of securities for sale in the United States. Securities may not be sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus and will contain detailed information about the Company and its management, as well as financial statements.

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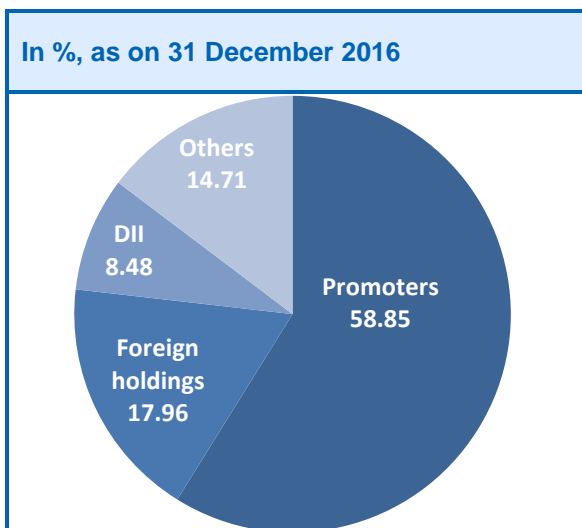
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## 1. Performance Snapshot & Shareholding Pattern

| Particulars                     | Units  | 12 months period ended |            |            |            |            | Quarter ended                   |                        |                                 |                                 |                                 |
|---------------------------------|--------|------------------------|------------|------------|------------|------------|---------------------------------|------------------------|---------------------------------|---------------------------------|---------------------------------|
|                                 |        | March 2012             | March 2013 | March 2014 | March 2015 | March 2016 | Dec 31, 2015 (Q3 FY16) Ind AS * | Mar 31, 2016 (Q4 FY16) | Jun 30, 2016 (Q1 FY17) Ind AS * | Sep 30, 2016 (Q2 FY17) Ind AS * | Dec 31, 2016 (Q3 FY17) Ind AS * |
| <b>Consolidated financials</b>  |        |                        |            |            |            |            |                                 |                        |                                 |                                 |                                 |
| Revenue                         | Rs. mn | 2,03,823               | 2,17,780   | 2,23,213   | 2,20,980   | 2,21,130   | 54,426                          | 59,189                 | 53,612                          | 51,418                          | 49,220                          |
| EBITDA                          | Rs. mn | 64,899                 | 71,591     | 77,258     | 75,181     | 74,190     | 19,417                          | 19,587                 | 15,601                          | 15,418                          | 12,056                          |
| Cash profit from operations     | Rs. mn | 49,665                 | 45,896     | 57,275     | 44,369     | 47,488     | 12,886                          | 14,129                 | 9,186                           | 8,937                           | 6,756                           |
| Profit before income taxes      | Rs. mn | 8,821                  | 8,148      | 1,167      | 9,456      | 5,042      | 2,688                           | -734                   | -654                            | -1,161                          | -9,171                          |
| Net Profit                      | Rs. mn | 9,285                  | 6,716      | 10,477     | 7,135      | 6,815      | 3,027                           | 1,767                  | 542                             | 388                             | -5,309                          |
| Total Fixed Assets              | Rs. mn | 7,14,778               | 6,92,520   | 6,64,429   | 6,23,020   | 7,12,301   | -                               | 7,12,301               | 7,11,770                        | 6,92,319                        | 7,21,991                        |
| Shareholders' Equity            | Rs. mn | 3,17,123               | 2,87,247   | 2,71,087   | 3,25,128   | 3,12,625   | -                               | 3,12,625               | 2,62,656                        | 2,62,448                        | 2,86,546                        |
| Net Debt                        | Rs. mn | 3,58,393               | 3,88,644   | 4,01,776   | 3,67,257   | 4,13,621   | -                               | 4,13,621               | 4,20,712                        | 4,27,016                        | 4,28,025                        |
| <b>Key Ratios</b>               |        |                        |            |            |            |            |                                 |                        |                                 |                                 |                                 |
| EBITDA Margin                   | %      | 31.8%                  | 32.9%      | 34.6%      | 34.0%      | 33.6%      | 34.0%                           | 33.1%                  | 29.1%                           | 30.0%                           | 24.5%                           |
| Net Profit Margin               | %      | 4.6%                   | 3.1%       | 4.7%       | 3.2%       | 3.1%       | 3.2%                            | 3.0%                   | 1.0%                            | 0.8%                            | -10.8%                          |
| Net Debt to funded equity ratio | Times  | 1.13                   | 1.35       | 1.48       | 1.13       | 1.32       | 1.27                            | 1.32                   | 1.37                            | 1.39                            | 1.49                            |

**Note:** The Company has adopted Indian Accounting Standards (Ind AS) from 1 April 2016 with a transition date of 1 April 2015. The figures for the quarters ended 31 Dec 2015, 30 Jun 2016, 30 Sep 2016 and 31 Dec 2016 have also been converted as per Ind AS for like-to-like comparison.

### Shareholding Pattern:



**Top Public Shareholders as on 31 Dec 2016**

| Shareholder name                     | Holding (%) |
|--------------------------------------|-------------|
| Life Insurance Corporation of India  | 6.62        |
| New World Fund Inc                   | 3.01        |
| Europacific Growth Fund              | 2.26        |
| Smallcap World Fund                  | 1.63        |
| CLSA Global Markets Pte Ltd          | 1.70        |
| Ontario Teachers' Pension Plan Board | 1.00        |

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## 2. Overview

### 2.1. Introduction

Reliance Communications Limited (“Reliance Communications” or “the Company”) is India’s foremost integrated communications service provider in the private sector with nearly 95 million individual, enterprise, and carrier customers.

We operate pan-India across the entire gamut of wireless, wireline, and long distance, voice, data, video and internet communication services. We also have an extensive international presence through the provision of long distance voice, data and internet services and submarine cable network infrastructure globally.

### 2.2. Strategic Business Units

#### 2.2.1. India Operations

In India, RCom mainly provides wireless telecom services to the consumer segment. It also provides voice, long distance services and broadband access to enterprise customers. In addition, it includes managed internet data centres and direct to home business as well.

Indian operations has been further categorised into Voice, Non-voice and Others segments. Voice segment constitutes business generated mainly from the wireless customers and 1.2 mn wireline customers (over 1% of total customers).

The ‘Others’ segment comprises operations other than Telecom Operations. This includes income from Direct-to-Home TV business, investments, interest, etc.

#### **Mobility/Wireless services:**

The voice and non-voice business is driven 2G/3G/4G based wireless services to consumers on a nationwide basis.

RCOM is one of the largest holders of spectrum in 800/850 spectrum band. This places RCom in an unparalleled position in the Indian telecommunication space, as this band is recognized as one of the most powerful spectrum bands in the sub-1 GHz spectrum category to provide indoor coverage and speeds. Globally many operators have launched LTE services on this band. We believe this gives us the unique capability to offer LTE services in an efficient manner.

The company offers Gold Standard 4G services Pan India on its technologically superior 850MHz spectrum band that is best suited for indoor experience where most of the data is consumed. We also have 3G services in all the 13 circles where we own 3G spectrum. We also have 3G services in another five circles, Andhra Pradesh, Karnataka, Kerala, Tamil Nadu and Uttar Pradesh (East), through ICR arrangements, thus increasing our 3G coverage to 18 circles. We provide wireless broadband services in many cities and towns across India.

We not only provide telecom connectivity to the mass market consumer segment but also, as an Integrated Telecom Service Provider, we offer total telecom solutions to our Corporate, SME & SoHo customers. Our portfolio of products includes mobile handsets, fixed wireless phones/terminals, tablets, and high-speed internet data cards. Our primary brands are Reliance



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Mobile for the mobile portfolio of services, Reliance Hello for the fixed wireless portfolio of services Reliance 3G for 3G Services, and Reliance 4G for 4G Services. We offer a unique wireless multimedia experience under the brand Reliance Mobile World.

We also offer public calling office (“PCO”) services over our wireless network through independent retail operators of such facilities. Additionally, we provide connectivity for devices such as point of sale terminals, lottery terminals, and ATM terminals.

We are among the top providers of wireless communication services in the country, with a wireless subscriber base of nearly 88 million as of December 31, 2016.

#### **Enterprise services:**

The Company—through the ‘collaborative innovation’ route—partners with leading global technology providers to continually expand its diverse service portfolio for the Enterprise and SME segments. Broadly, this portfolio consists of national & international private leased circuits, network connectivity, managed network services, comprehensive voice solutions, Enterprise mobility solutions, collaboration solutions, data center co-location, managed services and cloud offerings. The accent is on integrated, end-to-end solutions that help strengthen RCom’s role as an ‘ICT Partner of Choice’ for the Large Enterprise segment. The Company has a long-standing experience of serving SMEs and combines innovation, deep knowledge of this segment with Reliance’s countrywide network infrastructure to continually expand its solution portfolio for SMEs that address their ICT needs in a cost-efficient manner, largely through a pay-per-use model. Our enterprise clientele includes over 39,000 Indian and multinational corporations including SMEs and many prominent enterprises in India.

Our National Long Distance business offer’s NLD carriage and termination on an inter segment basis, to other business units of Reliance Communications. We also offer bandwidth and infrastructure services to other operators. We are leveraging our existing metro fibre optic networks to establish direct building connectivity on-net. Currently we are operating in 44 cities in India with more than one million buildings connected directly to our network, serviced by about 1.2 million access lines.

#### **Internet Data Center:**

We are one of the leading IDC service providers in India with ten data centres in Navi Mumbai, Bengaluru, Chennai and Hyderabad. Our IDCs have a total capacity of 1.1 million square feet (including IDC V, a new data centre in Navi Mumbai under construction). We offer a wide range of services through our data centres including co-location, managed hosting, IT infrastructure, managed security, system integration, storage and back-up solutions. We have introduced a pay-per-use model for co-location services. We also offer cloud-based services such as storage for archival purposes and data protection and business application services such as CRM, ERP and HRMS to customers on a pay-per-use model.

#### **Reliance Big TV (Direct-To-Home business):**

Our Direct-To-Home (DTH) digital TV Business, branded as Reliance Big TV, offers a full combo of Standard Definition, High Definition & High Definition-DVR STBs, along with largest channel bouquet. We also introduced a new technology advancement which made us the 1st operator to offer all 294 channels in HD like quality. Reliance offers nationwide Direct-To-Home satellite TV services, employing state-of-the-art MPEG4 technology.

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Reliance Digital TV is available at nearly 36,000 outlets across numerous cities in the country. The retail and distribution reach, as well as other elements of infrastructure established for our wireless network, have been leveraged to expand our DTH presence. Reliance Digital TV currently has about 5.0 million subscribers, with 6% share of the DTH market in India.

### **2.2.2. Global Operations**

The Global Business Unit offers the most comprehensive portfolio of Enterprise, IT infrastructure and International long distance voice, video and data network services on an integrated and highly scalable platform across the globe. Our business segments comprise Carrier, Enterprise and Consumer business units. We provide carrier's carrier voice, carrier's carrier bandwidth, enterprise data and consumer voice services.

In our Carrier Voice, we offer ILD carriage and termination, on an inter-segment basis, to our other business units and other operators. We entered the long distance market in India in mid-2003 and are one of the largest carriers of international voice minutes.

As part of our Consumer voice offering we offer virtual international calling services to retail customers for calls to most of the international destinations including India under the brand Reliance Global Call. Our retail services are available to customers in 14 countries in Australia, Austria, Belgium, Canada, France, Hong Kong, India, Ireland, Netherlands, New Zealand, Singapore, Spain, United Kingdom and United States. We have over 2.6 million customers for our Reliance Global Call service. We have more than 550 enterprise customers of Reliance Global Call across 11 countries including the United States, United Kingdom, Canada, Australia, New Zealand, Singapore, Spain, Belgium, France, the Netherlands and India. We also offer SIP Trunk calling along with Blackberry and Windows App.

Our International Data business is underpinned by our ownership of one of the largest private submarine cable system in the world, spanning 68,698 kilometres and connecting North America, Europe, the Middle East and Asia through 46 landing points in 27 countries. The network seamlessly interconnects with our 190,000 kilometres fibre optic cables within India. We have 950 enterprise customers spread over developed markets such as the United States, the United Kingdom, the Netherlands and Singapore.

As part of wholesale offering, we offer international (submarine cable) network infrastructure on both an Indefeasible Right of Use ("IRU") and leased circuit basis, internet bandwidth, IPLC to carriers, ISPs, content providers and enterprises globally.

We have a very strong and rapidly growing enterprise business segment outside India. We also provide Managed Ethernet services in the U.S. and have an established position in the global enterprise data market.

### **2.3. Network and Operating Facilities**

We have a wide network covering over 21,000 cities and towns and over 400,000 villages in India.

With 190,000 kilometres of fibre optic cable in India, our national inter-city long distance network is one of the largest next generation network in India. Our network is designed and deployed for maximum reliability in ring and mesh architecture.

Our network operating centre in Navi Mumbai, India is one of the most advanced in the world. It has been designed and built to provide converged services, which is going to be the key differentiator going forward. The entire range of our products and services is enabled by streamlined, fully integrated, flow through operating and business support systems. These facilities provide us with by far the most superior platform in India for offering bandwidth intensive, feature rich, converged services and solutions for consumers, enterprises, and carrier customers with virtually limitless scalability. Our national networks are integrated with our international networks.

Our corporate clientele includes over 39,000 Indian and multinational corporations including small and medium enterprises and over 290 global, regional and domestic carriers. Our virtual network currently extends to over 27,000 sites across 153 countries.

Our consumer and SME offerings are supported by one of the most extensive and powerful distribution networks in India. The backbone of our retail presence is combination of exclusively franchised Reliance mobile store along with strong independent third party retailer network. We adopted an initiative to launch full-serviced franchise owned and operated retail outlets offering a full suite of services, including innovative self-care options, to our customers. We have nearly 1,850 franchised Reliance Mobile exclusive stores spread across more than 525 cities and towns, offering customer activation and after-sales services. We also intend to increase these retail outlets to other cities. Our third-party retailer presence includes over five lakh outlets.

## Key Company Developments

### A. Reliance launched a truly unlimited offer for pre-paid customers – 149 Truly Unlimited



Reliance launched the ‘149 Unlimited’ Calling Plan, offering customers unlimited calling talk-time to any phone on any telecom network across the country, including STD calls, at just Rs 149 per month. This plan is set to change the dynamics of mobile recharges in India, as customers move away from the traditional Revenue Per Minute tariff model to a service subscription model based on ARPU. The ‘149 Unlimited’ Plan, available across the 2G, 3G and 4G technology platforms, is targeted at incentivizing 2G, 3G and 4G handset-owners across India to move to the RCOM network. There are still hundreds of millions of older 2G handset-owners in India, and RCOM is positioning the unique plan to migrate these customers to its network, along with 300 MB of data usage. And with RCOM’s high-speed Add-on Data Plans, ‘149 Unlimited’ will also appeal to data-heavy 3G-4G customers, who will benefit from unlimited calling talk-time. Regardless of the type of Feature Phone or Smartphone used, customers will get unlimited voice calling, including STD calls, to any phone on any network in India—plus 300 MB of data access on RCOM’s best-in-class 2G, 3G & 4G networks. Due to the success of this plan by Reliance all the other operators introduced similar offer at this price point.

### B. Reliance launched attractive tiered post paid plans – JALSA plan



Reliance launched a new post-paid plan named the JALSA plans targeted to acquire high value Voice & 4G Data customers. All the plans offer Unlimited calling on any network. Higher the rental of the plan higher is the Data quantum offered. Rentals start at Rs 299 that offers 1GB 2G/3G data or 3GB 4G data. This plan is targeted towards mass market customers hooked on to the social media like facebook, Whatsapp, e-mails, etc, while Rs 499 rental is targeted towards a customer whose usage extends beyond social media / e-mails, etc to downloading of music/videos and finally Rs 699 plan offer 10GB data targeting the large corporates who would like to use the phone as a Hotspot as well.

### C. Celebrity Contest - Fly with MS Dhoni

RCOM launched a contest for the customers to dial \*789\*19#, and answer some simple questions correctly to get a chance to Fly with M S Dhoni. Correct answers would make the customer eligible to win Daily, Weekly or Bumper prize.



- Daily Prizes: 10 Customers will be randomly selected everyday for Rs 100 MRP recharge with Rs 84.34 talk-time. Bill credit for postpaid.

- Weekly Prizes: 2 Customers will get Smartphone worth Rs 10,000 every week from

participants selected randomly.

- Bumper Prize: End of the contest period, one winner selected for Bumper prize "Fly with MS Dhoni".

#### D. Reliance Mega Win Contest



Reliance arranged a Mega Win Contest - Season 1, a skill-set based contest launched over IVR from 25th January'17 till 27th April'17 where LTE & GSM customers would be able to answer questions over IVR. Questions were based on various genres like Bollywood, Sports, Personalities etc. For participation customers had to subscribe to the contest by dialing 53030888 (toll free) and pay Rs 30 to participate

in the contest. On playing, they could get an opportunity to win a Monthly Bumper prize of Yamaha FZ F1 motorbike, Weekly prize of 1 Samsung mobile every 10 days, and Daily Prize of Rs 15 Recharge for a value of Rs 50.

#### E. GCX deployed Cumulous Network

GCX announced the deployment of our Cumulous Network to boost connectivity in the seven Indian Capital cities across the Indian subcontinent while providing connectivity between international gateways in Chennai and Mumbai –both powerhouse cities and gateways for the major tech and financial institutions doing business across the Indian subcontinent. The new Cumulous Network, based on 100G technology, will complement our digital backbone as we complete deployment of our Cloud infrastructure across India.

#### F. GCX completed the sale of Yipes customer base to GTT

GCX completed the sale of Yipes customer base to GTT. Simultaneously, all of the outstanding interests held by the Company in Yipes were transferred to GTT Americas LLC, a wholly-owned subsidiary of GTT Communications Inc., an established, publicly listed U.S. carrier that provides domestic and international communication services.

## G. GCX enhanced Telecom Italia Sparkle partnership with new international routes

GCX also enhanced our Telecom Italia Sparkle partnership with new international routes. Sparkle is acquiring significant Spectrum capacity across GCX's Flag Atlantic (FA-1) system. In addition, Sparkle and GCX will close a strategic capacity deal on the new Europe-to-Asia system, SEAMEWE-5. GCX will continue to explore additional areas of cooperation into markets across South America, the Middle East and Asia Pacific.

### 2.4. Update on Key Corporate Developments

- **Signed a binding term-sheet with Brookfield for sale of telecom towers business**

RCOM has signed Definitive Agreements with Brookfield in relation to the proposed sale of RCOM's nationwide tower assets and related infrastructure. Under the Transaction, the specified assets would be transferred from Reliance Infratel on a going concern basis into a separate SPV that will be fully owned and independently managed by Brookfield Infrastructure, thereby creating the second largest independent and operator-neutral Towers company in India. RCOM will continue as an anchor tenant on the tower assets, under a long term MSA, for its integrated telecommunications business.

RCOM will receive an upfront cash payment of Rs. 11,000 crore from the proposed transaction. RCOM will also receive Class B non-voting shares in the new Tower company, providing 49% future economic upside in the Towers business, based on certain conditions. RCOM expects significant future value creation from the B Class shares, based on growth in tenancies arising from increasing 4G rollout by all telecom operators and fast accelerating data consumption.

The transaction will represent the largest ever investment by any overseas financial investor in the telecom infrastructure sector in India, and is a strong reflection of the confidence of the international investment community in the long term growth potential of the sector and Indian economy.

RCOM intends to utilize the proceeds of the proposed transaction solely to reduce its debt. We have applied for CCI approvals, and have also filed the transfer scheme in NCLT.

- **Consolidation of RCOM's wireless business and Aircel**

The merger of our wireless business with Aircel is the largest ever consolidation in the Indian telecom sector, so far, and will create a strong operator clearly ranked amongst India's top 4 telcos by customer base and revenues, also ranking amongst the top 3 operators by revenues in 12 key important circles. As part of this transaction RCOM will transfer its wireless business to Aircel through a court approved demerger process.

The combined entity will enjoy substantial benefits of scale driving significant revenue growth, and capex and opex synergies with an estimated NPV of ~ Rs. 20,000 crore. As part of this transaction RCOM's overall debt will reduce by Rs 20,000 crore (nearly 40% of its total debt)

and allow RCOM to continue to own and operate its high growth businesses in the domestic and global enterprise space, Data Centers, optic fibre and related telecom infrastructure.

We have applied for the Stock exchanges and CCI approvals, to be followed by filing of a scheme in NCLT.

- **SSTL's consolidation into RCOM**

Our merger of SSTL's wireless operations with RCOM, marking the 1st consolidation in the Indian Telecom Industry, is now in the final stages. The DoT approvals are expected shortly. Post that, we will begin to integrate SSTL's operations with RCOM and will migrate the customers to Reliance 4G services.

- **Strategic partnership with Jio to offer 4G services**

RCOM & Jio have completed the execution of the spectrum sharing arrangements in the 850 MHz band covering 4G LTE services. RCOM customers will benefit from Jio's world class 4G LTE network under sharing and ICR arrangements.

Operationally, the spectrum arrangements between RCOM & Jio will result in network synergies, enhanced network capacity and will optimize spectrum utilization and capex efficiencies. Financially, RCOM would achieve considerable savings in operating costs and future investments in networks which will bolster the bottom-line of the Company and help generate positive cash flows.

- Our sharing arrangements with Jio have created a large pool of 162.5 MHz of spectrum (and 192.5 MHz of spectrum including SSTL's spectrum in the 850 Mhz band).
- The RCOM-SSTL-Jio 850 MHz combination will create a spectrum pool of 10 MHz of spectrum in 11 circles, 8.75 MHz of spectrum in 7 circles and the rest of the circles will have a minimum of 5-6.25 MHz spectrum to offer 4G services. This will give RCOM significant bandwidth to offer high speed 4G data to its customers.
- As part of the sharing arrangements, RCOM 4G services are being offered through state-of-the-art network of Jio comprising macro-cells, small-cells and in-building solutions.

- **We are making progress in improving the health of our balance sheet through deleveraging measures.**

Our deleveraging plans are progressing well through multiple transactions. The already announced combination of RCOM's wireless business with Aircel, and the monetization of the Tower business (we have already signed a definitive agreement with Brookfield and will receive Rs 11,000 crore in cash), will together reduce RCOM's overall debt by Rs. 31,000 crore or nearly 70% of existing debt. These transactions will lead to substantial reduction of RCOM's overall debt, and strengthen the Company's Balance Sheet, creating a robust platform for renewed growth in the years to come.

## 2.5. Principal Operating Companies

**Reliance Communications Limited** is the Flagship Company and is also the holding company for the other major operating companies in the Group. Reliance Communications provides wireless, wireline, broadband, multimedia and Internet access services and long distance services in India and overseas. Its major assets are the wireless network, transmission networks used in its business, and the contact centres. It provides GSM wireless services in 14 service areas.

**Reliance Telecom Limited** is a wholly owned subsidiary of Reliance Communications, offering GSM services in Madhya Pradesh, West Bengal, Himachal Pradesh, Odisha, Bihar, Assam, Kolkata and North East service areas.

**Reliance Infratel Limited** owns, operates, and develops telecom infrastructure, primarily consisting of wireless communication sites and towers. Reliance Infratel is currently a subsidiary of Reliance Communications through RCIL.

**Reliance Webstore Limited** is a wholly owned subsidiary of Reliance Communications and provides marketing and collection services.

**Reliance Globalcom B.V.** is a wholly owned subsidiary of Reliance Communications. Reliance Globalcom encompasses Enterprise Services, Capacity Sales, Managed Services and a highly successful bouquet of Retail products & services comprising of Global Voice, Internet Solutions and Value Added Services. Its major assets are the FLAG Atlantic, FLAG North Asia Loop, FLAG Europe Asia, FALCON and Hawk submarine cable systems.

**Reliance Big TV Limited (RBTV)** is a wholly owned subsidiary of Reliance Communications. RBTV is offering fully Digital Home Entertainment Service on the world's most advanced MPEG4 Direct-To-Home (DTH) Platform to deliver channels in High Definition (HD) like quality.



### 3. Financial Highlight

Financial results for the quarter ended 31 December 2016 as per Indian GAAP. In the tables below, “Qtr ended 31/12/15” refers to the three month period ended 31 December 2015, “Qtr ended 30/09/16” refers to the three month period ended 30 September 2016 and “Qtr ended 31/12/16” refers to the three month period ended 31 December 2016.

Exchange rate, being the revaluation rate as announced by FEDAI, for conversion of Indian Rupees to United States Dollars is -

Rs 66.16 for the quarter ended 31 December 2015,  
Rs 66.62 for the quarter ended 30 September 2016 and  
Rs 67.93 for the quarter ended 31 December 2016.

These financial statements are the Company’s first year Indian Accounting Standard (Ind AS) financial statements. The Company has adopted Ind AS with effect from 1 April 2016 with a transition date of 1 April 2015. The figures for the quarter ended 31 December 2015 have also been converted in accordance with principals of Ind AS.

The Company has given reconciliation of the effects of the transition on Statement of Profit and Loss for the quarter ended 31 December 2015 as previously reported and as per Ind AS. The financials of other comparable periods of the previous year 2015 – 16, which are as per Indian GAAP, shall be converted based on Ind AS and reported along with respective quarterly results during 2016 - 17. First Time Adoption of Ind AS as per Ind AS 101 permits accounting choices contained in Ind AS before its first annual financial statements for 2016 -17. Ind AS compliant financial result for previous year ended 31 March 2016 shall also be presented along with annual financial statements of 2016 -17.

### 3.1. Summarized Consolidated Statement of Operations

(Rs Million, except ratios)

| Particulars                 | Qtr ended | Qtr ended | Qtr ended | Q-on-Q Growth (%) |
|-----------------------------|-----------|-----------|-----------|-------------------|
|                             | 31-12-15  | 30-09-16  | 31-12-16  |                   |
| Total revenue               | 54,426    | 51,418    | 49,220    | -4.3%             |
| Net revenue                 | 45,503    | 41,723    | 38,495    | -7.7%             |
| EBITDA                      | 19,417    | 15,418    | 12,056    | -21.8%            |
| Cash profit from operations | 12,886    | 8,937     | 6,756     | -24.4%            |
| Profit before tax           | 2,688     | (1,161)   | (9,171)   | -                 |
| Net profit                  | 3,027     | 388       | (5,309)   | -                 |
| <i>EBITDA margin (%)</i>    | 35.7%     | 30.0%     | 24.5%     |                   |

(US\$ Million, except ratios)

| Particulars                 | Qtr ended | Qtr ended | Qtr ended | Q-on-Q Growth (%) |
|-----------------------------|-----------|-----------|-----------|-------------------|
|                             | 31-12-15  | 30-09-16  | 31-12-16  |                   |
| Total revenue               | 840       | 772       | 725       | -6.1%             |
| Net revenue                 | 702       | 626       | 567       | -9.4%             |
| EBITDA                      | 300       | 231       | 177       | -23.4%            |
| Cash profit from operations | 199       | 134       | 99        | -26.1%            |
| Profit before tax           | 41        | (17)      | (135)     | -                 |
| Net profit                  | 47        | 6         | (78)      | -                 |
| <i>EBITDA margin (%)</i>    | 35.7%     | 30.0%     | 24.5%     |                   |

**Note:** Due to exchange rate conversion difference the percentage change in US\$ will not be comparable with the percentage change in rupee table above.

### 3.2. Summarized Consolidated Balance Sheet

(Rs Million, except ratios)

| Particulars  | As at          | As at          |
|--|----------------|----------------|
|  | 30-09-16       | 31-12-16       |
| <b>Assets</b>  |                |                |
| Net fixed assets, including capital work-in-progress     | 692,319        | 721,991        |
| Investments  | 970            | 1,000          |
| Total current assets (excluding cash & cash equivalents) | 258,144        | 261,094        |
| <b>Total assets</b>                                      | <b>951,433</b> | <b>984,085</b> |
| <b>Liabilities and stockholders equity</b>               |                |                |
| Total current liabilities and provisions                 | 258,578        | 265,726        |
| Net debt   | 427,016        | 428,025        |
| <b>Total liabilities</b>                                 | <b>685,594</b> | <b>693,751</b> |
| Stockholders equity                                      | 262,448        | 286,546        |
| Minority interest  | 3,391          | 3,788          |
| <b>Total liabilities and stockholders equity</b>         | <b>951,433</b> | <b>984,085</b> |
| <i>Net debt to stockholders equity (x)</i>               | <i>1.39</i>    | <i>1.49</i>    |
| <i>Book value per equity share (Rs)</i>                  | <i>125</i>     | <i>117</i>     |

(US\$ Million)

| Particulars  | As at         | As at         |
|--|---------------|---------------|
|  | 30-09-16      | 31-12-16      |
| <b>Assets</b>  |               |               |
| Net fixed assets, including capital work-in-progress     | 10,393        | 10,629        |
| Investments  | 15            | 15            |
| Total current assets (excluding cash & cash equivalents) | 3,875         | 3,844         |
| <b>Total assets</b>                                      | <b>14,283</b> | <b>14,488</b> |
| <b>Liabilities and stockholders equity</b>               |               |               |
| Liabilities and provisions                               | 3,882         | 3,912         |
| Net debt   | 6,410         | 6,301         |
| <b>Total liabilities</b>                                 | <b>10,292</b> | <b>10,213</b> |
| Stockholders equity                                      | 3,940         | 4,219         |
| Minority interest  | 51            | 56            |
| <b>Total liabilities and stockholders equity</b>         | <b>14,283</b> | <b>14,488</b> |

**Note:** Due to exchange rate conversion difference the percentage change in US\$ will not be comparable with the percentage change in rupee table above.

### 3.3. Summarized Statement of Operations by Segment

#### 3.3.1. India Operations

(Rs Million, except ratios)

| Particulars            | Qtr ended     | Qtr ended     | Qtr ended     | Q-on-Q Growth (%) |
|------------------------|---------------|---------------|---------------|-------------------|
|                        | 31-12-15      | 30-09-16      | 31-12-16      |                   |
| <b>Gross Revenue</b>   | <b>46,675</b> | <b>44,878</b> | <b>42,669</b> | -4.9%             |
| - Voice                | 33,001        | 27,912        | 24,861        | -10.9%            |
| - Non Voice            | 12,572        | 15,725        | 15,910        | 1.2%              |
| - Others               | 1,102         | 1,241         | 1,898         | 52.9%             |
| <b>Net Revenue</b>     | <b>37,754</b> | <b>35,183</b> | <b>31,918</b> | -9.3%             |
| <b>EBITDA</b>          | <b>16,306</b> | <b>12,970</b> | <b>9,569</b>  | -26.2%            |
| EBIT                   | 8,042         | 6,104         | 56            | -99.1%            |
| EBITDA margin %        | 34.9%         | 28.9%         | 22.4%         |                   |
| EBIT margin %          | 17.2%         | 13.6%         | 0.1%          |                   |
| Investment in Projects | 9,161         | 3,799         | 5,829         |                   |

#### 3.3.2. Global Operations

(Rs Million, except ratios)

| Particulars            | Qtr ended     | Qtr ended     | Qtr ended     | Q-on-Q Growth (%) |
|------------------------|---------------|---------------|---------------|-------------------|
|                        | 31-12-15      | 30-09-16      | 31-12-16      |                   |
| <b>Gross Revenue</b>   | <b>12,340</b> | <b>10,891</b> | <b>11,323</b> | 4.0%              |
| - Data                 | 7,979         | 7,443         | 7,117         | -4.4%             |
| - Voice                | 4,361         | 3,448         | 4,204         | 21.9%             |
| <b>EBITDA</b>          | <b>3,111</b>  | <b>2,448</b>  | <b>2,487</b>  | 1.6%              |
| EBIT                   | 1,639         | 980           | 365           | -62.8%            |
| EBITDA margin %        | 25.2%         | 22.5%         | 22.0%         |                   |
| EBIT margin %          | 13.3%         | 9.0%          | 3.2%          |                   |
| Investment in Projects | 391           | 251           | 222           |                   |

Note: "Net revenue" in 3.3.1 represents gross segment revenue less license fees and access charges.

### 3.5. Additional Segmental Information

(Rs Million, except ratios)

| Segment            | Qtr ended 31-12-15 |             | Qtr ended 30-09-16 |             | Qtr ended 31-12-16 |             |
|--------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                    | Revenue            | % of total  | Revenue            | % of total  | Revenue            | % of total  |
| India Operations   | 46,675             | 81%         | 44,878             | 80%         | 42,669             | 79%         |
| Global Operations  | 12,340             | 19%         | 10,891             | 20%         | 11,323             | 21%         |
| <b>Sub Total</b>   | <b>59,015</b>      | <b>100%</b> | <b>55,769</b>      | <b>100%</b> | <b>53,992</b>      | <b>100%</b> |
| Less: Eliminations | (4,589)            |             | (4,351)            |             | (4,772)            |             |
| <b>Total</b>       | <b>54,426</b>      |             | <b>51,418</b>      |             | <b>49,220</b>      |             |

### 3.6. Contribution to EBITDA by Segment

(Rs Million, except ratios)

| Segment           | Qtr ended 31-12-15 |             | Qtr ended 30-09-16 |             | Qtr ended 31-12-16 |             |
|-------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                   | Revenue            | % of total  | Revenue            | % of total  | Revenue            | % of total  |
| India Operations  | 16,306             | 87%         | 12,970             | 84%         | 9,569              | 79%         |
| Global Operations | 3,111              | 13%         | 2,448              | 16%         | 2,487              | 21%         |
| <b>Total</b>      | <b>19,417</b>      | <b>100%</b> | <b>15,418</b>      | <b>100%</b> | <b>12,055</b>      | <b>100%</b> |

### 3.7. Investment in Projects by Segment

(Rs Million, except ratios)

| Segment           | Cumulative to 31-12-16 |             | Qtr ended 31-12-16 |             |
|-------------------|------------------------|-------------|--------------------|-------------|
|                   | Amount                 | % of total  | Amount             | % of total  |
| India Operations  | 990,735                | 88%         | 5,829              | 96%         |
| Global Operations | 140,313                | 12%         | 222                | 4%          |
| <b>Total</b>      | <b>1,131,048</b>       | <b>100%</b> | <b>6,051</b>       | <b>100%</b> |

## 4. Key Performance Indicators

The financial figures used for computing ARPU and RPM are based on Indian GAAP. Definitions of terms are set out in Section 9.

| Metric                            | Unit    | Qtr ended<br>31-12-15 | Qtr ended<br>30-09-16 | Qtr ended<br>31-12-16 |
|-----------------------------------|---------|-----------------------|-----------------------|-----------------------|
| <b>Voice</b>                      |         |                       |                       |                       |
| Total customer base               | Mn      | 102.1                 | 88.3                  | 87.7                  |
| Net adds                          | Mn      | (9.5)                 | (11.5)                | (0.6)                 |
| VLR                               | %       | 95.6                  | 86.3                  | 85.0                  |
| Pre-paid % of customer base       | %       | 96.0                  | 96.2                  | 96.1                  |
| Churn                             | %       | 6.7                   | 8.1                   | 5.8                   |
| Total Minutes of Usage            | Bn mins | 100.4                 | 97.9                  | 102.1                 |
| ARPU                              | Rs/Sub  | 142                   | 155                   | 154                   |
| Revenue per minute                | Rs/Sub  | 0.452                 | 0.446                 | 0.399                 |
| Voice ARPU                        | Rs/Sub  | 103                   | 99                    | 94                    |
| Voice Usage per customer/ month   | Min/Sub | 313                   | 347                   | 387                   |
| Voice revenue per minute          | Rs/min  | 0.327                 | 0.285                 | 0.243                 |
| <b>Total NLD minutes</b>          |         |                       |                       |                       |
| Total NLD minutes                 | Mn Mins | 15,569                | 16,022                | 16,316                |
| <b>Total ILD minutes</b>          |         |                       |                       |                       |
| Total ILD minutes                 | Mn Mins | 5,075                 | 5,119                 | 5,197                 |
| <b>Data</b>                       |         |                       |                       |                       |
| Total data customers *            | Mn      | 38.8                  | 35.1                  | 32.0                  |
| 3G/4G customers #                 | Mn      | 23.1                  | 24.5                  | 23.4                  |
| Total data traffic                | Mn MBs  | 103,180               | 104,802               | 93,747                |
| Data usage per customer           | MBs     | 905                   | 944                   | 931                   |
| Non-Voice as % of Telecom revenue | %       | 27.7                  | 36.0                  | 39.0                  |
| <b>Network Statistics</b>         |         |                       |                       |                       |
| Service areas operational         | Nos     | 22                    | 22                    | 22                    |
| Total sites on network** §        | Nos     | 76,194                | 62,100                | 62,250                |
| Total 3G sites                    | Nos     | 11,995                | 12,700                | 12,750                |

**Note:** KPIs are not restated as per IND AS for 31-12-15.

\* Total data subscribers: Any subscriber with data usage of more than one Mb in one month

# 3G/4G customers: Any subscriber having made atleast one revenue generating call or data usage of more than one Mb in one month.

\*\* Besides this, over 40,000 sites provide additional 2G/3G coverage through ICR arrangements with other operators.

§ 4G sites also operational under sharing arrangements with Jio.

## 5. Basis of Presentation of Financial Statements

### 5.1. Reporting Periods

The financial year end of Reliance Communications Limited is 31st March. Each financial year ("FY") is referred to by the calendar year in which the particular financial year end occurs. The current financial year will be for a period of 12 months, commenced on 1 April 2016 and ending on 31 March 2017.

### 5.2. Consolidated and Segment Financial Results

#### 5.2.1. Revenues

Revenues of the Company have been reported in the following manner:

□ Consolidated Revenues and Segment Gross Revenues

Consolidated revenues of the Company have been classified as "Services and Sales" revenue. This represents revenues earned from the provision of services and from the sale of network infrastructure on an IRU basis.

For the purposes of segment reporting, revenues have been classified under two geographic segments namely "India Operations" and "Global Operations". The lines of business included in each segment and the basis of segment revenue reporting is described in Section 5.3 below.

□ Elimination of Inter Segment Revenues

Revenues for each geographic segment are reported at gross level where inter segment revenue is also included. Hence, revenue of one segment, from inter segment source, is reported as the expense of the related segment. Elimination takes place in determining consolidated revenues for the Company.

For the purpose of determining transfer pricing between segments, open market wholesale rates for comparable services or, where applicable, rates stipulated by the regulatory authorities have been adopted.

### 5.2.2. Net Revenues by Segment

“Net Revenues” represent revenues earned less direct variable operating expenses in the nature of: (1) revenue share (including levies for Universal Service Obligation), and spectrum fees (referred to collectively as “License Fees”); and (2) charges for access, carriage, interconnection, and termination (referred to collectively as “Access Charges”).

Expenses included under License Fees are currently incurred as a percentage of adjusted gross revenue. Expenses included under Access Charges, on the basis of fixed or ceiling cost per minute, or are determined by commercial negotiation with other carriers and between our business segments, as appropriate.

Access Charges and license Fees are disclosed in aggregate as part of the classification of “Operating Expenses” in the consolidated statement of operations. Net Revenues are reported for each business segment.

### 5.2.3. Operating Expenses

Operating expenses of the Company have been reported in the following manner:

- Consolidated and Segment Gross Operating Expenses

Consolidated operating expenses of the Company have been classified under four categories of costs, namely “Access Charges and license Fees”, “Network Operations”, “Employees”, and “Selling, General & Administrative”.

- Elimination of Inter Segment Expenses

Principles, as stated in 5.2.1 above, have been followed for reporting gross operating expenses of each segment and elimination of such expenses in determining consolidated EBITDA for the Company.

## 5.3. Composition of Segments

We are reporting the financial results under the following two business segments:

- India Operations
- Global Operations

Financial results by segment include all products and services covered by the individual segment as described below.

### 5.3.1. India Operations

This segment constitutes revenue arising and/ or accruing from Telecom Operations and service rendering activities based in India. This comprises of Telecom Revenue of Voice and Non Voice from consumer and enterprise customers. Apart from these, it also includes other revenue such as Direct to Home TV business, investments, interest, etc.

The voice and non voice market largely constitutes of wireless telecom business. The Wireless segment functions in a retail mode. Wireless services consist mainly of the following:



- 2G, 3G & 4G mobile services for individuals and corporate customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia and value added services. Services are offered on both pre-paid and post paid bases.
- Fixed wireless phone and terminal services are mainly for residential customers, including local and long distance voice, messaging, wireless internet access, wireless multimedia, and value added services. Services are offered on both pre-paid and post paid bases.
- Our 3G & 4G services provide customers with a plethora of data applications like live mobile TV, Video-on-demand, video calling, video and music streaming, video conferencing, personalized RSS feeds and much more.
- Public calling offices and coin collection boxes for local and long distance voice using fixed wireless phones and terminals. Service is provided to independent retail operators of such facilities on a pre-paid basis.
- National inter-circle (NLD) carriage services for voice, data, and internet.
- NLD bandwidth and infrastructure services for other service providers.
- Managed contact centre solutions for call centres in India.
- Services provided through LMDS, WIMAX etc. and involving the provision of IT infrastructure are covered under this segment. Services are provided across various customer groups including residential, SMEs, and large corporates. Products and services include the following:
  - Voice Products: E1 DID, Centrex, PBX trunks, One Office Duo, Toll free, Intelligent Telephony Services, Audio Conferencing, and Fixed line phones.
  - Data products: VPN, leased lines, IPLCs, Ethernet, Video Conferencing, Remote Access VPN, Cloud Video Surveillance and broadband internet.

Assets allocated to this business segment include: radio equipment (base trans-receiver stations (BTSs), microwave towers, antennas, mobile switching centers (MSCs), and related electronics, software and systems for operations); intra-city access networks (ducts and optical fiber) other than in 44 cities; utilities, servers, customer premises equipment, and license fees.

NLD assets include: transport equipment and electronics; transmission networks connecting various Media Convergence Nodes (MCNs) across all circles; buildings, utilities, and license fees.

In-building wiring and building access networks from building access nodes in all locations where active; intra-city access networks (ducts and optical fiber) in 44 cities; internet data centers; digital loop carriers (DLC), routers, modems and related electronics; customer premises equipment (CPE) and license fees.

The “Others” segment comprises operations other than Telecom Operations. This includes income from Direct to Home TV business, investments, interest, etc.

Assets shown under “Others” mainly comprise properties owned by the Company, including the Dhirubhai Ambani Knowledge City, and property and fittings.

### 5.3.2. Global Operations

The Global Operations segment provides wholesale and retail voice and data services from many international locations. It provides the following services to the wireless segment of Reliance Communications on an inter segment basis and enterprises in India and across the globe:

- International long distance (ILD) carriage services for voice, data, and internet.
- IRUs and leased circuits for international voice and data connectivity through submarine cable systems, together with cable restoration and maintenance services.
- Global Ethernet services to enterprise customers across four industry verticals i.e. financial, legal, healthcare and Government
- International managed data services, including IP-VPN.
- Virtual international calling and voice content services provided by overseas operating units in Australia, Austria, Belgium, Canada, France, Hong Kong, India, Ireland, Netherlands, New Zealand, Singapore, Spain, United Kingdom and United States in a retail mode to individual customers for calling India and global destinations.
- Managed contact centre solutions for overseas call centres in India

Assets allocated to this segment include ILD assets: dedicated ports and switches, electronics, infrastructure at various points of presence and other cable systems not owned and operated by the Company. In addition, the submarine cable systems, cable landing stations, switching equipment for PoPs and associated facilities of FLAG, are included in this segment.

## 6. Financial Statements

Financial results for the quarter ended 31 December 2016 are as per Indian GAAP. An explanation of the basis of presentation is set out in Section 5. Previous quarter's figures have been re-grouped, re-arranged and re-classified wherever necessary.

### 6.1. Consolidated Results of Operations

(Rs. Million, except ratios)

| Particulars   | Qtr ended     | Qtr ended      | Qtr ended      |
|---|---------------|----------------|----------------|
|   | 31-12-15      | 30-09-16       | 31-12-16       |
| <b>Total revenues</b>   | <b>54,426</b> | <b>51,418</b>  | <b>49,220</b>  |
| Services and sales  | 54,426        | 51,418         | 49,220         |
| <b>Total operating expenses</b>   | <b>35,009</b> | <b>36,001</b>  | <b>37,164</b>  |
| Access charges and license fees   | 8,924         | 9,695          | 10,724         |
| Network operations  | 16,771        | 17,038         | 17,185         |
| Employees   | 2,909         | 2,832          | 2,806          |
| SG&A  | 6,406         | 6,435          | 6,450          |
| <b>EBITDA</b>   | <b>19,417</b> | <b>15,418</b>  | <b>12,056</b>  |
| Finance charges (net)   | 6,994         | 8,245          | 9,576          |
| Depreciation / amortization   | 9,736         | 8,334          | 11,650         |
| <b>Profit before tax</b>  | <b>2,688</b>  | <b>(1,161)</b> | <b>(9,171)</b> |
| Provision for tax (including Deferred tax)  | (463)         | (1,765)        | (4,277)        |
| <b>Net profit after tax (before adjustment of share of Minority Interest/ Associates)</b> | <b>3,150</b>  | <b>604</b>     | <b>(4,894)</b> |
| Share of Minority and associates  | 124           | 216            | 415            |
| <b>Net profit after tax (after adjustment of share of Minority Interest/ Associates)</b>  | <b>3,027</b>  | <b>388</b>     | <b>(5,309)</b> |
| Other Comprehensive Income for the period   | 101           | (113)          | 468            |
| <b>Total Comprehensive Income for the period</b>  | <b>3,128</b>  | <b>274</b>     | <b>(4,841)</b> |
| <b>Ratios</b>   |               |                |                |
| <i>EBITDA margin (%)</i>  | 35.7%         | 30.0%          | 24.5%          |
| <i>Net profit margin (%)</i>  | 5.6%          | 0.8%           | -10.8%         |

**6.2. Consolidated Balance Sheet**

(Rs. Million)

| Particulars   | As at          | As at          |
|---|----------------|----------------|
|   | 30-09-16       | 31-12-16       |
| <b>ASSETS</b>   |                |                |
| <b>Current assets</b>   |                |                |
| Inventories   | 1,524          | 1,597          |
| Trade receivables   | 44,670         | 40,764         |
| Advances, Receivables and Other assets                            | 184,628        | 185,596        |
| <b>Total current assets (excluding cash and cash equivalents)</b> | <b>230,822</b> | <b>227,957</b> |
| Fixed assets including CWIP                                       | 692,319        | 721,991        |
| <b>Total fixed assets</b>   | <b>692,319</b> | <b>721,991</b> |
| Investments   | 970            | 1,000          |
| Deferred Tax Asset  | 27,322         | 33,137         |
| <b>Total assets</b>   | <b>951,433</b> | <b>984,085</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                        |                |                |
| <b>Stockholders' equity</b>                                       |                |                |
| Share capital   | 12,441         | 12,441         |
| Reserves and surplus *  | 250,007        | 274,105        |
| <b>Total Stockholders' equity</b>                                 | <b>262,448</b> | <b>286,546</b> |
| Minority Interest   | 3,391          | 3,788          |
| Deferred Tax Liabilities  | 37,622         | 40,657         |
| Other liabilities and provisions                                  | 220,956        | 225,069        |
| <b>Debt</b>   |                |                |
| Foreign currency loans  | 221,602        | 222,973        |
| Rupee loans   | 223,866        | 222,884        |
| <b>Gross debt</b>   | <b>445,468</b> | <b>445,856</b> |
| Less: Cash and cash equivalents including investments             | 18,452         | 17,831         |
| <b>Net debt</b>   | <b>427,016</b> | <b>428,025</b> |
| <b>Total liabilities and Stockholders' equity</b>                 | <b>951,433</b> | <b>984,085</b> |

\* Net of Goodwill

### 6.3. Consolidated Statement of Cash Flows

(Rs. Million)

| Particulars   |         | Qtr ended      | Qtr ended       |
|---|---------|----------------|-----------------|
|   |         | 30-09-16       | 31-12-16        |
| <b>Cash flows from operating activities:</b>                  |         |                |                 |
| Net profit/(loss) before tax                                  | A       | (1,161)        | (9,171)         |
| Add: Non cash/non operating items                             | B       | <b>16,510</b>  | <b>20,513</b>   |
| Depreciation and amortization                                 |         | 8,335          | 11,650          |
| Provision for doubtful debts                                  |         | 419            | 185             |
| Finance charges (net)   |         | 8,081          | 8,988           |
| (Profit)/loss on sale of investments                          |         | (325)          | (310)           |
| Cash generated from operations before working capital changes | A+B     | <b>15,348</b>  | <b>11,342</b>   |
| (Increase)/decrease in working capital                        |         | (19,848)       | 3,802           |
| Cash generated from operations                                |         | <b>(4,500)</b> | <b>15,144</b>   |
| Tax refund / (paid)   |         | 864            | (22)            |
| Net cash provided/used by/in operating activities             | C       | <b>(3,636)</b> | <b>15,122</b>   |
| <b>Cash flows from investing activities:</b>                  |         |                |                 |
| (Purchase)/sale of property, plant, and equipment (net)       |         | 2,207          | (1,922)         |
| (Purchase)/sale of investments (net)                          |         | 15             | 126             |
| Interest income / (expense) (net)                             |         | (8,973)        | (10,652)        |
| Net cash provided/used by/in investing activities             | D       | <b>(6,751)</b> | <b>(12,448)</b> |
| <b>Cash flows from financing activities:</b>                  |         |                |                 |
| Net cash provided/used by/in financing activities             | E       | <b>6,706</b>   | <b>(3,295)</b>  |
| <b>Cash and cash equivalents:</b>                             |         |                |                 |
| Beginning of the period                                       | F       | 22,133         | 18,452          |
| <b>End of the period</b>                                      | C+D+E+F | <b>18,452</b>  | <b>17,831</b>   |

## 7. Accounting Policies

Set out below are the significant accounting policies to the Consolidated Statement of Operations and the Consolidated Balance Sheet.

### 7.1. Principles of Consolidation

Consolidation has been carried out in compliance with the applicable Accounting Standards, viz., Ind AS 110 "Consolidated Financial Statements" as referred to in the Companies (Accounts) Rules, 2014.

### 7.2. Other Significant Accounting Policies

#### 7.2.1. Basis of Preparation of Financial Statements

The financial statements are prepared under historical cost convention/ fair valuation under a Scheme approved by the Hon'ble High Court, in accordance with the generally accepted accounting principles (GAAP) in India and comply with Indian Accounting Standards specified under Section 133 the Companies Act, 2013 ("the Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015, Companies (Indian Accounting Standards) Amendment Rules 2016 and other provisions of the Act, to the extent notified applicable as well as applicable guidance notes and pronouncements of the Institute of Chartered Accountants of India (ICAI).

#### 7.2.2. Use of Estimates

The presentation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known/ materialized.

#### 7.2.3. Fixed Assets

Fixed assets are stated at cost net of cenvat/value added tax and include amount added on revaluation less accumulated depreciation, amortization and impairment loss, if any.

- ❑ The Company has, upon first time adoption of Ind AS, chosen the option of fair valuation of certain fixed assets and accordingly carried out retrospective application of Ind AS.
- ❑ All costs including financing cost until commencement of commercial operations relating to borrowings attributable to fixed assets, are capitalized.
- ❑ Expenses incurred relating to projects prior to commencement of commercial operation are considered as project development expenditure and shown under capital work-in-progress.
- ❑ In respect of operating leases, rentals are expensed with reference to lease terms and other considerations in compliance with provisions of the Ind AS 17 "Leases" issued by The Institute of Chartered Accountants of India, except for rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalized.
- ❑ In respect of finance leases, the lower of the fair value of the assets and present value of the minimum lease rentals is capitalized as fixed assets with corresponding amount shown as liabilities for leased assets in compliance with the provisions of the AS 17 issued by The Institute of Chartered Accountants of India. The principal component in the lease rental in

respect of the above is adjusted against liabilities for leased assets and the interest component is recognized as an expense in the year in which the same is incurred except in case of assets used for capital projects where it is capitalized.

- Entry fees paid for telecom licenses and infeasible right of connectivity are stated at cost for acquiring the same less accumulated amortization. These are classified as part of fixed assets.

#### 7.2.4. Depreciation/Amortization

- Depreciation on fixed assets is provided on straight line method at the rates and in the manner prescribed in Schedule II to the Companies Act 2013 except in cases of cable systems, customer premises equipment and certain other assets for which useful life has been considered based on technical assessment. Depreciation is net of the amount adjusted from General Reserve in accordance with the Scheme.
- Depreciation on assets taken on finance lease is provided over the remaining period of lease from the commencement of commercial operations.
- Leasehold land is depreciated over the period of the lease term.
- Intangible assets, namely entry fees for telecom licenses are amortized equally over the balance period of licenses from the date of commencement of commercial services or acquisition. Infeasible rights of use are amortized on matching principle basis for the upfront revenue recognition.
- The depreciation schedule for various classes of assets is as follows:

| Asset Class                             | Period (Years)        |
|---|-----------------------|
| Leasehold Land                          | Over the lease period |
| Building                                | 30 & 60               |
| Optic Fiber Cable                       | 35                    |
| Plant and Machinery                     | 10-20                 |
| Furniture, Fixture and Office Equipment | 5-10                  |
| Vehicles                                | 5                     |

#### 7.2.5. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

#### 7.2.6. Investments

Investments are classified into long term and current investments. Investments which are intended to be held for more than one year are classified as long term investments and investments which are intended to be held for less than one year, are classified as current investments.

Current investments are carried at lower of cost and quoted/fair value, computed category wise. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

## **7.2.7. Inventories**

Inventories are valued at lower of cost or net realizable value. Cost of communication devices and accessories and stores and spares are determined on weighted average basis, or net realizable value whichever is less.

## **7.2.8. Employee Retirement Benefits**

Gratuity and leave encashment liabilities are provided for based on actuarial valuation. While Company's contributions towards provident fund and superannuation fund are provided on actual contribution basis in accordance with the related stipulation.

## **7.2.9. Borrowing Cost**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets up to the commencement of commercial operations. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. Other borrowing costs are recognized as expense in the year in which they are incurred.

## **7.2.10. Foreign Currency Transactions**

- ❑ Transactions denominated in foreign currencies are normally recorded at the exchange rates prevailing at the time of the transaction.
- ❑ Monetary items denominated in foreign currencies at the year end are restated at the year end rates. In case of monetary items, which are covered by forward exchange contracts, the difference between the yearend rate and the rate on the date of the contract is recognized as exchange difference and the premium paid on forward contracts has been recognized over the life of the contract.
- ❑ Non monetary foreign currency items are carried at cost.
- ❑ All long term foreign currency monetary items consisting of loans which relate to acquisition of depreciable capital assets at the end of the period/ year have been restated at the rate prevailing at the Balance Sheet date. The exchange difference arising as a result has been added or deducted from the cost of the assets as per the notification issued by the Ministry of Company Affairs (MCA) dated 29th December, 2011 and 9th August 2012, and depreciated over remaining life of the capital asset. Exchange difference on other long term foreign currency loans is accumulated in "Foreign Currency Monetary item Translation Difference account" which will be amortized over the balance period of loans.
- ❑ Any income or expense on account of currency exchange difference, either on settlement or on translation, is recognized in the profit and loss account. Forex loss/ gain in case of monetary items other than mentioned above, is debited/ credited to Profit and Loss Account.
- ❑ Any income or loss arising out of marking derivative contracts to market price is recognized in the profit and loss account.



#### **7.2.11. Revenue Recognition**

Revenue (income) is recognized as and when the services are performed on the basis of actual usage of the Company's network. Revenue on upfront charges for services with lifetime validity and fixed validity periods are recognized over the estimated useful life of subscribers and specified fixed validity period, where significant. The estimated useful life is consistent with estimated churn of the subscribers. Revenue from indefeasible rights of use (IRU) granted for network capacity is recognized as license income on activation of circuits over the period of the contract.

#### **7.2.12. Provision for Doubtful Debts**

Provision is made in the accounts for doubtful debts based on Expected Loss Model as required under Ind AS.

#### **7.2.13. Miscellaneous Expenditure**

Miscellaneous expenses are charged to profit and loss account as and when they are incurred.

#### **7.2.14. Taxes on Income**

Provision for income tax is made on the basis of estimated taxable income for the year at current rates. Tax expenses comprise both current tax and deferred tax at the applicable enacted or substantively enacted rates. Current tax represents the amount of income tax payable/recoverable in respect of the taxable income/loss for the reporting period. Deferred tax represents the effect of timing difference between taxable income and accounting income for the reporting period that originate in one period and are capable of reversal in one or more subsequent periods.

#### **7.2.15. Government Grants**

Subsidies provided by Government for providing telecom services in rural areas are recognized as other operating income.

#### **7.2.16. Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

## 8. Notes to Accounts (As reported to stock exchanges)

1. Figures of the previous period have been regrouped and reclassified, wherever required
2. Pursuant to the Schemes of Arrangement ("the Schemes") sanctioned by the Hon'ble High Court of Judicature at Bombay, exchange variation on account of changes in exchange rates including amortisation of the balance in "Foreign Currency Monetary Item Translation Difference Account (FCMITDA)" and depreciation consequent to addition of exchange differences to the cost of capitalised assets aggregating to ₹ 275 crore and ₹ 713 crore during the quarter and nine months ended December 31, 2016 respectively, are withdrawable from General Reserve. These withdrawable items are not considered in the accounts for the quarter and nine months ended on December 31, 2016 and consequently, no withdrawal has been made. The necessary effects, if any, will be carried out at the year end. Also, the Company has, as permitted under the said Schemes, adjusted additional depreciation and amortisation of ₹ 170 crore and ₹ 635 crore, arising on fair value of the assets, for the quarter and nine months ended on December 31, 2016 respectively by withdrawing an equivalent amount from General Reserve. These matters have been referred to by the Auditors in their Limited Review Report.
3. The listed Redeemable Non Convertible Debentures (NCDs) of the Company aggregating to ₹ 4,625 crore as on December 31, 2016 are secured by way of first pari passu charge on the whole of the movable properties, plant and equipment and Capital Work in Progress, both present and future, including all insurance contracts relating thereto of the Borrower Group; comprising of the Company and its subsidiary companies namely; Reliance Telecom Limited (RTL), Reliance Infratel Limited (RITL) and Reliance Communications Infrastructure Limited (RCIL). Out of the above, in case of NCDs of ₹ 1,625 crore, the Company has also assigned Telecom Licences, by execution of Tripartite Agreements with Department of Telecommunications (DoT). Further, NCDs of ₹ 500 crore have been secured by pledge of equity shares of RCIL held by the Company and of RTL held by the Company and Reliance Infocomm Infrastructure Limited (RIIL) by execution of the Share Pledge Agreement. The asset cover in case of these NCDs exceeds 100% of the principal amount of the said NCDs.
4. Pursuant to execution of the Acquisition Agreement dated December 21, 2016 between the Company and Brookfield Infrastructure Group (Brookfield) in relation to transfer of Reliance Infratel Limited's (RITL's) nationwide tower business and related infrastructure to Brookfield, a Scheme of Arrangement (the Scheme) under Section 230 to 240 of the Companies Act, 2013 has been filed on January 30, 2017 with the Mumbai Bench of the National Company Law Tribunal ("NCLT") for demerger of Tower Business of Reliance Infratel Limited (RITL, a subsidiary) into another subsidiary namely Towercom Infrastructure Private Limited (Towercom), which on transfer thereof upon completion of the said Scheme will be wholly owned and independently managed by affiliates of Brookfield. The consideration subject to adjustment as per the Acquisition Agreement shall be discharged by issue of Non Convertible Debentures of the face value of ₹ 6,900 crore and Redeemable Preference Shares of the face value of ₹ 100 crore plus takeover of debt of upto ₹ 4,000 crore. Also, in accordance with the Share Subscription Agreement dated December 21, 2016, the Company will be entitled to subscribe by itself or through eligible nominees to specified shares of Towercom which based on certain conditions will entitle the holder of the said shares to 49% of the future economic upside from the said Tower Business. Considering that the Agreements are subject to various conditions precedent, no effect is given to these agreements and Scheme in the Accounts.
5. During the quarter under review, Reliance Globalcom Services Inc., a wholly owned subsidiary of the Company divested Ethernet Business Division including customer contracts, which did not contribute any significant revenue and/ or net worth on consolidation.

## 9. Glossary

### Key Performance Indicators and Financial Terms

| Key Performance Indicators         |   |
|------------------------------------|---|
| ARPU                               | Computed by dividing total India telecom operations revenue for the relevant period by average customers; and dividing the result by the number of months in the relevant period.                                     |
| Voice ARPU                         | Computed by dividing total India voice revenue for the relevant period by average customers; and dividing the result by the number of months in the relevant period.  |
| Churn                              | Computed by taking average monthly disconnections divided by opening monthly subscriber base in the relevant period. Churn is expressed as a percentage.  |
| Total minutes of usage (MoU)       | Sum of all incoming and outgoing minutes used on the access network by all customers in aggregate.  |
| Voice Usage per customer (min/sub) | Total voice minutes divided by average number of customers on the network in the relevant period. The result is expressed as the average per customer per month.  |
| Revenue per minute (RPM)           | ARPU divided by the average voice usage customer per month.   |
| Voice revenue per minute (RPM)     | Voice ARPU divided by the average voice usage customer per month.   |
| ILD minutes                        | Total of incoming and outgoing international long distance minutes carried on the network. This includes minutes originating or terminating in India, international transit minutes, and global calling card minutes. |
| NLD minutes                        | Total of national long distance minutes carried by the Company under NLD license  |
| Total data subscribers             | Any subscriber with data usage of more than one Mb in one month.  |
| Total data volume                  | Data usage by data subscribers in the relevant period.  |
| Data usage per customer            | Total data usage divided by average number of data subscribers on the network in the relevant period. The result is expressed as the average per customer per month.  |
| 3G/4G customers                    | Any subscriber having made at least one revenue generating call or data usage of more than one Mb in one month.   |

| Financial Terms             |  |
|-----------------------------|--|
| Net revenue                 | Total revenue less (1) revenue share and spectrum fees (referred to as "License Fees") and (2) interconnect usage charges (referred to as "Access Charges"). |
| Cash profit from operations | Is defined as the profit after tax plus depreciation and amortization.   |

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