

RELIANCE

Communications

**Annual Report
2011-12**



Dhirubhai H. Ambani

(28th December, 1932 - 6th July, 2002)

Reliance Group - Founder and Visionary

Profile

Reliance Communications Limited is the flagship Company of Reliance Group, one of the leading business houses in India.

Reliance Communications is India's foremost and truly integrated telecommunications service provider. The Company, with a customer base of 161 million as on March 31, 2012 including over 2.5 million individual overseas retail customers, ranks among the Top 4 Telecom companies in the world by number of customers in a single country. Reliance Communications corporate clientele includes over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers.

Reliance Communications has established a pan-India, next generation, integrated (wireless and wireline), convergent (voice, data and video) digital network that is capable of supporting best-of-class services spanning the entire communications value chain, covering over 24,000 towns and 600,000 villages.

Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 2,77,000 kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.

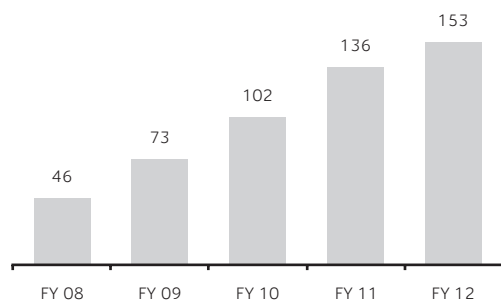
Mission: Excellence in Communication Arena

- To attain global best practices and become a world-class communication service provider – guided by its purpose to move towards greater degree of sophistication and maturity.
- To work with vigour, dedication and innovation to achieve excellence in service, quality, reliability, safety and customer care as the ultimate goal.
- To earn the trust and confidence of all stakeholders, exceeding their expectations and make the Company a respected household name.
- To consistently achieve high growth with the highest levels of productivity.
- To be a technology driven, efficient and financially sound organisation.
- To contribute towards community development and nation building.
- To be a responsible corporate citizen nurturing human values and concern for society, the environment and above all, the people.
- To promote a work culture that fosters individual growth, team spirit and creativity to overcome challenges and attain goals.
- To encourage ideas, talent and value systems.
- To uphold the guiding principles of trust, integrity and transparency in all aspects of interactions and dealings.

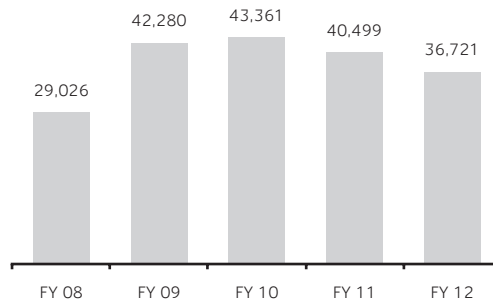
Reliance Communications Limited

Highlights – at a glance on consolidated basis

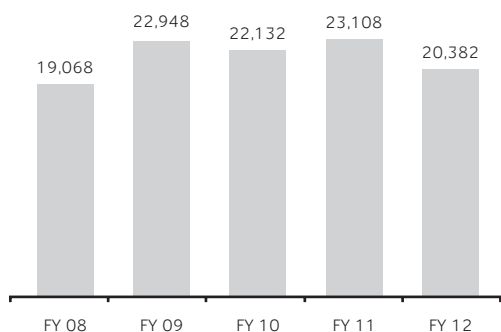
Wireless Subscribers (in Million)



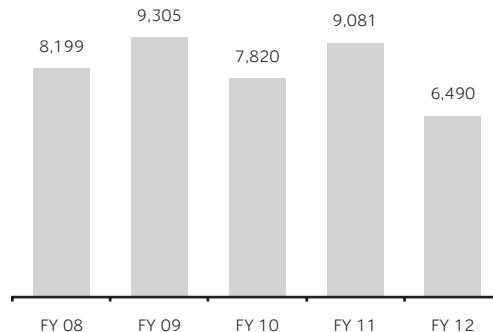
Net Worth (₹ in Cr.)



Revenue (₹ in Cr.)



EBITDA (₹ in Cr.)



Business Mix

Wireless

- Mobile (CDMA, GSM & 3G)
- VAS (Mobile World)
- Wireless Data
- Fixed Wireless
- Public Access Business

Telecom Infrastructure

- Multi tenancy towers
- Pan-India coverage
- Backhaul
- Support systems
- 3G

Globalcom

- Submarine cable
- Ethernet Data services
- Global Managed Network Services
- Long Distance (NLD/ILD)
- Global Call

RELIANCE
Communications

Enterprise

- Internet Data Center
- Broadband
- Leased Line
- Office Centrex
- MPLS & VPN
- WiMax

Home

- DTH

Other businesses

Tech Services

- Leveraging Internal IT Development Capabilities

BPO

- Expertise in Telecom BFSI, Utilities & Media

Retail

- Reliance World
- Reliance Mobile Store

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Company Secretary and Manager		
Shri Prakash Shenoy		
Auditors		
M/s. Chaturvedi & Shah		
M/s. B S R & Co.		
Registered Office		
H Block, 1 st Floor		
Dhirubhai Ambani Knowledge City		
Navi Mumbai 400 710		
Maharashtra, India		
Registrar and Transfer Agent		
Karvy Computershare Private Limited		
Madhura Estates, Municipal No. 1-9/13/C		
Plot No. 13 & 13C, Madhapur Village		
Hyderabad 500 081		
Andhra Pradesh, India		
Website: www.karvy.com		
Investor Helpdesk		
Toll free no. (India) : 1800 4250 999		
Telephone no. : +91 40 4030 8000		
Fax no. : +91 40 2342 0859		
Email : rcom@karvy.com		
Post your request : http://kcpl.karvy.com/adag		

8th Annual General Meeting on Tuesday, September 4, 2012 at 12.00 noon or soon after conclusion of the Annual General Meeting of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

The Annual Report can be accessed at www.rcom.co.in



My dear fellow Shareowners,

It gives me great pleasure that Reliance Communications (RCOM) has had another year of steady performance despite the recent slowdown in the Indian economy and the continuing global financial crisis. The steady results were achieved due to our unique position in the industry and our ability to offer our growing base of loyal subscribers the choice of world class services on CDMA, GSM and 3G technology platforms.

With a customer base of over 161 million individual, enterprise, and carrier customers as on March 31, 2012, RCOM is India's one of the largest integrated communications service providers in the private sector. Our corporate clientele includes over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers. The enterprise customer base of the Company includes 850 of the top 1,000 enterprises in India.

Our superior 3G offering coupled with marquee partnerships will further accelerate the acquisition of high end customers helping us in generating higher incremental revenue per customer. The high speed data offering on our CDMA network will also add to our undisputed leadership position in the wireless data space. Our mobile portal, R World, offers the widest range of mobile content spanning e-commerce, m-commerce, entertainment, music, news, astrology, cricket, bollywood, maps, search, one-click set-up, access to email and social networking. It provides full range of communication tools, information and entertainment that comes with a personal computer, at the price and convenience of a handset.

RCOM became the first telecom operator to enter the Android tablet space in the country with the launch of 'Reliance 3G Tab' in August, 2011. 'Reliance 3G Tab' is the first branded 3G+ WiFi Android Tablet by a service provider in India.

Data has been the key driver of growth over the last year. Our customers are increasingly drawn to the experience of the mobile internet and related services. In addition to continuing on conventional voice-based model, we are now focusing on providing innovative and affordable high-speed data services catering to the needs of all customer segments. We look forward to strengthening our leadership position in voice as well as in data services.

RCOM owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 2,77,000 route kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. We offer the most comprehensive and competitive portfolio of enterprise, voice, data, video, internet and IT infrastructure services catering to large, medium and small enterprises for their communications, networking and IT infrastructure needs.

Performance review

The financial year 2012 witnessed highly competitive environment in the telecom industry resulting in substantial

decrease in tariff rates. Despite this, RCOM was able to achieve steady growth during the year.

The key financial highlights on a consolidated basis are:

- a) Total revenues of ₹ 20,382 crore (US\$ 4,006 million).
- b) Net profit after tax ₹ 988 crore (US\$ 194 million).
- c) Total operating expenditure ₹ 13,892 crore (US\$ 2,737 million).
- d) Total assets of ₹ 92,690 crore (US\$ 18,219 million). Stakeholders equity was ₹ 36,721 crore (US\$ 7,218 million), while net debt (excluding cash and cash equivalents) was ₹ 35,849 crore (US\$ 7,047 million), giving a net debt to equity ratio of 0.98 times.

Segments

1) Wireless

RCOM offers CDMA and GSM based wireless services on a nationwide basis. We are among the top two providers of wireless communication services in the country, with a wireless subscriber base of over 153 million as of March 31, 2012 representing a market share of 16.7 per cent.

We have rolled out 3G services in all telecom circles where we have won 3G spectrum, covering over 333 towns. On CDMA platform, our high speed data offering "Netconnect Broadband+" services are available in over 1,000 cities with seamless handover to 1x service across 20,000 towns.

After the success of the 'Reliance 3G Tab', we launched the Reliance CDMA Tab that would allow roaming in over 1,000 towns in the High Speed Data mode and across 20,000 towns on 1x mode.

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 and SoHo customers. Additionally, we provide connectivity for devices such as point of sale terminals and ATM terminals.

2) Global and Enterprise

In order to maximise operating synergies, the business units of Global and Enterprise Broadband have been combined into an integrated "Global Enterprise Business Unit" (GEBU). The GEBU offers the most comprehensive portfolio of Enterprise, IT infrastructure, National and International long distance voice, video and data network services on an integrated and highly scalable platform. Our business segments comprise Carrier, Enterprise and Consumer business units.

In India, we provide long distance business services including wholesale voice, bandwidth and infrastructure

Letter to Shareowners

services, national and international private leased circuits, broadband internet access, audio and video conferencing, MPLS-VPN, remote access VPN, Centrex, toll-free services voice services for offices, voice VPN for corporates and managed Internet Data Centre ("IDC") services.

We are leveraging our existing metro fibre optic networks to establish direct building connectivity. Currently we are operating in 44 cities in India with more than 1.16 million buildings connected directly to our network, serviced by more than 1.52 million access lines. We have established an enterprise customer base of over 35,000 corporations and SMEs which include over 850 of the Top 1,000 Indian enterprises and MNCs. We are the clear market leader in IDC services (Reliance Data Center) with more than 60 per cent market share.

Globally, we provide carrier's carrier voice, carrier's carrier bandwidth, enterprise data and consumer voice services. We entered the long distance market in India in mid-2003 and are one of the largest carriers of international voice minutes with a market share of 30 per cent for ILD wholesale inbound traffic.

As part of our Consumer voice offering, we offer virtual international calling services to retail customers for calls to 230 international destinations including India under the brand Reliance Global Call. Our retail services are available to customers in 14 countries. We have over 2.5 million customers for our Reliance Global Call service.

Our international data business is underpinned by our ownership of the largest private submarine cable system in the world, directly connecting 40 countries from the East coast of the United States, to Europe, the Middle East, India, South and East Asia, through Japan. The network seamlessly interconnects with our 1,90,000 route Kilometres fibre optic cables within India.

As part of wholesale offering, we offer national and 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 are among the top 10 Managed Ethernet service providers in the US and have a strong position in the global enterprise data market. We have over 2,100 enterprise customers globally in developed markets of the US, UK, France, Germany, Benelux, Singapore and Australia.

3) Telecom Infrastructure

Reliance Infratel Limited, a subsidiary of RCOM has signed contracts with new and existing operators for providing passive infrastructure which has been an effective strategy for our customers for cost effective network rollout and improvement in quality of service.

We own 190,000 route kilometres of optical fibre network, providing a more economical and better quality linking for our tenants as compared to microwave connectivity. RCOM's current utilisation of tower slot assets is nearly 50

per cent and this provides significant potential for 3rd party tenants. It complements the existing passive infrastructure and provide an integrated solution to tenants.

As such, we offer our customers an extensive and diverse portfolio of well-positioned assets and we believe that our wide and expanding portfolio of tower sites positions us to be able to address the needs of national, regional, local and emerging wireless service providers in India.

4) Home

Our Direct-To-Home (DTH) digital TV Business has moved into its 4th full year of operations. Reliance Digital TV offers a full combo of Standard 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 250 channels in HD like quality. Reliance offers nationwide Direct-To-Home satellite TV services, employing state-of-the-art MPEG4 technology.

Reliance Digital TV is available across 8,300 towns in the country. Reliance Digital TV currently has 4.3 million subscribers, with 10 per cent share of the DTH market in India. This year we launched India's first High Definition cum advanced Digital Video Recorder (HD DVR) STB.

Corporate Governance

RCOM has always maintained the best governance standards and practices by adopting, as is the norm for all constituent companies of the Group, the "Reliance Group - Corporate Governance Policies and Code of Conduct". These Policies and Code prescribe a set of systems, processes and principles, which conform to the highest international standards and are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors, both local and global, and all other stakeholders.

Social Commitment

We have undertaken several important initiatives and measures in the six core areas of environment, community development, education, women's empowerment, social awareness and health, signifying our continued and long standing commitment to social and community welfare.

Our Commitment

We will continue our journey towards becoming a truly global Company. Our vision is continued growth and improved operational efficiency. Our founder, the legendary Shri Dhirubhai Ambani, gave us a simple mantra: to aspire to the highest global standards of quality, efficiency, operational performance and customer care. We remain committed to upholding that vision. Dhirubhai exhorted us to think big. With your continued support, we will think bigger. Indeed not just bigger but better, creating ever greater value for all our stakeholders.


Anil Dhirubhai Ambani
 Chairman

Reliance Communications Limited

Notice

Notice is hereby given that the 8th Annual General Meeting of the Members of **Reliance Communications Limited** will be held on Tuesday, September 4, 2012 at 12.00 noon or soon after conclusion of the Annual General Meeting of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020, to transact the following business:

Ordinary Business:

1. To consider and adopt the audited Balance Sheet as at March 31, 2012, the audited statement of Profit and Loss for the financial year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Shri A. K. Purwar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration and in this regard, to consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration No. 101720W) and M/s. B S R & Co., Chartered Accountants (Firm Registration No. 101248W), be and are hereby appointed as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

Special Business:

5. **Increase in Authorised Share Capital and Alteration of Memorandum of Association of the Company.**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (Act) (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the Authorised Share Capital of the Company of ₹ 1500,00,00,000 (Rupees One Thousand Five Hundred Crore) divided into 300,00,00,000 (Three Hundred Crore) equity shares of ₹ 5 (Rupees Five) each be and is hereby increased to ₹ 2500,00,00,000 (Rupees Two Thousand Five Hundred Crore) divided into 500,00,00,000 (Five Hundred Crore) equity shares of ₹ 5 (Rupees Five) each with the power to the Board to decide on the extent of variation in such rights and to classify and re-classify from time to time such shares into any class of shares.

RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following Clause V:

- V. The Authorised Share Capital of the Company is ₹ 2500,00,00,000 (Rupees Two Thousand Five Hundred Crore) divided into 500,00,00,000 (Five Hundred Crore) equity shares of ₹ 5 (Rupees Five) each with the power to the Board to increase or reduce the capital of the Company and/or the nominal value of the shares and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions with or without voting rights, as may be determined

by or in accordance with the Articles of Association of the Company or as may be decided by the Board of Directors or the Company in General Meeting, as applicable, in conformity with the provisions of the Act and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to consolidate or sub-divide the shares and to issue shares of higher or lower denominations in such manner as may for the time being be provided by the Articles of Association of the Company.'

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

6. **Alteration of Articles of Association of the Company.**

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (Act) (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the existing Articles of Association of the Company be and is hereby altered by substituting the existing Article 3 with the following Article:

3. The Authorised Share Capital of the Company is ₹ 2500,00,00,000 (Rupees Two Thousand Five Hundred Crore) divided into 500,00,00,000 (Five Hundred Crore) equity shares of ₹ 5 (Rupees Five) each with the power to the Board to increase or reduce the capital of the Company and/or the nominal value of the shares and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions with or without voting rights, as may be determined by or in accordance with the Articles of Association of the Company or as may be decided by the Board of Directors of the Company or General Meeting, as applicable, in conformity with the provisions of the Act and to vary, modify, amalgamate or abrogate any such rights, privileges or conditions and to consolidate or sub-divide the shares and to issue shares of higher or lower denominations in such manner as may for the time being be provided by the Articles of Association of the Company.'

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

7. **Issue of securities to the Qualified Institutional Buyers.**

To consider and, if thought fit, to pass with or without modification(s) the following resolution as a **Special Resolution**:

- a) RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions of the Companies Act, 1956 (Act) (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing

Notice

Agreements entered into with the Stock Exchanges and subject to the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR"), the provisions of the Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, applicable rules, regulations, guidelines or laws and/or any approval, consent, permission or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or bodies (hereinafter collectively referred to as the "appropriate authorities"), and subject to such conditions as may be prescribed by any one of them while granting any such approval, consent, permission and/or sanction (hereinafter referred to as the "requisite approvals"), which may be agreed to by the Board of Directors of the Company (hereinafter called the "Board" which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), the Board be and is hereby authorised to issue, offer and allot equity shares/fully convertible debentures/partly convertible debentures/non convertible debentures with warrants/ any other securities (other than warrants), which are convertible into or exchangeable with equity shares on such date as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"), to the Qualified Institutional Buyers (QIBs) as per the SEBI ICDR, whether or not such QIBs are Members of the Company, on the basis of placement document(s), at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions and in such manner as the Board may, in its absolute discretion determine, in consultation with the Lead Managers, Advisors or other intermediaries, provided however that the aggregate amount raised by issue of QIP Securities as above shall not result in increase of the issued and subscribed equity share capital of the Company by more than 25 per cent of the then issued and subscribed equity shares of the Company.

- b) RESOLVED FURTHER THAT the relevant date for the determination of applicable price for the issue of the QIP Securities shall be the date on which the Board of the Company decide to open the proposed issue, or the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares, as the case may be ("Relevant Date").
- c) RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of any Securities referred to in paragraph (a) above or as may be necessary in accordance with the terms of the offering, all such shares shall rank pari passu with the then existing shares of the Company in all respects, as may be provided under the terms of the issue and in the offering document.

- d) RESOLVED FURTHER THAT such of these QIP Securities to be issued as are not subscribed may be disposed of by the Board to such person or persons and in such manner and on such terms as the Board may in its absolute discretion thinks fit in accordance with the provisions of law.
- e) RESOLVED FURTHER THAT the issue to the holders of the Securities with equity shares underlying such securities shall be inter alia, subject to suitable adjustment in the number of shares, the price and the time period etc., in the event of any change in the equity capital structure of the Company consequent upon any merger, de-merger, amalgamation, takeover or any other re-organisation or restructuring in the Company.
- f) RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of QIP Securities or instruments representing the same, as described in paragraph (a) above, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its absolute discretion, deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and institution/ trustees/ agents and similar agreements/ and to remunerate the Managers, underwriters and all other agencies/ intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of Securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.
- g) RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of QIP Securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage/ hypothecation/ charge on the Company's assets under Section 293(1)(a) of the said Act in respect of the aforesaid QIP Securities either on pari passu basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this resolution.
- h) RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any other Officer(s)/Authorised Representative(s) of the Company to give effect to the aforesaid resolution."

By Order of the Board of Directors

Prakash Shenoy
Company Secretary

Registered Office:
H Block, 1st Floor
Dhirubhai Ambani Knowledge City
Navi Mumbai 400 710

June 2, 2012

1. **A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote on a poll, instead of himself/herself and the proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the Meeting.**
2. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.
3. Members/Proxies should fill in the Attendance Slip for attending the meeting and bring their Attendance Slip along with their copy of the annual report to the Meeting.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in electronic form are requested to write their DP ID and Client ID number and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting to facilitate identification of membership at the Meeting.
6. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of the Meeting. The certificate from the Auditors of the Company confirming the compliance of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 with respect to the Company's ESOS Plans will be available for inspection at the Meeting.
7.
 - a. The Company's Register of Members and Transfer Books will remain closed from Saturday, August 25, 2012 to Tuesday, September 4, 2012 (both days inclusive) for the purpose of Annual General Meeting and for determining the names of members eligible for dividend, if declared, on equity shares for the year ended March 31, 2012.
 - b. The dividend on equity shares, as recommended by the Board of Directors, if declared at the Meeting, will be paid after the Meeting.
 - c. Members may please note that the dividend warrants shall be payable at par at the designated branches of the Bank for an initial period of three months only. Thereafter, the dividend warrants on revalidation shall be payable only at limited centres/ branches of the said Bank. The members are therefore, requested to encash dividend warrants within the initial validity period.
8. Members may please note that for shares in electronic form, bank particulars registered against their depository accounts will be used by the Company for payment of dividend. Members are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. The Company or its Registrar and Transfer Agent cannot change bank particulars or bank mandates for shares in electronic form.
9. Members holding shares in physical form are requested to advise any change of address immediately to the Company/ Registrar and Transfer Agent, Karvy Computershare Private Limited.
10. Non-resident Indian members are requested to inform Karvy Computershare Private Limited immediately on:
 - a. the change in the residential status on return to India for permanent settlement; and
 - b. the particulars of the bank accounts maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.
11. Re-appointment of Director: At the ensuing Meeting, Shri A. K. Purwar, Director of the Company retires by rotation and being eligible, offers himself for re-appointment. The details pertaining to Shri A. K. Purwar required to be provided pursuant to the requirements of Clause 49 of the listing agreement are furnished in the statements on Corporate Governance forming part of this Annual Report.
12. Members are advised to refer the section titled "Investor Information" provided in this Annual Report.
13. Members are requested to fill in and send the Feedback Form provided in the 'Investor Relations' section on the Company's website www.rcom.co.in to aid the Company in its constant endeavour to enhance the standards of service to investors.
14. The statement containing the salient features of the balance sheet, statement of profit and loss and auditors' report (Abridged Financial Statements), is sent to the members, along with Abridged Consolidated Financial Statements. Any member interested in obtaining a copy of the full Annual Report, may write to the Registrar and Transfer Agent of the Company.
15. An Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, relating to special business to be transacted at the Meeting is annexed hereto.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated June 2, 2012.**Item Nos. 5 & 6 Increase in Authorised Share Capital and Alteration of Memorandum of Association and Articles of Association.**

The Company, in order to meet its growth objectives and to strengthen its financial position, may be required to generate long term resources by issuing securities. It is therefore deemed appropriate to increase the Authorised Share Capital of the Company from ₹ 1,500 crore to ₹ 2,500 crore and for that purpose, the Memorandum of Association and the Articles of Association of the Company are proposed to be suitably altered by passing Ordinary resolution and Special resolution as set out at Item Nos. 5 and 6 respectively, of the accompanying Notice.

The provisions of the Companies Act, 1956 require the Company to seek the approval of the Members for increase in the authorised share capital and for the alteration of capital clause of the Memorandum of Association and the Articles of Association of the Company.

A copy of the Memorandum and Articles of Association together with the propose alterations is available for inspection by members on any working days, except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting at the registered office of the Company.

The Board of Directors accordingly recommends the resolutions set out at Item Nos. 5 and 6 of the accompanying Notice for the approval of the Members.

None of the Directors and Manager of the Company is, in any way, concerned or interested in the said resolutions.

Item No. 7 Issue of securities to the Qualified Institutional Buyers.

The Company, in order to enhance its global competitiveness and its ability to compete with the peer group in the domestic and international markets, may need to strengthen its financial position and net worth by augmenting its long term resources.

For the above purposes as also for meeting the requirements for general corporate purposes, as may be decided by the Board from time to time, it is proposed to seek the enabling authorisation of the Members of the Company in favour of the Board of Directors ("Board" which expression for the purposes of this resolution shall include any committee of Directors constituted/ to be constituted by the Board), without the need for any further approval from the Members, to undertake the Qualified Institutional Placement ("QIP") with the Qualified Institutional Buyers ("QIB"), in accordance with the provisions of Chapter VIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended from time to time ("SEBI ICDR"), as set out in the special resolution at Item No. 7 of the accompanying Notice.

In view of above, the Board may, in one or more tranches, issue, offer and allot equity shares/ fully convertible debentures/ partly convertible debentures/ non convertible debentures with warrants/ any other securities, which are convertible into or exchangeable with equity shares on such date(s) as may be determined by the Board but not later than 60 months from the date of allotment (collectively referred to as "QIP Securities"). The QIP Securities proposed to be issued by the Board shall be subject to the provisions of the SEBI ICDR including the pricing, which will not be less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchanges during the two weeks preceeding the relevant date. The relevant date for the determination of applicable

price for the issue of the QIP Securities shall be the date of the meeting in which the Board of the Company decides to open the proposed issue or in case of securities which are convertible into or exchangeable with equity shares at a later date, the date on which the holder of such securities becomes entitled to apply for the said shares, as the case may be.

For the reasons aforesaid, an enabling special resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The QIP Securities issued pursuant to the offering would be listed on the Indian stock exchanges.

The proposed issue of QIP Securities as above may be made in one or more tranches such that the aggregate amount raised by the issue of QIP Securities shall not result in the increase of the issued and subscribed equity share capital of the Company by more than 25 per cent of the then issued and subscribed equity shares of the Company as on the relevant date. The proposed special resolution is only enabling in nature and the Board may from time to time consider the extent if any, to which the proposed securities may be issued.

The QIP Securities issued pursuant to the offer, if necessary, may be secured by way of mortgage/ hypothecation on the Company's assets as may be finalized by the Board in consultation with the Security Holders/ Trustees in favour of Security Holders/ Trustees for the holders of the said securities. The security that may have to be created for the purposes of this issue, as above may come within the purview of Section 293(1) (a) of the Companies Act, 1956. Necessary approval has already been accorded by Members of the Company for creation of such Security(ies) by passing of resolution through postal ballot on March 31, 2006.

Section 81(1A) of the Companies Act, 1956 and Listing Agreement entered into with the Stock Exchanges, provide, inter alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons, who on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid-up on those shares as of that date unless the Members decide otherwise. The Special Resolution seeks the consent and authorisation of the Members to the Board of Directors to offer and issue the QIP Securities, in consultation with the Lead Managers, Legal Advisors and other intermediaries to offer and issue the QIP Securities to any persons, whether or not they are members of the Company.

The Board of Directors accordingly recommends the special resolution set out at Item No.7 of the accompanying Notice for the approval of the Members.

None of the Directors and Manager of the Company is, in any way, deemed to be concerned or interested in the said resolution, except to the extent of their shareholding in the Company.

By Order of the Board of Directors

Prakash Shenoy
Company Secretary

Registered Office:
H Block, 1st Floor
Dhirubhai Ambani Knowledge City
Navi Mumbai 400 710

June 2, 2012

Reliance Communications Limited

Directors' Report

Dear Shareowners,

Your Directors have pleasure in presenting the 8th Annual Report and the audited accounts for the financial year ended March 31, 2012.

Financial Results

The standalone performance of the Company for the financial year ended March 31, 2012 is summarised below:

Particulars	Financial Year ended March 31, 2012		* Financial Year ended March 31, 2011	
	₹ in crore	US\$ in million**	₹ in crore	US\$ in million**
Total income	11,863	2,332	13,282	2,978
Gross profit before depreciation, amortisation and exceptional items	1,896	373	735	165
Less:				
a. Depreciation and amortisation	1,741	342	1,595	358
b. Exceptional items and other adjustments	-	-	-	-
Profit/(Loss) before tax	155	31	(860)	(193)
Less: Provision for:				
Current tax/ Excess provision for Tax of earlier years	(1)	-	(102)	(23)
Profit/(Loss) after tax	156	31	(758)	(170)
Add : Balance brought forward from previous year	-	-	662	149
Profit available for appropriation	156	31	(96)	(21)
Appropriations:				
Proposed Dividend on equity shares	52	10	103	23
Dividend Tax	8	2	17	4
Transfer (from) /to General Reserve	-	-	(216)	(48)
Transfer to Debenture Redemption Reserve	91	18	-	-
Balance carried to Balance Sheet	5	1	-	-

* Figures of previous year have been regrouped and reclassified, wherever required.

** Exchange Rate ₹ 50.875 = US\$ 1 as on March 31, 2012 (₹44.595 = US\$1 as on March 31, 2011).

Financial Performance

During the year under review, your Company has earned income of ₹ 11,863 Crore against ₹ 13,282 crore for the previous year. The Company has earned Profit of ₹ 156 crore for the year as compared to loss of ₹ 758 crore in the previous year.

Dividend

Your Directors have recommended a dividend of ₹ 0.25, (5 per cent) per equity share each of ₹ 5 for the financial year ended March 31, 2012, which, if approved at the ensuing 8th Annual General Meeting (AGM), will be paid to (i) those equity shareholders whose names appear in the Register of Members as on close of the day on August 24, 2012, and (ii) to those equity shareholders whose names appear as beneficial owners as on close of the day on August 24, 2012, as furnished by the National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.

Business Operations

The Company together with its subsidiaries operates on a pan-India basis and offers the full value chain of wireless (CDMA and GSM including 3G services), wireline, national long distance, international, voice, data, video, Direct-To-Home (DTH) and internet based communications services under various business units organised into strategic customer facing business segments; Wireless, Global and Broadband. These strategic business units are supported by passive infrastructure connected to nationwide backbone of Optic Fibre Network as well as fully integrated network operation system and by the largest retail distribution and customer services facilities. The Company also owns through its subsidiaries, a global submarine cable network infrastructure and offers managed services, managed Ethernet and application delivery services.

During the year under review, the Company had crossed 153 million wireless customers as on March 31, 2012. The Company ranks among the top two wireless operators in the country.

Directors' Report

Redemption of Zero Coupon Foreign Currency Convertible Bonds (FCCBs) of US\$ 500 Million and US\$ 1000 Million

On May 10, 2011, being the due date, the Company redeemed outstanding FCCBs as per terms and conditions of US\$ 500 million. In view of this redemption, the Company would not be required to allot 2,74,13,085 equity shares of ₹ 5 each arising out of conversion of the said FCCBs.

On March 1, 2012, being the due date, the Company also redeemed outstanding FCCBs as per terms and conditions of US\$ 1,000 million. In view of this redemption, the Company would not be required to allot 6,17,25,849 equity shares of ₹ 5 each arising out of conversion of the said FCCBs.

Facility Agreement with Banks

During the year under review, the Company has availed drawdown of second and third tranches of disbursements of the loan sanctioned; aggregating to ₹ 2,980 crore (US\$ 666 Million) for refinancing 3G spectrum fee paid by the Company and ₹ 715 crore (US\$ 141 Million) for equipment imports by the Company and Reliance Telecom Limited (RTL), a wholly owned subsidiary.

During the year under review, Company has also successfully completed refinancing of redemption value of its outstanding FCCBs of ₹ 6,000 crore (US\$ 1,182 million) on maturity thereof by availing funds from consortium consist of Industrial and Commercial Bank of China Ltd (ICBC), China Development Bank Corporation (CDB) and Export Import Bank of China (EXIM).

Schemes of Arrangements

- (a) Scheme of Arrangement with Global Innovative Solutions Private Limited (GISPL).

As reported in the annual report of the previous year, GISPL, a wholly owned subsidiary of the Company, amalgamated with the Company in terms of the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Judicature at Bombay vide order dated April 29, 2011 and effective from May 25, 2011.

- (b) Re-organisation of subsidiary companies.

1. As reported in the annual report of the previous year, the Hon'ble High Court of Judicature at Bombay sanctioned the following Schemes of Arrangement vide orders dated May 6, 2011.
 - i. Reliance Communications Maharashtra Private Limited, a wholly owned subsidiary of Reliance Telecom Limited (RTL) merged into RTL.
 - ii. Matrix Innovations Limited, a wholly owned subsidiary of Reliance Communications Infrastructure Limited (RCIL) merged into RCIL.
 - iii. Reliance Global IDC Limited, a wholly owned subsidiary of Reliance Infratel Limited (RITL) merged into RITL.

The above mentioned Schemes were effective from May 25, 2011.

2. Scheme of Arrangement between Netizen Rajasthan Limited and Reliance Infratel Limited.

During the year under review, Netizen Rajasthan Limited, a wholly owned subsidiary of RITL, a subsidiary of the Company, amalgamated with RITL in terms of the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Judicature at Bombay vide order dated April 20, 2012 effective from May 15, 2012. The appointed date was March 1, 2012.

Management Discussion and Analysis

Management Discussion and Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India is presented in a separate section forming part of this Annual Report.

The Company has during the year, entered into various contracts in the areas of telecom and value added service businesses. While benefits from such contracts will accrue in the future years, their progress is periodically reviewed.

Subsidiary Companies

During the year under review, Vanco Euronet Sro, Vanco Net Direct Limited, WANcom GmbH ceased to be subsidiaries of the Company. In accordance with the general circular issued by the Ministry of Corporate Affairs (MCA), Government of India (GOI), Balance Sheet, Statement of Profit and Loss and other documents of the subsidiary companies are not attached with the Balance Sheet of the Company. The Company shall make available the copies of annual accounts of the subsidiary companies and related detailed information to the shareholders of the Company seeking the same. The annual accounts of the subsidiary companies will also be kept for inspection by any shareholder at the Registered Office of the Company and that of respective subsidiary companies.

Further, pursuant to Accounting Standard (AS)-21 prescribed under the Companies (Accounting Standards) Rules, 2006 and the Listing Agreement, Consolidated Financial Statements presented herein by the Company include financial information of subsidiary companies, which forms part of this Annual Report.

Directors

In terms of the provisions of the Companies Act, 1956, Shri A. K. Purwar, Director of the Company retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting (AGM).

A brief resume of the Director retiring by rotation at the ensuing AGM, nature of expertise in specific functional areas and names of the companies in which he holds directorship and/or membership/ chairmanships of Committees of the respective Boards, shareholding and relationship between directors inter se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is given in the section on Corporate Governance Report forming part of this Annual Report.

Reliance Communications Limited

Directors' Report

Directors' Responsibility Statement

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- in the preparation of the annual accounts for financial year ended March 31, 2012, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the Profit of the Company for the year under review;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- the Directors had prepared the annual accounts for financial year ended March 31, 2012 on a 'going concern' basis.

Consolidated Financial Statements

The Audited Consolidated Financial Statements, based on the financial statements received from subsidiaries, joint ventures and associates, as approved by their respective Board of Directors have been prepared in accordance with AS-21 on 'Consolidated Financial Statements' read with AS-23 on 'Accounting for Investments in Associates' and AS-27 on 'Financial Reporting of Interests in Joint Venture', notified under Section 211(3C) of the Companies Act, 1956 read with the Accounting Standards Rules as applicable.

Auditors and Auditors' Report

M/s. Chaturvedi & Shah, Chartered Accountants and M/s. B S R & Co., Chartered Accountants, the Auditors of the Company hold office until the conclusion of the ensuing AGM and are eligible for re-appointment.

The Company has received letters from M/s. Chaturvedi & Shah, Chartered Accountants and M/s. B S R & Co., Chartered Accountants, to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956, and that they are not disqualified

for such appointment within the meaning of Section 226 of the Companies Act, 1956.

The observations and comments given by the Auditors in their report read together with notes to Accounts are self explanatory and hence do not call for any further comments under Section 217 of the Companies Act, 1956.

Cost Auditors

Pursuant to the direction of the Central Government that the cost accounts maintained by the Company be audited by a cost auditor, the Company has appointed M/s. V J Talati & Company, Cost Accountants, as Cost Auditors for conducting the cost audit for the telecommunications businesses of the Company for the financial year ending March 31, 2013.

Initial Public Offering of Subsea telecommunication infrastructure network business

The Company is evaluating potential initial public offering and listing in Singapore of Reliance Globalcom Limited, a subsidiary company which has subsea telecommunications infrastructure network business, through a business trust in Singapore, subject to all necessary permissions, sanctions and approvals. The cornerstone of the Company's strategy for consistent growth in future will always be sustainable value creation for all stakeholders of the Company.

Particulars of Employees

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and the Companies (Particular of Employees) Amendment Rules, 2011, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, having regard to the provisions of Section 219(1)(b) (iv) of the Companies Act, 1956, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

Employees Stock Option Scheme

During the year under review, the Company has not granted any Options to the employees of the Company. Employees Stock Option Scheme (ESOS) was approved and implemented by the Company and Options were granted to employees under ESOS Plan 2008 and Plan 2009 in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('the SEBI Guidelines').

The particulars as required under Clause 12 of the SEBI Guidelines are as follows:

Particulars	ESOS Plan 2008	ESOS Plan 2009
a) Total Options granted	1,49,91,185 Options	1,32,17,975 Options
b) No of Options surrendered	1,32,17,975 Options	2,44,000 Options
c) Pricing formula decided by ESOS Compensation Committee	Market Price or such other price as Board / Committee may determine. Different Exercise price may apply to different Plan(s).	Average of the weekly high and low of the closing price of the equity share of the Company at National Stock Exchange of India Limited during two weeks preceding the date of Grant i.e. January 16, 2009.
d) Options vested	8,75,253 Options	63,34,253 Options

Directors' Report

Particulars	ESOS Plan 2008	ESOS Plan 2009
e) Options exercised	Nil	Nil
f) Total number of equity shares arising as a result of exercise of Options	Subject to Option(s) exercised by the employees, not exceeding 8,75,253 Equity Shares.	Subject to Option(s) exercised by the employees, not exceeding 63,34,253 Equity Shares.
g) Options lapsed/forfeited during the year	3,06,059 Options	24,22,039 Options
h) Variation of terms of Options	None	None
i) Money realised by exercise of Options during the year	Nil	Nil
j) Total number of Options in force at the end of the year	5,69,194 Options	39,12,214 Options
k) Employee wise details of Options granted to: <ul style="list-style-type: none"> i. Senior managerial personnel (i.e. Managing Director/Whole-time Director/Manager) ii. Employee who receives grant in any one year of Option amounting to 5 per cent or more of Option granted during the year iii. Identified employees who were granted options, during any one year equal to or exceeding 1 per cent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant 	<ul style="list-style-type: none"> Nil Nil Nil 	<ul style="list-style-type: none"> Nil Nil Nil
l) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20	N.A. There would not be any fresh issue of equity shares of the Company upon exercise of Options by employees.	N.A. There would not be any fresh issue of equity shares of the Company upon exercise of Options by employees.
m) The difference between employee compensation cost using intrinsic value method and fair value of the Options and impact of this difference on Profits EPS of the Company	 ₹ 5 crore ₹ 0.65	 ₹ 12 crore ₹ 0.65
n) Weighted- average exercise prices of Options granted during the year where exercise price is less than market price.	Nil	Nil
o) Weighted- average fair values of Options granted during the year where exercise price is less than market price.	Nil	Nil
p) Significant assumptions made in computation of fair value <ul style="list-style-type: none"> (i) risk-free interest rate, (ii) expected life, (iii) expected volatility, (iv) expected dividends (yield), and (v) the price of the underlying share in market at the time of option grant. 	base: Black Scholes model 8.05 per cent p.a. 6 years 52.04 per cent 0.02 per cent ₹ 541.15 per share	8.05 per cent p.a. 7 years 52.04 per cent 0.07 per cent ₹ 174.00 per share

The Company has received a certificate from the auditors of the Company that the ESOS Plan 2008 and 2009 have been implemented in accordance with the SEBI Guidelines and as per the resolution passed by the members of the Company authorising issuance of the said ESOS.

Reliance Communications Limited

Directors' Report

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars as required to be disclosed pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988, are given in the Annexure – A forming part of this Report.

Corporate Governance

The Company has adopted "Reliance Group-Corporate Governance Policies and Code of Conduct" which has set out the systems, process and policies conforming to the international standards. The report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, forms part of this Annual Report.

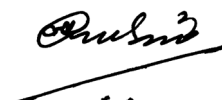
A Certificate from the auditors of the Company M/s. Chaturvedi & Shah, Chartered Accountants and M/s. B S R & Co., Chartered Accountants conforming compliance with conditions

of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, is enclosed to this Report.

Acknowledgements

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from shareholders, debentureholders, debenture trustee, bankers, financial institutions, regulatory bodies and other business constituents during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all executives, officers and staff, resulting in the successful performance of the Company during the year.

For and on behalf of the Board of Directors



Anil Dhirubhai Ambani
Chairman

Mumbai
June 2, 2012

Annexure – A

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Your Company being a telecommunications service provider does not involve in any manufacturing activity, hence the provisions of the Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, is not applicable. However, the information as applicable is given hereunder:

- (a) **Conservation of Energy:** The Company is making all efforts to conserve energy by monitoring energy costs and periodically reviews of the consumption of energy. It also takes appropriate steps to reduce the consumption through efficiency in usage and timely maintenance/ installation/ upgradation of energy saving devices.
- (b) **Technology Absorption, Adoption and Innovation:** The Company has focused research and developmental activities

and has been active in harnessing and tapping the latest and the best technology in the industry.

(c) **Foreign Exchange Earnings and Outgo:**

Activities related to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company has taken series of initiatives for development of export markets for its international telecom services in the countries outside India and thereby increase its foreign exchange earnings.

Total foreign exchange earnings and outgo for the financial year is as follows:

- a. Total Foreign Exchange earned : ₹ 999 crore
b. Total Foreign Exchange outgo : ₹ 1,500 crore

Management Discussion and Analysis

Forward looking statements

Statements in this Management Discussion and Analysis of Financial Condition and Results of Operations of the Company describing the Company's objectives, expectations or predictions may be forward looking within the meaning of applicable securities laws and regulations. Forward looking statements are based on certain assumptions and expectations of future events.

The Company cannot guarantee that these assumptions and expectations are accurate or will be realised. The Company assumes no responsibility to publicly amend, modify or revise forward-looking statements, on the basis of any subsequent developments, information or events. Actual results may differ materially from those expressed in the statements. Important factors that could influence the Company's operations include interconnect usage charges, determination of tariff and such other charges and levies by the regulatory authority, changes in government regulations, tax laws, economic developments within the country and such other factors globally.

The financial statements are prepared under historical cost convention, on accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 (the Act) and comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006. The management of Reliance Communications Limited has used estimates and judgments relating to the financial statements on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner, the state of affairs and profit for the year.

The following discussions on our financial condition and result of operations should be read together with our audited consolidated financial statements and the notes to these statements included in the Annual Report.

Unless otherwise specified or the context otherwise requires, all references herein to "we", "us", "our", "the Company", "Reliance", "RCOM", "RCOM Group" or "Reliance Communications" are to Reliance Communications Limited and its subsidiaries and associates.

Macro economics

India's economic growth has slowed to 6.5 per cent in 2011-12 mainly due to weakening industrial growth affected by an uncertain global environment. With agriculture and service sectors continuing to perform well, the slowdown can be attributed almost entirely to the continuous weakening of industrial growth. The service sector continues to be a star performer as its share in GDP has climbed from 58 per cent in 2010-11 to 59 per cent in 2011-12 with a growth rate of 9.4 per cent. Similarly, agriculture and allied sectors are also estimated to achieve a growth rate of 2.5 per cent in 2011-12.

The global economic and financial crisis has had a dampening effect on cross border FDI flows and in order to maintain earlier levels of foreign investment and attract more, it is imperative to enhance India's competitiveness.

Overall review

RCOM is India's truly integrated and fully converged telecommunications service provider. We operate across the full spectrum of wireless, wireline, voice, data, video, internet and IT infrastructure services and have an extensive international presence through the provision of long distance voice, data and internet services and submarine cable network infrastructure.

With a customer base of over 161 million (including over 2.5 million overseas retail customers and 4.3 million Reliance Digital TV customers) as on March 31, 2012, our corporate clientele includes over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers. The enterprise customer base of the Company includes 850 of the top 1,000 enterprises in India.

RCOM is India's first telecom service provider offering nationwide CDMA and GSM mobile services with digital voice clarity. The Company has established a pan-India, next generation, integrated (wireless and wireline), convergent (voice, data and video) digital network capable of supporting best-of-class services spanning the entire communications value chain, covering over 24,000 towns and 6,00,000 villages.

Our superior 3G offering coupled with marquee partnerships will further accelerate the acquisition of high-end customers helping us in generating higher incremental revenue per customer and thereby significantly ramp up our ARPU. The high-speed data offering on our CDMA network will also add to our undisputed leadership position in the wireless data space. Our mobile portal, R World, offers the widest range of mobile content spanning e-commerce, m-commerce, entertainment, music, news, astrology, cricket, bollywood, maps, search, one-click set-up, and access to email and social networking. It provides full range of communication tools, information and entertainment that comes with a personal computer, at the price and convenience of a handset.

RCOM became the first telecom operator to enter the Android tablet space in the country with the launch of 'Reliance 3G Tab' in August, 2011. 'Reliance 3G Tab' is the first branded 3G+ WiFi Android Tablet by a service provider in India.

RCOM owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 2,77,000 route kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region. In India, we provide long distance business services including wholesale voice, bandwidth and infrastructure services. We provide carrier's carrier voice, carrier's carrier bandwidth, enterprise data and consumer voice services, globally.

We offer the most comprehensive and competitive portfolio of enterprise voice, data, video, internet and IT infrastructure services catering to large, medium and small enterprises for their communications, networking and IT infrastructure needs. Our product portfolio includes national and international private leased circuits, internet access for Enterprises, SMBs and consumers, Voice solutions including PRI for PBX, Centrex, toll free services, voice VPN, audio and video conferencing, MPLS-VPN, remote access VPN, Global MPLS VPN managed internet data centre ("IDC") services to name a few. RCOM has the world's biggest Metro Ethernet network which is now available in 180 cities with about 38,000 Metro Devices in ring architecture and it enables more than 1.16 million buildings to provide reliable and scalable bandwidth Metro Ethernet solutions.

RCOM operates nationwide Direct-To-Home satellite TV services under the aegis of its wholly owned subsidiary, Reliance Big TV Limited (Reliance Digital TV). Reliance Digital TV uses state-of-the-art MPEG4 technology to deliver over 250 channels in High Definition (HD) like quality, including 4 exclusive movie channels, to its subscribers. We deliver high definition content and digital voice quality to our viewers to create a highly personalised video and theatre experience.

New Initiatives

Launch of Reliance Tablets

To develop the 3G ecosystem in India, RCOM launched proprietary 3G Tablet, 'Reliance 3G Tab' – an Android based Tablet at an attractive price of under ₹ 13,000, enabling our customers to enjoy a futuristic 3G experience and explore a world of unlimited possibilities. This was a big step in the 3G revolution in India and we witnessed huge acceptance and increasing demand across all cities. After the success of Reliance 3G Tab, RCOM launched the Reliance CDMA Tab to fulfil the expressed need from the Enterprise Segment for a Tablet that would allow seamless high speed data roaming across the country.

Customised Offerings for Voice and Data

a. Launch of 'Mera Pack' with lowest Rates for Voice

In an endeavor to provide affordable mobile services, RCOM has launched 'Mera Pack' offer on CDMA and GSM network across all circles in India for medium to heavy usage consumers with lowest call tariffs for both on-net and off-net calls. The customer can do multiple recharges of the pack and accumulate the minutes to his balance.

b. Launch of 'My Best Plan' for Data

RCOM has launched 'My Best Plan' offer on High Speed Data (HSD) and 3G across all circles in India. With this product, the customer pays only for the data he uses. The plan automatically adapts to the customer's usage pattern and charges the lowest bill amount for the data consumed.

Partnership with Google on Android

RCOM has exclusively tied up with Google for 2 years to market Android (Google's mobile Operating System) in India over its 3G network. RCOM will be co-promoting the Android brand, which is youth centric, innovative, technology driven and aspirational. The marketing activities will include above the line/ below the line activities, developing co-branded mobile applications for Android smartphones and marketing campaigns promoting the Google Mobile Services.

The partnership will drive RCOM to gain a larger share of the high-ARPU base by providing smartphone users an unrivaled experience on Reliance's superior 3G Network. The partnership also provides the Company with exclusive marketing rights for the launch of all Google Android lead devices in India during this period.

Launch of Application Aware Networks

RCOM Global Enterprise business launched the Application Aware Network service to enable enterprises to create an intelligent network that speeds up application performance for increased business efficiency without any added complexity. RCOM launched this innovative service in partnership with Riverbed. RCOM's Application Aware Network provides visibility and control of application performance across networks and increases WAN capacity by using cutting-edge traffic optimization technologies.

Launch of Global Video Conference Services

We have launched Global Video Conference services to cater our customers across the globe. This is an end-to-end Managed Video conference services that is scalable, reliable, flexible and most importantly cost-effective for our customers.

Reliance Infratel Limited (RITL) new agreements signed

RITL has contracts with new and existing operators for providing passive infrastructure which has been an effective strategy for our customers for cost savings and improving quality of service. All these agreements are of long term for around 10 to 15 years. These agreements will result in incremental growth in the tenancy rates for RITL and thus, provide significant operating leverage. RITL has signed contracts with various ISP operators during the year 2011-12. BWA players are in process of finalising their plans and we are in discussion with the operators who won the spectrum in BWA auction.

Reliance Globalcom new agreements signed

In the Carrier Data segment, RCOM signed total contract value of over ₹ 1,300 crore with existing customer base. RCOM continues to be the preferred service provider to leading global carriers, ISPs and content providers around the world.

As part of the constant process of cable system upgrade, RCOM have completed the upgradation of Installed capacity by addition of 2,000 Giga Bytes between Europe and USA across Trans Atlantic Link.

Similarly, FEA has been upgraded with the latest 40G Coherent Optical Technology to 440 Gbps, an incremental capacity between Egypt and UK, and the potential to further upgrade it to multi Terabit capacity using 100G technology. Also Falcon submarine cable system has been upgraded with an incremental capacity of 400 Gbps.

Additionally, Gulf loop has been upgraded with an incremental capacity which would be sufficient to meet the current and near future demand of the capacity.

As the leading global provider of connectivity, hosting and managed services for multinational enterprises and carriers, RCOM become the first service provider in Asia to upgrade our FNAL submarine network using 40G Coherent Optical Technology. The capacity has now been enhanced to 12 Tbps, in the world's fastest growing market. By upgrading our NACS (North Asia Cable System) and WACS (West Asia Cable System) routes using the Ciena Platform, our FNAL cable system can now support new features like 40G, OTN and 10G LAN PHY to better serve the Japan, Taiwan, South Korea and Hong Kong markets.

One of our biggest milestones achieved during the year under review has been setting up the world's first global Mediterranean Gateway and Hub in Europe, with the launch of the HAWK cable system. This high capacity, 4 fiber pair spans a length of 3,400 kilometers and currently connects Yeroskipos in Cyprus to Marseille in France. It has a design capacity of 2.7 Tbps with an initial lit capacity of 100 Gbps. HAWK seamlessly integrates with our global submarine network and the newly built European backhaul, extending its coverage from Marseilles to London, Paris and Frankfurt. Compared to other cable systems in the region, HAWK offers the lowest latency route between Cyprus and London, and will enable high-speed internet connectivity for fixed and mobile broadband customers in Cyprus. HAWK's connectivity to Alexandria and its interconnection with Falcon will create a low latency route on the Europe and Middle East segment, complementing our FEA cable system for redundancy. This system, expected to be ready for service by first quarter of Financial Year 2012 - 13, will be capable of meeting the ever increasing bandwidth demand across the Mediterranean region as well as from Europe, Asia and the Middle East.

Management Discussion and Analysis

Reliance Globalcom retail expansion

The global calling card market is experiencing extremely high competition. We have been able to maintain our margins despite the introduction of aggressive tariffs by other operators both in the US and UK markets. We have focused on delivering more value to our existing base of over 2.5 million Reliance Global Call customers through event-based campaigns and Digital affiliate campaigns. We are operational in USA, UK, Canada, Australia, New Zealand, Singapore, Hong Kong, Spain, Austria, Belgium, France, Ireland, the Netherlands and India taking the total number to 14 countries, where Reliance Global Call is now present.

We are now engaging more closely with our customers in US, Canada, UK, Australia, Singapore and promoting our brand across NRI communities and forums based at various cities in these countries. These efforts are being well received and would certainly help us in acquiring new customers in markets where we still have to make footprints.

Enterprise

The Enterprise service business continues to win big deals in the US, Europe and India. The Enterprise business has signed contracts of over ₹ 1,150 crore and added more than 125 new customers.

RCOM remain preferred integrated solution provider for Enterprises and Multinational companies in India and abroad. Our focus on governmental segment continues with the implementation of prestigious projects including UIDAI, MCGN Data Center Management, Karnataka APDRP etc.

RCOM continues to bringing in leading edge services like Application Aware networking, Managed Security services and Cloud based services like Managed Storage, Software as a Service for our Customers.

Home/ DTH

Reliance Digital TV has launched India's fully Digital Home Entertainment Service on the world's most advanced MPEG4 Direct-To-Home (DTH) Platform. We have launched the stand alone HD Set Top Box (STB), offering the most comprehensive product line up inclusive of Standard Definition (SD), HD and HD DVR STB. We are the first one to offer all 250 channels in HD like quality, as compared to a few channels offered by our competitors. The DTH industry in India added 10 million subscribers in year 2011-12. We are one of the six players in the industry, with a market share of 10 per cent. We are present across 8,300 towns with a pan-India service and installation network. We are the only DTH service to launch a loyalty program wherein the Reliance Digital TV customers now earn reward points for every rupee spent in turn redeem them towards any channel pack available on the platform.

Industry Structure and Regulatory Developments

Industry Structure

Wireless

The Indian telecom sector continues to demonstrate strong growth in spite of sluggishness in the global economic environment. The number of telephone subscribers in India increased to 952 million at the end of March, 2012 (Wireless and Wireline) as against 846 million as at March, 2011. Wireless subscribers reached 919 million in March, 2012 as compared to 812 million in March, 2011 and wireless tele-density stood at 76 per cent as compared to 68 per cent in previous year. The share of private sector in wireless connections touched 88.65 per cent as on March 31, 2012.

The year under review witnessed further drop in telecom tariffs. The high competition caused a further shift in operator focus to increasing footprint in rural areas and on increased data and value added services to subscribers in the saturated urban markets.

Internet and Broadband

Total Broadband subscriber base has increased to 14 million at the end of March, 2012. The annual growth in broadband subscribers was 14.80 per cent during the year ended on March, 2012. As on March 31, 2012, there were 155 Internet Service Providers (ISPs) providing broadband services in the country.

Telecom Infrastructure

- Indian telecom sector has witnessed an exponential growth in the last few years. The demand for telecom infrastructure in India is driven by the subscriber growth in the mobile Industry and focus on expansion of rural market.
- India's tower sector is expected to continue to grow in terms of both capacity and tenancies in next few years.
- With the completion of network footprint expansion, the focus will be on ensuring delivery of the best QoS to customers and also building up network capacity as traffic grows.
- Telecom Industry structure is impacted due to cancellation of 122 licenses by the Hon'ble Supreme Court. Clarity on continuation of the said licenses will emerge in due course after Government concludes the spectrum auctions and other matters related to such licenses.

Global

Our global business participates in diverse industry segments, viz.

- Global submarine capacity sales;
- Gateways facility for international traffics;
- National long distance for voice and data;
- International voice transit;
- International retail voice;
- Enterprise connectivity and managed services business.

RCOM, is the market leader across the different segments, having the largest private submarine cable network in the world and the largest NLD network in India. We have moved up to become one of the top 15 Voice Traffic Carriers in the world. We are No.1 International voice carrier in India and have established a strong retail brand in US.

Our global business operates a service delivery platform for internet, data, voice and multimedia communications and is particularly strong in the fast growing emerging markets of India, China and the Middle East. We have also achieved leadership positions in the developed markets of the US, UK, Western Europe, Australia and Singapore. We are uniquely positioned to provide complete end-to-end solution through our diverse best-in-class product range.

Industry Trends

1. Sustained High Growth

India continues to be among the fastest growing telecom market in the world in terms of the total number of new subscriber additions. This high growth phase is expected to last for few more years before the rate of growth starts leveling off.

2. 3G

3G services are finally starting to take-off, primarily for high speed mobile internet usage, and for a plethora of data applications like live mobile TV, video and music streaming, video calling and conferencing, among others.

3. Mobile Number Portability (MNP)

With 15 operators in the market, and integration of 3G, there is enough choice to customers for choosing a quality network provider by MNP. By the end of March, 2012, about 42 million subscribers have submitted their requests to different service providers for porting their mobile numbers.

4. Innovations in internet technology and devices

Innovations in internet technology and proliferation of devices capable of supporting data will have a material impact on the mobile communications industry.

5. Rural Penetration

Rural area network coverage remains one of the key parameters for the growth of wireless business. While urban wireless teledensity is already nearing saturation at 162.82 per cent, there is a lot of potential for rural growth with rural wireless teledensity still at 38.33 per cent.

6. Intra Circle Roaming arrangements

With the high cost of expanding network coverage especially in rural areas, many operators are entering into Intra Circle Roaming (ICR) agreements which allows subscribers of one operator to latch on to the network of the other operator to make regular calls without roaming.

7. Competition

While the competition on service between operators is likely to continue, the high competition intensity witnessed in past few years which had led to bottoming of tariffs, may reduce with the exit of a few operators post the Hon'ble Supreme Court ruling.

8. BWA and 4G

Newer Access technologies like BWA and 4G have the potential to transform the internet and broadband scenario in India, opening up new areas of opportunity.

Regulatory developments

1. Draft National Telecom Policy, 2011

The Draft National Telecom Policy, 2011 has been announced on October 11, 2011 which envisages secure, reliable, affordable and high quality converged telecommunication services anytime, anywhere for an accelerated inclusive socio-economic development. The main thrust area of the Draft Policy are:

- Increase rural teledensity from the current level of around 39 to 70 by the year 2017 and 100 by the year 2020
- Repositioning of Mobile phone as an instrument of empowerment
- Broadband – "Broadband For All" at a minimum download speed of 2 Mbps
- Liberalisation of Spectrum – any Service in any Technology

- Simplification of Licensing regime – Unified Licensing, delinking of Spectrum from License, Online real time submission and processing
- Consumer Focus – Achieve One Nation – Full Mobile Number Portability and work towards One Nation – Free Roaming
- Resale of Services
- Voice over Internet Protocol

2. Presidential Reference on 2G Licensing

The Central Government has filed a Presidential Reference under Article 143(1) of the Constitution before the Hon'ble Supreme Court on the questions of law and facts arising out of the February 2, 2012 judgment of the Hon'ble Supreme Court seeking clarity whether a natural resource like spectrum could be allotted in all circumstances only through auction and also seeking clarity as to the scope of executive policy decision making in respect of the allocation of natural resources.

3. Interconnection Usage Charges

Telecom Regulatory Authority of India (TRAI) has concluded its consultation to review Interconnection Usage Charges and proposed to reduce mobile termination charges from the existing 20 paise per minute to 10 paise per minute from Year 2012. The TRAI has also proposed to further reduce mobile termination charges over a period of 2 years and to have a 'Bill and Keep' regime from 2014. TRAI has filed an application to Hon'ble Supreme Court for permission to notify this regime.

4. Unsolicited Commercial Communication Regulations

TRAI had issued "The Telecom Commercial Communications Customer Preference Regulations, 2010" on December 1, 2010 and subsequently specified a number of deterrent measures to stop commercial SMSs to telecom consumer. Main decisions of the TRAI were as follows:

- Promotional SMS charge of ₹ 0.05 payable for each promotional SMS sent by a registered telemarketer.
- All international SMS containing alphabet header or alphanumeric header or +91 as originating country code should not be delivered.
- If any source or number outside the country generates more than 200 SMS per hour with similar 'signature' they should not be delivered.

5. Department of Telecommunications (DoT) decision on Spectrum Management and Licensing Framework

DoT announced its decision on February 15, 2012 on TRAI's recommendation of spectrum management and licensing frame work. The following key decisions have been taken:

- Uniform licence fee across at 8 per cent of the Adjusted Gross Revenue (AGR) in two yearly steps starting from 2012-13.
- Validity of existing UAS (and CMTS and Basic services) licences could be extended for another 10 years.
- The need for spectrum reframing is accepted in-principle.
- DoT accepted TRAI recommended Prescribed Limit of spectrum as 2X8MHz/ 2X5MHz for GSM/ CDMA

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technologies respectively other than in Delhi and Mumbai where it will be 2X10MHz/ 2X6.25 MHz.

- e. The licensee can acquire additional spectrum beyond prescribed limits, in the open market through auction.
- f. Merger up to 35 per cent market share of the resultant entity will be allowed. Merger beyond 35 per cent market share may also be considered under detailed criteria to be notified after receiving TRAI's recommendations.
- g. Spectrum sharing will be permitted under specified conditions.
- h. Spectrum trading will not be allowed in India, at this stage. This will be re-examined at a later date.

6. TRAI Recommendations on Application Service Providers

The TRAI has recommended Licensing through Authorisation for Application Service Providers (ASP). The TRAI has also recommended setting up a Short Code Council (SCC) for allotment of Short Codes to both ASPs as well as TSPs.

7. Telecom Consumer Protection Regulation, 2012

TRAI notified Telecom Consumer Protection Regulation 2012 on January 6, 2012. The Regulation on restricting the category of subscriber voucher only to three numbers.

8. Telecom Consumers Complaint Redressal Regulations, 2012

TRAI has issued the Telecom Consumers Complaint Redressal Regulations, 2012. These regulations replace the earlier 'Telecom Consumers Protection and Redressal of Grievances Regulations, 2007 highlighting Establishment of a Complaint Centre with a toll-free "Consumer Care Number" and replacing the erstwhile 3 tier complaint redressal mechanism – Call Center, Nodal Center and Appellate Authority, with a two-tier one by doing away with the Nodal Officer.

9. TRAI Direction on Preventing Misleading Tariff Advertisements

TRAI issued a Direction on March 26, 2012 on 'Preventing Misleading Tariff Advertisements'. Through this Direction, the telecom access service providers have been directed that advertisements published by them – are transparent and non-misleading and unambiguous. The service providers should maintain an advertisement register which must include a specimen of every tariff related advertisements supported by internal audit for reporting compliance.

10. TRAI Recommendations on 'Auction of Spectrum'

The Hon'ble Supreme Court in its Judgment dated February 2, 2012 directed TRAI to make fresh recommendations for grant of licence and allocation of spectrum in 2G band in 22 Service Areas by auction. TRAI has given following key recommendations:

- a. Block sizes recommended are at 1.25 MHz.
- b. In 1800 MHz. 10 MHz spectrum will be auctioned with Liberalised use.
- c. 900/800 MHz to be reframed at the time of renewal
- d. Operators having startup spectrum in 1800 MHz spectrum band would be allocated one block of 1.25 MHz at auction discovered price. Existing operators would be allowed to bid maximum 2 blocks of 1.25

MHz in 1800 MHz bands and 1 block in 800 MHz spectrum band.

- e. Reserve price of 900 MHz is 2 times 1800 MHz spectrum band. In circles where less than 5 MHz spectrum is available in 800 MHz spectrum band, the reserve price will be 1.3 times the 1800 MHz spectrum band.
- f. A deferred payment of auction price for 1800 MHz spectrum band at 33 per cent of bid amount and 25 per cent of 800 MHz spectrum band as initial payment with a moratorium for 2 years and balance in 10 equal annual installments.
- g. Spectrum Usage Charge will be at 3 per cent of AGR.
- h. Spectrum mortgage allowed against borrowings.

TRAI recommendations are under consideration with the Government.

11. TRAI Recommendations on Unified License Guidelines

TRAI has given its recommendation on Unified License Guidelines. The Key recommendations are:

- a. Unified licence to cover UASL/ CMTS, NLD, ILD, Internet, IP-I and GMPCS. However the TRAI in its revised recommendation has mentioned that it is open to the Government reducing from the AGR of the Access Service Provider an amount equal to the Licence fee paid by the IP-I licensee on account of the revenue generated from the said access service provider who has rented the infrastructure from the IP-I licensee;
- b. Three levels of Unified Licence; National level, Service area level and District level with Entry Fee of ₹ 15 crore for National level; ₹ 1 crore for each Service area except for Jammu and Kashmir and North East Service areas where Entry fee will be ₹ 50 lakh and ₹ 10 lakh for each District level Unified Licence.
- c. Spectrum not be bundled with the Unified License.

TRAI recommendations are under consideration with the Government.

12. DTH Regulatory and other issues

a. License Fee

As per DTH license, the operators are paying 10 per cent of gross revenue as license fee. However, some of the DTH operators approached TDSAT seeking clarity on classification of certain components of the revenue like taxes, interest, dealer commissions, content etc. for the purpose of payment of License fee on gross revenue basis. TDSAT orders in this regard effectively resulted in payment of license on adjusted gross revenue. The orders were based on a similar issue for the telecom sector. The Hon'ble Supreme Court set aside the orders of TDSAT and held that license fee will be payable on Gross Revenue basis. At present, the said matter is pending in TDSAT as some of the operators have claimed that their case is different from telecom and need to be considered separately.

DTH Operators, through DTH Association has approached the Government for reduction of license fee to about 2-3 per cent from current level of 10 per cent of gross revenue.

b. Digitisation Bill and timelines, implications

The Government has announced, through amendments in the Cable TV Networks (Regulation) Act, 1995, digitalization of cable TV networks in phased manner beginning from July 1, 2012 in four metro cities and to cover entire country by December, 2014. All TV channels (Free To Air and Pay) shall be provided through Digital Addressable System (DAS). Implementation of DAS will have positive impact of DTH services as DAS will lead to transparency in accounting of subscribers' numbers and payment of taxes and levies by the cable operators/ MSOs and provide level playing field for DTH services.

c. Content Wholesale Tariff

TRAI has brought in a tariff order in July, 2010 for addressable platforms including DTH wherein wholesale tariffs were fixed at 35 per cent of non CAS Content cost for addressable systems. Post appeal by broadcasters, the Hon'ble Supreme Court has issued an interim order for 42 per cent. Broadcasters have sought forbearance on the wholesale tariff.

13. Green Telecom

To promote green telecommunications, DoT gave guidelines directing the adoption of renewable energy technologies and reducing the carbon footprint. Service providers should aim at Carbon emission reduction targets for the mobile network at 5 per cent by the year 2012-2013, 8 per cent by the year 2014-2015, 12 per cent by the year 2016-2017 and 17 per cent by the year 2018-2019.

Key Developments in the Company

Wireless business

3G Service offerings

In 2010, RCOM along with RTL won 3G spectrum in 13 out of 22 circles, among 3 operators with the highest circle coverage. RCOM won 3G spectrum in the 3 metros viz. Mumbai, Delhi and Kolkata, and in all its 900 MHz circles. RCOM has successfully launched 3G services in all the 13 circles covering 333 census towns and has among the widest 3G network footprint amongst private operators.

3G Product offerings

The Reliance 3G network is capable of offering peak speed up to 28 Mbps in select areas, the first and only operator with such an offering. RCOM is offering a 21 Mbps product in all the launched 3G cities. Personalization of services, simplification of tariffs and a content rich portfolio makes Reliance 3G stand out from other competitors.

Churn

Despite stiff competition, the churn in our postpaid CDMA and GSM businesses during the year was one of the lowest in the industry. In addition, our special focus on retaining high value customers yielded significant revenue benefits.

Reliance Netconnect

RCOM has continued to maintain leadership in the data business with its Netconnect product line which offers High Speed Data (HSD) services on the CDMA network across the country. Reliance Netconnect+, with a downlink speed of up to 3.1 Mbps and uplink speed of up to 1.8 Mbps, is available in top 1,000 towns, all with seamless handover to 1x service across 20,000

towns and 500,000 villages as well as all major road and rail routes, covering over 99 per cent of India's internet population.

Netconnect+ is the best suited for video streaming, video surveillance, rich media content and superior internet browsing. The Company retails Netconnect products in over 36,500 IT and Telecom retail outlets across India as well as nearly 700 exclusive Reliance Communications retail stores and over 200 Reliance World outlets.

Reliance Tab launch

The Tablet market in India has evolved rapidly and is set for phenomenal growth in the coming years. Tablet is a device which best exploits the capabilities of the network by being always on device, while simultaneously offering the user the advantages of a large screen. RCOM has been an early mover in the tablet space with the launch of the first operator bundled 3G and CDMA tabs. Being the only Telecom operator with a wide tablet portfolio, we are well positioned to offer an unbeatable experience to our customers.

Global Business

Reliance Globalcom is the global, managed solutions brand of RCOM making it, India's largest integrated telecom services provider. With over 5,000 large corporations across 6 continents, RCOM is independently recognized amongst the global Top 10 providers of Managed network solutions and International Wholesale Voice carrier as well as a Top 6 Global Ethernet services provider.

Reliance Globalcom owns the largest private cable network in the world with over 2,77,000 km of fibre optic cabling including 65,000 km of sub-sea fiber. Through strategic relationships with over 700 network service providers across the world, Reliance Globalcom provides assured connectivity to 163 countries and territories. Reliance Globalcom's global platform of high performance data centers supports market leading to active application management, content distribution and cloud computing services in addition to converged, managed services enabling the collaboration processes that drive growth of global Enterprise business.

With employees spread over 25 countries across the world, we are constantly engaged in delivery of world class and cost effective solutions to Enterprise customers around the world and 2.5 million retail customers outside India. Globally, we are carrier's carrier for voice, carrier's carrier for bandwidth, enterprise data and consumer voice services.

Initial Public Offering of Subsea telecommunication infrastructure network business

The Company is evaluating a potential initial public offering and listing in Singapore of Reliance Globalcom, a subsidiary company's subsea telecommunications infrastructure network business, through a business trust in Singapore, subject to all necessary permissions, sanctions and approvals.

Carrier services

We offer NLD carriage and termination to other carriers and, on an inter-segment basis, to other business units of RCOM. We are the leading provider of international connectivity and data services to telecom operators, content providers and internet communities around the globe.

Enterprise services

We are leading global Managed Network Services provider serving over 60,000 sites in over 160 countries. We rank among the

Management Discussion and Analysis

top 6 global Ethernet service and among the top 2 connectivity providers to the world's top exchanges. We provide a complete portfolio of services ranging from entry-level solutions for small and medium enterprises, to business continuity solutions with the highest level of service performance to large corporates across the globe. Innovation, convergence, flexibility, quality, cost efficiency and global coverage are our top priorities for our customers around the world.

Retail services

As part of our retail offering in voice, we offer virtual international calling services to retail customers for calls to 230 international destinations including India under the brand Reliance Global Call. Our retail services are available to the customers in 14 countries including United States, Canada, United Kingdom, Australia, New Zealand, Hong Kong, Singapore, EU 6 and India. We have over 2.5 million customers for our Reliance Global Call service.

In our International Voice business, our focus has been to increase the market share and leverage our network capacity. This market is now served by 13 operators, as a result of which margins are under pressure. However, we have been successful to maintaining the largest inbound traffic market share.

Enterprise Broadband

Our focus is on directly connecting buildings in almost 50 cities in India. As a result of our sustained efforts, our Broadband network has been connected over 1.16 million buildings.

Our robust nationwide network backbone is continuously controlled and monitored at the National Operating and Control Center (NOCC) located in Mumbai. This NOCC facility is replicated at Hyderabad to guard against any catastrophe as a redundancy measure. We have enhanced our capabilities in the Managed Service Operations Centre (MSOC), which is dedicated towards managing the customers' network. This is poised to help us garner higher market share in the fast growing managed services market.

Infrastructure

RITL has signed contracts with new and existing operators for providing passive infrastructure which has been an effective strategy for our customers for cost effective network rollout and improvement in their quality of service.

- RITL now owns 1,90,000 route kilometres optical fibre network, providing a more economical and better quality linking for tenants compared to microwave.
- RCOM's current utilisation of tower slot assets is nearly 50 per cent and this provides significant potential for 3rd party tenants. It complements the existing passive infrastructure and provides an integrated solution to tenants.
- As such, we offer our customers an extensive and diverse portfolio of well-positioned assets and we believe that our wide and expanding portfolio of tower sites positions us to be able to address the needs of national, regional, local and emerging wireless service providers in India.

Home/ DTH

As on March 31, 2012, Reliance Digital TV had 4.3 million customers with a national market share of 10 per cent. We are today present across 8,300 towns with a pan-India service and installation network. The brand name underwent a major change over from Reliance Big TV to Reliance Digital TV, enhancing the overall brand value.

The DTH Industry in India added 10 million subscribers in year 2011-12. There are six players in the industry with an estimated market size of 44 million subscribers and a penetration rate of 30 per cent amongst homes using cable network service. Reliance Digital TV service boasts of over 250 channels and Service, including 6 interactive services and a rich bouquet of 'subscription video-on-demand/ pay per view' offerings. With its state of the art price packaging models, customer friendly entry/ subscription offers and sustained customer management programs, Reliance Digital TV commands 2nd highest ARPUs in the Industry.

As we move into our 4th full year of operations, we have the most comprehensive product line up inclusive of SD, HD and HD DVR STB. We have 9 full HD channels on our platform, leading to faster uptake of the HD and HD-DVR offerings. We also added 32 new channels during financial year 12. This year also saw an array of cross category bundling activities with internal as well as external tie-ups. We successfully brought down the STB failure rate from 1.8 per cent to 0.8 per cent which is the best amongst the Indian players and also internationally. On the anvil are plans to further increase the HD channel offerings, further enhancement of transponder efficiency and drive for reduction in suspension. In order to maximising asset utilization, specific initiatives for retrieval and redeployment of STBs will be undertaken.

Acquisition process interface and service assurance

During the year, we launched three key programs as under:

- Image Based CAF Processing:** An industry first initiative, it is a fulfillment process in CRM, based on scanned image of a CAF instead of physical CAF. This is made possible by the real-time image transfer from even the remotest distributor to a Central CAF Processing Unit, leading to the reduced processing time. This helps distributors resolve customer queries related to activation faster due to on-line visibility of CAF status. This also reduces Regulatory risk as well as cost to serve. The next step to this development is to leverage the same technology enabling us to extend image based CAF processing to retailer level.
- Instant Activation for Postpaid Customers** enabling SMS based instant activation of postpaid customers at the customer location, providing new postpaid customers instant gratification and enhancing their onboarding experience. This also stimulates revenue by reducing activation time.
- Aggressive four-pronged audit mechanism** comprising of
 - Retail frontline process compliance audits
 - Overall Customer Service process adherence audits
 - Retail and CAF warehouse hygiene audits
 - Distributor Regulatory CAF compliance audits

These audits will succeed in ensuring Regulatory and Statutory compliances and in delivering standardised customer experience across the country.

Opportunities and Challenges

Opportunities

Telecom operators and equipment providers are focused on 3G wireless technologies, emerging 4G technologies, broadband and fiber-to-the-home/ premises networking. The telecommunications industry as a whole offers a number of attractive opportunities.

Reliance Communications Limited

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- a. Telecommunications is a necessary utility: The need for telecom in both rural and urban areas, and its role in the infrastructure of both developed and developing markets, continues to grow. In addition, economic stimulus plans in India and abroad would boost service providers and equipment manufacturers.
- b. Massive growth of smartphones: Although the world economy is going through a sluggish phase and not yet completely out of the woods, the growth in the smartphone market maintains its impressive trend. This primarily reflects a shift in consumer preference toward feature-enhanced PDA devices from ordinary mobile handsets used primarily for voice telephony. This opportunity provides scope for telecom service providers, equipment manufacturers, chipset developers and wireless tower operators to retain new users and grow revenue going forward.
- c. Best suited for BWA 4G rollout since majority of the towers have access to fibre backhaul.
- d. RITL has the largest fiber transmission network with over 190,000 route kilometres of national optic fibre network.
- e. The duct and fiber pair offerings along with passive infrastructure compliments other RCOM's offerings of transmission connectivity to sites, bulk bandwidth, carriage, NLD/ILD, colo of customer electronics in our BSC, internet bandwidth and roaming solutions.

R World Content

Our Reliance Mobile World (R World) is a virtual one-stop-shop for entertainment, communication, gaming and M-commerce. Thanks to its wide range of applications, it has quickly endeared itself to users from all walks of life. Reliance Mobile World has hundreds of useful applications and over 700,000 songs, besides Mobile TV, videos, cricket updates, ringtones, phonebook transfers, back-up service, and other M-commerce services such as mobile banking, bill payments, mobile e-mail and instant messenger, city and TV guides, gas cylinder bookings, Speed Post tracking, Airlines and Railway reservations, examination results and much more.

RTS

Our Information Technology arm, Reliance Tech Services (RTS) has 10,000+ person-years of experience across various domains with more than 33 per cent of the team having over 10 years of experience. While on one side RTS provides all the basic IT Services such as Application Development and Maintenance Services, Business Consulting, Telecom Network Products and solutions, ERP Implementation and Development services, Geographic Information Services, Business Intelligence and Data Analytics, Knowledge Management, Network and Internet Security Services, Managed Network and Infrastructure Services, Unified Communication and Messaging Services and nationwide IT support services. It has also implemented Cloud Computing, Storage and Server Virtualization. RTS envisages to offer SaaS (Software as a Service), and PaaS (Platform as a Service) in near future.

Retail

Reliance Own Retail is a world class nationwide chain of retail stores comprising of more than 1,000 Reliance World and Reliance Mobile stores for GSM, CDMA and 3G voice and data products and services. They also offer a wide array of handsets and data devices and are a one stop shop for all customer sales and service needs. Through this Retail network, RCOM caters to 3.75 million customers every month. The retail network provides new postpaid and prepaid activations, prepaid recharges, postpaid bill payments, handles customers queries and requests. With 185 video conferencing rooms across India with Reliance World stores, we are the world's largest network of video conferencing enabled telecom retail chain. Our Managed Video Conferencing Services can simultaneously connect 2 to 300 locations from virtually anywhere in the world, within and outside the network of Reliance World stores. RCOM facilitates 3,00,000 hours of video conferencing in a year and thus helps save over 35,000 tons of carbon emission annually by cutting down the need to travel.

DTH Opportunity – Digitisation

Reliance Digital TV will be at the forefront of the digitization drive and will play a pivotal role in this progressive step of digitization. While we are an active member of the 6 players in DTH industry, our strategy has been to deliver sensible growth with long term

Wire Free India

In line with our 'Wire-free India' vision and leadership position in providing wireless broadband products and services in the country, RCOM is now the only nationwide private operator to offer seamless Wireless Broadband experience on its own network in over 1,300 top towns across the country as of March 31, 2012 including key metros. This includes about 333 towns in 13 circles (including Delhi, Mumbai and Kolkata) in 3G and nearly 1,000 towns on HSD Network. This coupled with our extensive 1X Data presence offering high quality internet connectivity in 20,000 towns has positioned RCOM extremely well to take advantage of the rapid increase in data consumption across the country. As of March 31, 2012, we serve over 3.2 million 3G customers, which is amongst the highest in the industry. As an integral part of our 3G strategy, we have established a '3G Innovation Lab' with the objective of facilitating the development of mobile service innovations by offering real-time product development capabilities to 3rd party developers. The Innovation Lab involves a community of content developers, product innovators, technology platform enablers, device manufacturers and OEMs. This unique set-up will drive all 3G innovations for mobile as well as other platforms, enabling our customers to enjoy a futuristic mobile experience and explore a world of unlimited possibilities.

Convergence

Our full fledged convergence model is driven both by technology and demand as together, they hold the key to the overall success of the value chains built to provide voice, data and video multi-media networks into a single unified packet based multi-services platform.

Passive Infrastructure

Telecom industry continues to add nearly 7 – 8 million customers every month. This trend is expected to continue for next few years. Next wave of growth is going to be driven by deployment of new technologies like LTE by operators. RITL with its superior infrastructure is the best suited to capture this opportunity.

Unique Position in India

- a. Superior quality and the largest Pan India tower portfolio equally suitable for CDMA, GSM 900, GSM 1800 and 3G and 4G network, having nearly 50,000 telecommunication towers as on March 31, 2012.
- b. RITL's telecommunication tower portfolio is one of the youngest portfolios in the market with an average age of ~ 4.5 years.
- c. Our multi-tenancy tower infrastructure has average capability to host 4 tenants on our towers.
- d. Strategic location of towers (non overlapping towers) through superior RF planning i.e. balanced distribution of towers across pan India.

Management Discussion and Analysis

profitability as the ultimate objective. We have been driving for quality subscribers leading to profitable growth. We have been able to achieve the same through sustained consumer delight based on better offerings – product as well as services. It will be our endeavor to maximize consumer value proposition thereby leading to better acquisitions as well as earnings. We will be approaching each of the metro markets with specific, localized strategies to leverage the Phase 1 opportunity in 4 metros. The metros will also be a sizable chunk of Reliance Digital TV's value added and interactive revenues, with initiatives which will deliver high value for these subscribers.

Challenges

The entry of new telecom operators in the market has intensified competition leading to downward pressure on prices. Our well planned capital investments, backed by a world class network, puts us in an competitive position in meeting the emerging challenges in the telecom space.

Risks and concerns

- a. Some of the operating licences are subject to regulatory compliance under the terms and conditions of licences granted over different parts of the world. The rules and regulations, issued by the respective governments and regulatory authorities, having jurisdiction over the Company's operations and licenses, schedules and obligations require it to meet specified conditions, network build-out requirements and tariff fixation. However, the Company does not perceive any default on this account.
- b. Rapid technological changes may increase competition and render the Company's technologies, products or services obsolete. Our facilities are tuned to the next generation latest technology and we do not foresee obsolescence at present.
- c. The telecommunication services industry is capital intensive. Capital Expenditure (CAPEX) on adaptation to the latest technology may put pressures on deliverables. However, the Company is constantly assessing such technological challenges and taking immediate remedial steps through timely CAPEX plans.
- d. The Company faces significant and intense competition in its markets, which could aggravate with the entry of new licensees that may result in decreases in current and potential customers, revenues and profitability. But we remain confident that our competitively priced tariff will continue to attract large volumes of traffic, resulting in better utilization of network, operating efficiencies and cost benefits.
- e. We are subject to market risks from changes in interest and foreign currency exchange rates. In managing exposure to these fluctuations, we may engage in various hedging transactions that have been authorized according to the laid out internal policies and procedures.
- f. 3G Handset ecosystem stability is a key requirement to enable adoption of 3G services.

Financial Performance – Overview

The Company's financial performance is disclosed in detail under the head 'Financial Performance' in the Directors' Report. The consolidated performance of the Company is given below:

a. Revenues and operating expenses

On a consolidated basis, the Company earned total revenues of ₹ 20,382 crore (US\$ 4,006 million). The net profit after

tax recorded by the Company was ₹ 928 crore (US\$ 183 million). Our total operating expenditure stood at ₹ 13,892 crore (US\$ 2,731 million).

b. Operating profit before finance charges, depreciation and amortisation, exceptional items and provision against fixed assets (EBITDA).

The Company earned EBITDA of ₹ 6,490 crore (US\$ 1,276 million). The EBITDA margin for the year was 31.84 per cent.

c. Depreciation and amortisation

The Depreciation and amortisation charges were ₹ 3,978 crore (US\$ 782 million).

d. Profit before/ after tax

The profit before tax was ₹ 882 crore (US\$ 173 million). The provision for taxes was to the tune of (₹ 106 crore) (US\$ (21) million). The net profit after tax was ₹ 928 crore (US\$ 183 million).

e. Balance Sheet

As at March 31, 2012, the Company had total assets of ₹ 92,690 crore (US\$ 18,219 million). Stakeholders equity was ₹ 36,721 crore (US\$ 7,218 million), while net debt (excluding cash and cash equivalents) was ₹ 35,849 crore (US\$ 7,047 million), giving a net debt to equity ratio of 0.98 times.

Segment Wise

1. Wireless Segment

Customer acquisition

During the year under review, the Company added 21 million wireless customers (net additions). As on March 31, 2012, the Company had 153 million wireless customers on its network. During the year, we reached out aggressively to rural areas that contributed substantially to our customer acquisition.

Revenues and profit

The revenues for the financial year ended March 31, 2012 were ₹ 17,696 crore (US\$ 3,478 million). The EBITDA during the same period was ₹ 4,732 crore (US\$ 930 million), while the EBIT (Earnings before Interest and Tax) was ₹ 2,341 crore (US\$ 460 million).

2. Global Enterprise Business Unit (GEBU) Segment

The Global Enterprise Business caters to Carrier, Enterprise and Consumer segments and offers the most comprehensive portfolio of IT, voice, video and data network services on an integrated and highly scalable platform.

The Carrier Business comprises of National long distance, International data business and Wholesale voice business

The National long distance offer's long distance 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.

Our international data business is underpinned by our ownership of the largest private submarine cable system in the world, directly connecting 40 countries from the East coast of the United States, to Europe, the Middle East, India, South and East Asia, through Japan. The network seamlessly interconnects with our 190,000 route Kilometres fibre optic cables within India.

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As part of wholesale offering, we offer national and 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.

In our Carrier Voice, we offer ILD carriage and termination, on an inter segment basis, to other business units of the Company as part of the wholesale product offering. We entered the long distance market in India in mid-2003 and are one of the largest carriers of international voice minutes with a market share of 30 per cent for ILD wholesale inbound traffic.

Enterprise business include our corporate clientele over 35,000 Indian and multinational corporations including small and medium enterprises and over 800 global, regional and domestic carriers. Our enterprise customers include 850 of the top 1,000 enterprises in India. We are the clear market leader in IDC services (Reliance Data Center) with more than 60 per cent market share. We continue to maintain leadership in other high growth segments of the market such as MPLS-VPN and Centrex solutions.

The Enterprise segment leverages our existing metro fibre optic networks to establish direct building connectivity on-net. Currently we are operating in 44 cities in India with close to 11,56,000 buildings connected directly to our network, serviced by more than 1.52 million access lines. Our primary building access technology is metro Ethernet technology with ring based fiber uplinks, which offers performance and cost advantages versus other access technologies in areas with high service potential. Our Metro Ethernet LAN technology gives us a significant edge in delivering high bandwidth data services, as compared with all of our competitors who operate on predominantly copper networks. In cities where we are not currently providing wireline direct building connectivity, we have selectively deployed wireless LMDS to access targeted buildings in accordance with our customer requirements. In the top 10 cities of India, we have augmented building connectivity program through deployment of WiMAX 802.16d technology. Using wire-line or wireless access, we provide services to the enterprise customers in more than 900 Indian cities/ towns.

We have a very strong and rapidly growing enterprise business segment outside India. We are among the top 10 Managed Ethernet services providers in the U.S. and have a strong position in the global enterprise data market. We have over 2,100 enterprise customers globally in developed markets of the US, UK, France, Germany, Benelux, Singapore and Australia.

As part of our Consumer voice offering, we offer virtual international calling services to retail customers for calls to over 230 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, the Netherlands, New Zealand, Singapore, Spain, United Kingdom and United States. We have over 2.5 million customers for our Reliance Global Call service.

Revenues and profit

The Revenues for the financial year ended March 31, 2012 in this segment were ₹ 9,418 crore (US\$ 1,851 million).

While the EBITDA was ₹ 2,292 crore (US\$ 451 million), the EBIT was ₹ 961 crore (US\$ 189 million).

Strategic Business Units

Reliance Communications Infrastructure Limited (RCIL)

RCIL provide Internet Data Centre (IDC) service facilities to house own and client's computer systems and associated components, such as telecommunications and secured storage systems to the user companies from our IDCs located in Mumbai, Bangalore, Hyderabad and Chennai.

During the year, we expanded the capacity of Hyderabad data center. With this, our IDC capacity has gone up more than 4,50,000 sq ft, making us the leader in this segment.

Operations

Revenues and operating expenses

RCIL earned total revenues of ₹ 5,527 crore (US\$ 1,086 million) during the year as compared to ₹ 4,719 crore (US\$ 1,058 million) for the previous year. RCIL incurred total operating expenses of ₹ 5,662 crore (US\$ 1,113 million) as compared to ₹ 4,090 crore (US\$ 917 million) in the previous year.

Net Profit/ Loss

The net loss after tax recorded by RCIL was ₹ 472 crore (US\$ 93 million) as compared to profit of ₹ 199 crore (US\$ 45 million) in the previous year.

Balance Sheet

As on March 31, 2012, RCIL had total assets (net) of ₹ 9,740 crore (US\$ 1,915 million) and shareholders' fund amounting to ₹ 2,241 crore (US\$ 441 million).

Reliance Telecom Limited (RTL)

RTL, a wholly owned subsidiary of the Company, offers GSM services in Madhya Pradesh, West Bengal, Himachal Pradesh, Orissa, Bihar, Assam, Kolkata and North East service areas.

Charge Sheet filed by CBI in 2G matter

As part of ongoing investigations in relation to the entire telecom sector in India, certain preliminary charges were filed in April, 2011 in a Court by an investigating agency (CBI), against RTL and three of the executives of the Group. The CBI media release itself clarifies that these are preliminary charges based on its own investigations, and the persons named are presumed to be innocent, till their alleged guilt is established after a fair trial.

As legally advised, the persons so named denied all charges and defend themselves in the appropriate legal proceedings. On October 22, 2011, Special Judge passed the order framing charges against all the accused including RTL. On November 23, 2011 the Hon'ble Supreme Court granted bail to the three executives of the Group.

In December, 2011, all the three executives and RTL filed Writ Petition(s) before the Hon'ble Delhi High Court challenging the order framing charges passed by the Special Judge on October 22, 2011. The matter is pending before Hon'ble Delhi High Court.

The Trial, which commenced on November 11, 2011 before the CBI Special Judge is continuing on a daily basis and the Prosecution Witnesses are being Cross-Examined by the Counsels.

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These preliminary charges have no impact on the business, operations, and/ or licenses of RTL and RCOM and even more so, are not connected in any manner to any other listed group companies.

Operations

During the year, RTL expanded its network, specifically at the areas in the eastern region.

Revenues and operating expenses

RTL earned total revenues of ₹ 2,644 crore (US\$ 520 million) during the year as compared to ₹ 2,400 crore (US\$ 538 million) in the previous year. RTL incurred total operating expenses of ₹ 2,787 crore (US\$ 548 million) as compared to ₹ 2,310 crore (US\$ 518 million) in the previous year.

Net Profit/ Loss

The net profit after tax recorded by RTL was ₹ 140 crore (US\$ 28 million) as compared to net loss of ₹ 218 crore (US\$ 49 million) in the previous year.

Balance Sheet

As on March 31, 2012, RTL had total assets of ₹ 8,013 crore (US\$ 1,575 million) and shareholders' fund amounting to ₹ 95 crore (US\$ 19 million).

Reliance Infratel Limited (RITL)

RITL, subsidiary of the Company, business is to build, own and operate telecommunication towers, optic fiber cable assets and related assets at designated sites and to provide these passive telecommunication infrastructure assets on a shared basis to wireless service providers and other communications service providers under long term contracts. These customers use the space on our telecommunication towers to install their active communication-related equipment to operate their wireless communications networks. The customers can also use our optic fiber network to connect the sites to the core network and the connectivity between circles.

RITL has a portfolio of nearly 50,000 multi-tenancy towers. Which are being utilised for both our CDMA and GSM technology based services as a part of our strategy to provide dual services on a pan India basis. RITL towers have the capacity of over 2,00,000 slots, the most extensive compared to any other telecom infrastructure provider with ability to increase capacity upto 7 tenants with relatively minimal capital expenditure. RITL has one of the best managed processes along-with technology solutions in the industry for optimisation of power and fuel costs.

Revenues and operating expenses

RITL earned total revenues of ₹ 7,587 crore (US\$ 1,491 million) during the year as compared to ₹ 6,674 crore (US\$ 1,497 million) in the previous year. The Company incurred total operating expenses of ₹ 3,903 crore (US\$ 767 million) as compared to ₹ 2,231 crore (US\$ 500 million) in the previous year.

Net Profit

The net profit after tax recorded by RITL was ₹ 681 crore (US\$ 134 million) as compared to ₹ 826 crore (US\$ 185 million) in the previous year.

Balance Sheet

As at March 31, 2012, RITL had total assets of ₹ 22,320 crore (US\$ 4,387 million). Shareholders' fund was ₹ 8,417 crore (US\$ 1,654 million).

Outlook

Telecom – Pivotal for future growth

Telecommunication, as an infrastructure, is pivotal to the socio-economic development. The global telecommunication industry is witnessing a fundamental change. It was voice segment that was dominant key driver of revenue and earnings to the operators, which also led equipment manufactures to concentrate on voice-enabled devices. Now, voice is shifting to a backseat and data and video are emerging as the core focus areas. A new network standard aims at faster data connectivity, quick video streaming with high resolution, and rich multimedia applications. We at RCOM are vibrant to this shift.

Telecom as a Catalyst

The telecommunications is one of the main catalysts of the accelerated growth and progress of different segments of the economy by narrowing access gaps and removing barriers to information. Our enhanced Network capabilities and global footprint makes us preferred carrier choice amongst other players.

Broadband penetration

India is catching up with other Asia-Pacific peers in terms of broadband penetration. At 6 per cent, India's household (fixed-line and wireless) broadband penetration is among the lowest in the Asia-Pacific. This is mainly due to low personal computer penetration and a lack of 3G and BWA services. With the launch of 3G services, wireless broadband penetration is expected to increase. In August 2010, TRAI set a household penetration target rate of 30 per cent by end 2012 and 60 per cent by end 2014. The uptake of wireless broadband will depend on 3G/ BWA handset penetration and 3G/ BWA tariff plans.

Competition and Consolidation

Massive technology invention and innovation have resulted in significant competitive atmosphere within the telecommunications industry. Product life-cycle and upgrade-cycle has been reduced drastically since several firms are coming out with new types of products and services within a short span of time. As a result, hectic merger and acquisition activities to consolidate the market share would be the new buzz in the market place. We are open to new acquisitions and opportunities to consolidate.

Consolidation in the Indian wireless sector is inevitable, subject to relaxation of the restrictions imposed by the regulator. These include restrictions on a single promoter owning not more than 10 per cent in another licensee within a telecom circle and a TRAI's recommendation that in case of merger or acquisition, the resulting entity may retain only one block of spectrum.

Mission 200 million subscribers

We are extremely well placed to capitalize on the growth opportunities in the converged telecom market supported by our integrated infrastructure and strong focus on quality of services.

Our leadership and strength is supported by

- An Intelligent next generation network based on state-of-the-art architecture;
- A strong forays into the rapidly expanding rural market;
- A keen commitment to staying ahead of customer requirements;
- Connecting universe with an international presence having owned submarine cable network and gateways;

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- e. A sterling track record of growth and execution;
- f. A focus on optimisation of resources and on building human capital.

Wireless Business

Wirefree India

RCOM has further realized the vision of 'Wirefree India' by leading the second telecom revolution in India, the data revolution. Last year, RCOM launched 3G services within almost 100 days of spectrum allocation, and was also the first private operator to soft launch 3G services in key metros of Delhi, Mumbai and Kolkata. Since then, we have expanded our wireless broadband reach by almost 15 times, to over 1,300 towns. RCOM also offers 1X data in CDMA in over 20,000 towns, making it the by far, the largest Data service provider in the country.

Value added Services (VAS)

Over the past several years, VAS has seen strong growth led by Voice, SMS, CRBT, USSD and other Value Added Services. While these services have entered a steady state of growth, a host of key innovative features are being rolled-out, like Social Network integration of the above verticals, Star Chat/ Blog, etc.

With the proliferation of 3G and smart devices, the next phase of VAS growth is expected to be led by Data Services, M-Commerce, and Machine-To-Machine Applications, for instance Connected Homes and Connected Cars. RCOM has taken the lead in the Data space, by successfully rolling out attractive Smartphone offers and a range of branded Tablets.

RCOM has also launched India's first full length Video-On-Demand streaming service that can accessed over smartphones and tablets. With this service, Reliance subscribers can enjoy the latest blockbuster movies at their convenience.

Customer Service

The key focus areas for the year 2011-12 have been Innovation, excellence in Store experience, Efficiency, quality of Frontline people and Process reengineering. All efforts have been made to ensure that the 'Customer Experience' is enhanced through very high standards and quality in all customer interactions, while optimising the costs based on segmented approach.

Some of the key achievements were:

- a. Virtualisation of billing e-Bill penetration at an industry-high of 42 per cent.
- b. Nearly 200 Collateral Offers packaged as Reliance Special Privileges to enhance customer loyalty and delight.
- c. 3G and Data focus: product-specific customer retention enablement.
- d. Additional revenue generation through special loyalty offers to our existing customers.
- e. Paperless online Credit Card Standing Instruction registration process – an Industry-first initiative.

All these have helped in enhancing overall customer experience to even higher levels.

Customer interface is another aspect of Customer Service, which is going through a new phase of transformation. The 10 key areas of focus are:

- a. **Customer experience:** Focus on end-to-end customer experience management including, 'customer expectation' capture, SLA – based service delivery and experience

capturing and tracking with reference to both 'inside-out' and 'outside-in' approach.

- b. **Continuous process improvement:** This involves business process lifecycle analysis, whereby, all process-related defects are solved at 'root cause' level instead of typical 'transaction' level solution.
- c. **Specialist Partners:** Engage specialist partners to deliver enhanced customer experience in specialized areas.
- d. **Partner integration through automation:** Automation has been taken to the next higher level integrating partners and contractors for effective management of SLAs and cost.
- e. **Widen partner engagement models for growth:** Partners have been engaged effectively to enhance reach specifically in rural areas for after sales support and reduce dependency on conventional channels.
- f. **In-house shared service excellence centers:** Build in-house shared service excellence centers in high impact areas like BPO space. These specialized units drive processes and cost effectiveness while ensuring high standards of customer experience.
- g. **Cost turn around:** Focus on innovation to deliver service at least cost leveraging technology, outsourcing, and process re-engineering and enhanced productivity. We have been able to reduce our Calls per Customer (CPC) through high rigor in customer facing processes like customer focused product delivery, Network effectiveness, dealer education, versatile IT systems, self care and micro-segmented customer communication.
- h. **Drive Customer mania as a culture:** Customer mania culture is being nurtured through various programs engaging each RCOM employee to contribute in customer service.
- i. **Driving 'Team focus' culture:** Entire customer care organization is being driven with standard dashboards, review methodology, KPIs across geography and roles.
- j. **Industry first initiatives:** Innovate newer and customer friendly mediums like live web chat and industry's first multiple personality framework on social media.

Global Business

Our strategy to leverage our global terabit network together with leadership in Enterprise solutions is delivering success in the marketplace. Reliance Globalcom recognizes the rapidly changing needs of its target base; enterprise and service providers, both in capabilities and lowering cost of ownership. Through balancing selective technology investments with external sourcing of services and applications, Reliance Globalcom applies its own cost effective service delivery and assurance operations to deliver customized solutions and services.

We have taken several specific initiatives to strengthen our capabilities and deliver unmatched advantage to our Enterprise customers.

- a. On the MPLS and VPLS front, we are extending the MPLS/VPLS paradigm from the global core network into the metro backbone networks. This improves the scalability and operational simplicity of the metro networks.
- b. Globally we have created an Ethernet enabled VPLS network that reaches more countries than any other carrier enabling our customers to create world-first business service innovations.

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- c. Reliance Globalcom was the first provider in the world to provide integrated MPLS network solutions to clients with end-to-end Class of Service (CoS) and SLAs including coverage of Quality of Service (QoS) based ADSL services. Reliance Globalcom delivers global MPLS solutions to many carriers who have recognized this service offering as a more cost effective means of achieving global MPLS coverage rather than trying to interconnect with other carriers themselves.
- d. In addition, we are expanding our support for multicast by implementing multicast-specific control and signaling architecture features (LSP and IGMP based) on the global core network. These features improve the efficiency of transporting multicast traffic as well simplify the operation of the multicast network. We are also expanding the use of multi-homing to improve service reliability.
- e. On the Carrier Ethernet front, we are extending our Ethernet offering throughout our combined network footprint and partnering more than ever with other Ethernet carriers. Our customers will benefit through lower-cost Ethernet service across a broader effective footprint.
- f. We recently launched end-to-end managed video conferencing services for enterprises. Our suite of services include 24x7 reservation-less video bridging and meeting room management, video endpoint management, event-based temporary upgrades, value-added services and video conferencing room rental with access to 2500+ video conferencing rooms across the world. This has been achieved using state-of-the-art video technology infrastructure, including one of the world's few fully deployed global video exchanges and global points-of-presence in London, New York, Shanghai, Toronto and Hong Kong to deliver and support video services, enabling users across the world to meet instantaneously regardless of their video equipment, network provider or type of connection.

We are actively analyzing new markets to extend our IP and Ethernet services. For Layer 3 services, we are in process of expanding into Australia (Perth) and China (Shanghai), and are evaluating expansion into South America (Brazil).

We are recognized as the market leader in each of our product offering and will continue to grow from a position of strength; a few highlights:

- a. World's largest private submarine cable system owner and capacity provider,
- b. Among the Top 6 Global Ethernet Service providers with over 1,200 customers in US alone,
- c. Among the Top 5 Managed Network Service providers with over 200 global corporate customers,
- d. Amongst the Top 10 Data Centers in the world and # 1 in India (in terms of Saleable space),
- e. Top 15 International Voice Carriage in terms of minutes carried (18 billion per annum),
- f. Leading NLD Infrastructure provider in India.

Enterprise Broadband and Internet Data Centers (IDC)

We have very strong relationships with our existing customers and we would continue to increase our wallet share in these accounts by cross selling and up selling services. In Enterprise Business, we would continue our focus on Government Business and SMB segment.

The Enterprise Business will pursue high growth services and verticals such as Managed Services, Data Centers, and Ethernet connectivity segment in a focused manner.

A. IDC

- a) Focus on selling capacity in the upcoming markets of Chennai and Hyderabad.
- b) Enhancing the capabilities in cloud computing by partnering with a wide range of application vendors.
- c) To stay in the forefront of Cloud based offerings, we have launched "Hosted Exchange" services on Microsoft platform.
- d) We plan to expand further our portfolio of IDC based services and products to be a one-stop shop for enterprise and SMB customers on cloud.

B. Enterprise

- a) Established Global Centers of excellence in Data Center, Managed Services and Enterprise Connectivity in Navi Mumbai.
- b) We will leverage the synergies between our global and Indian operations to give better value to our customers.

C. Government

- a) We are in implementation stage for MPLS major APDRP roll out in various States of India.
- b) With our strategy of keeping a separate / dedicated team for Government vertical paying dividends, this vertical is like to contribute even more in the times to come.

Telecom Infrastructure

We are leveraging our extensive capability to offer a wide range of services as an integrated service provider across the whole infrastructure value chain. Our aim is to provide a fast track solution to our clients, both for ongoing expansion of our existing telecom operators and the roll out plans of the new ones. We have achieved unique position vis-à-vis other infrastructure providers with better quality of our tower as well as carriage and transport infrastructure along with our unified approach as an integrated service provider.

RITL is best positioned to attract tenants

- a. For High quality portfolio, capable of housing 4 tenants;
- b. With marginal Capex, tower tenant capacity of 4 can be enhanced up to 7 tenants.

Home/ DTH Business

As Reliance Digital TV moves into its 4th full year of operations, we have the stand alone HD Set top box, completing the most comprehensive product line up inclusive of SD, HD and HD DVR STB. We launched 9 full HD channels and 32 new SD channels during the financial year 2011-12. On the anvil are plans to further strengthen our channel offerings to the consumers.

Adequacy of internal control and Systems

The Company has built adequate systems of internal controls aimed at achieving efficiency in operations, optimum utilisation of resources, effective monitoring and compliance with all the applicable laws. The internal control mechanism comprises of a well defined organisational structure, documented policy guidelines, pre-determined authority levels and processes

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commensurate with the level of responsibility. The Management Audit Team undertakes extensive checks and reviews through external firms of Chartered Accountants, who provide independent and professional observations. The Audit Committee of the Board reviews major internal audit reports as well as the adequacy of internal controls.

Risk Management Framework

The Company has instituted a self-governed Risk Management framework based on identification of potential risk areas, evaluation of risk intensity, and clear-cut risk mitigation policies, plans and procedures both at the enterprise and operating levels. The framework seeks to facilitate a common organisational understanding of the exposure to various risks and uncertainties at an early stage, followed by timely and effective mitigation. The Audit Committee of the Board reviews the risk management framework at periodic intervals.

Human resource and employees relations

The Key focus areas have been on

- a. Building robust and agile Organization, Processes and Systems,
- b. Extensive and intensive Capability Building across different levels, and
- c. Developing the Leadership pipeline.

We have revisited and realigned the organisation structure to ensure higher standards of customer delivery and productivity. As a business continuity plan, the high potential employees have been identified to be developed as the leaders for future business requirements. In addition to this, throughout the year, the Company introduced several other employee related initiatives aimed at enhancing productivity, morale and motivation with greater focus on development and retention of the 'Quality' talent. The Company has launched varied Training and Development Programs for all levels across the functions and businesses especially for the front line staff.

One of the key developments has been the launch of Strategic Leadership Development Program specifically designed for the Company in association with Indian Institute of Management, Bangalore for developing senior executives as the future business leaders.

The Company has been organising, throughout the year, series of employee engagement events involving all employees and their families to create a 'Happy People Organisation'. The leadership team along with the HR team across the company involved in employee engagement activities with celebrations with families or achievement of key milestones; successes; festivals; etc.

It has been also the Company's endeavor to make its policies, processes and procedures more transparent, employee friendly and objective, in line with the best industry practices. Automation of these policies and processes enabled ease of operations, transparency and faster resolution. The Company launched SAP HCM 6.0 version where all end-to-end HR processes are covered under one single system thereby covering the entire employee life cycle.

Building a talent pipeline has been an important initiative for the Company. We launched programs for fresh engineers and IT students in the Technology functions, wherein they would be joining us based on successful completion of certain basic company related training as well as certification. During the year, the Company has successfully met the manpower skill

requirements emerging from our expanding and evolving business. The manpower as on March 31, 2012 was 24,460 across all businesses.

Corporate Governance

The Company's policy on "Code of Conduct" which has set out the systems, process and policies conforming to international standards are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors both local and global and all other stakeholders. We maintained the highest standards of corporate governance principles and best practices.

Information technology

Reliance Tech Services (RTS), while continuing to service various RCOM business units, also provides application development and maintenance services to Group Companies like Reliance Big Entertainment, Reliance Infra, Reliance Power, Reliance Capital and Reliance Health. RTS is one of the leading Technology (IT) arm with Hi-Tech capabilities at par with the world wide knowledge. In order to optimally use our manpower and resources we have automated most of the major Business and IT Processes, delivered the products at low cost and reduced the time to market. Our next major initiative will be focused on integration of the client processes and infrastructures. This integration will infuse intelligence bringing in more efficiency, productivity and responsiveness for customer delight. RTS ensured that RCOM remains the frontrunner of 3G Services in major metros of India. RTS is an active participant in various national and international industry recognised forums like NASSCOM, Telecom Management Forum etc.

Awards and Recognitions

During the year under review HR Policies, Processes and Practices have been recognised as 'Best Practices' and in a survey conducted by Business Today, RCOM was ranked 6th among the "Best Companies to work for" and 1st in the Telecom and Allied Services sector.

The Company also received National level recognition and awards like:

- a. Golden Peacock National Training Award
- b. Excellence in Training at the World HRD Congress, IPE-HR Leadership Awards
- c. Star News Award – Star Night! The Learning and Excellence Award in the use of technology and innovative tools for training delivery.

The Company also won Aegis Graham Bell Award for Best Broadband Network Provider, Best Quality of Service Award by ET Telecom Awards, Best Implementation of Green IT – LE – CxO – The Technology Chapter Award by Lenovo and UTV Bloomberg, Edge Award by Interop and International Information Security Award by ISACA.

Our Executives were also recognized nationally and internationally with various prestigious awards.

Our Network Learning Centre (NLC) has won the following prestigious awards:

- a. The IPE – HR Leadership Award 2012 for Excellence in Training,
- b. Star News Award – Star Night! The Learning Excellence Award 2012.

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We have also been recently awarded the following:

- a. Best Managed Video Conference service provider of the year 2012 by Frost and Sullivan.
- b. Prestigious TM Forum's Excellence Awards 2012 for commitment to industry transformation, innovation, operational excellence and leadership.
- c. "Top Green IT Enterprise Award 2012" presented by IDG Media in the Large Enterprise category
- d. Our digital advertising campaign on Reliance Mobile has won the topmost honor "GOLD AWARD" in "Best Use of Social Networks" category.

Corporate Social Responsibility

We continue to strive for sustainability in our operations by promoting the integration of CSR into our business strategy as well as our everyday functioning. During the year, we focused on

six core areas namely environment, community development, education, women's empowerment, social awareness and health.

Apart from supporting CSR initiatives promoted by Reliance Group, we have taken many CSR initiatives like;

1. Providing Grassroot Advancement to youth by offering employability skills. We have successfully placed more than 1,300 trained youth.
2. Under our 'Swavalamban' programme we provide skill training for women to create employment opportunities.
3. Under our 'Little Genius' programme, we provide internet literacy programs for underprivileged children. The program has successfully trained 15,000 children.
4. Planted more than 1 lac saplings under our Green Mile Programme.
5. Blood Donation Camps organised at in-house centers.
6. Used clothes drive – These were sent to the needy.

Auditors' Certificate on Corporate Governance

To,

The Members of

Reliance Communications Limited

We have examined the compliance of conditions of Corporate Governance by Reliance Communications Limited ('the Company') for the financial year ended on March 31, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

C. D. Lala
Partner
Membership No.: 35671

Bhavesh Dhupelia
Partner
Membership No.: 042070

Mumbai
June 2, 2012

Our corporate governance philosophy

Reliance Communications follows the highest standards of corporate governance principles and best practices by adopting the "Reliance Group – Corporate Governance Policies and Code of Conduct" as is the norm for all constituent companies in the group. These policies prescribe a set of systems and processes guided by the core principles of transparency, disclosure, accountability, compliances, ethical conduct and the commitment to promote the interests of all stakeholders. The policies and the code are reviewed periodically to ensure their continuing relevance, effectiveness and responsiveness to the needs of our stakeholders.

Governance practices beyond regulatory requirements

Our governance practices go beyond the mere letter of statutory and regulatory requirements. With this in mind, we have formulated a number of policy documents and introduced the following set of governance practices:

A. Values and commitments

We have set out and adopted a policy document on 'values and commitments' of Reliance Communications. We believe that any business conduct can be ethical only when it rests on the nine core values viz; honesty, integrity, respect, fairness, purposefulness, trust, responsibility, citizenship and caring.

B. Code of ethics

Our policy document on 'code of ethics' demands that our employees conduct the business with impeccable integrity and by excluding any consideration of personal profit or advantage.

C. Business policies

Our 'business policies' cover a comprehensive range of issues such as fair market practices, insider information, financial records and accounting integrity, external communication, work ethics, personal conduct, policy on prevention of sexual harassment, health, safety, environment and quality.

D. Separation of the Board's supervisory role from the executive management

In line with the best global practices, we have adopted the policy of separating the Board's supervisory role from the executive management. We have also split the posts of Chairman and CEO.

E. Prohibition of insider trading policy

This document contains the policy on prohibiting trading in the equity shares of the Company, based on insider or privileged information.

F. Policy on prevention of sexual harassment

Our policy on prevention of sexual harassment aims at promoting a productive work environment and protects individual rights against sexual harassment.

G. Whistle blower policy

Our Whistle Blower policy encourages disclosure in good faith of any wrongful conduct on a matter of general concern and protects the whistle blower from any adverse personnel action.

H. Environment policy

The Company is committed to achieving excellence in environmental performance, preservation and promotion of

clean environment. These are the fundamental concern in all our business activities.

I. Risk management

Our risk management procedures ensure that the management controls various business related risks through means of a properly defined framework.

J. Boardroom practices

a. Chairman

In line with the highest global standards of corporate governance, the Board has separated the Chairman's role from that of an executive in managing day to day business affairs.

b. Board charter

The Board of Directors has adopted a comprehensive charter, which sets out clear and transparent guidelines on matters relating to the composition of the Board, the scope and function of various Board committees etc.

c. Board committees

The Board constituted Audit Committee, Nomination/ Remuneration Committee and Shareholders/ Investors Grievance Committee. The Board rotates the Chairman of these Committees after two years.

d. Tenure of independent directors

Tenure of independent directors on the Board of the Company shall not exceed nine years, subject to their re-appointment on retirement by rotation as per statutory provisions.

e. Independent director's interaction with shareholders

Member(s) of the Shareholders/ Investors Grievance Committee interact with shareholders on their suggestions and queries, if any, which are forwarded to the Company Secretary.

f. Lead independent director

Recognising the need for a representative and spokesperson for the independent directors, the Board designated Prof. J. Ramachandran, an independent director as the lead independent director. The position of the lead independent director is rotated after two years.

The lead independent director performs the following roles in addition to the role of a non-executive independent director:

1. presides over all executive sessions of the Board's independent directors;
2. works closely with the Chairman to finalise the information flow, meeting agenda and meeting schedules;
3. liaises between the Chairman and the independent directors on the Board; and
4. takes a lead role along with the Chairman in the Board evaluation process.

g. Training of Board Members

The Board members are periodically given formal orientation and training with respect to the Company's vision, strategic direction, core values including ethics,

Corporate Governance Report

corporate governance practices, financial matters and business operations. The Directors are facilitated to get familiar with the Company's functions at the operational levels. Periodic presentations are made at the Board and Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved. The Board members are also provided with necessary documents/brochures, reports and internal policies to enable them to familiarise with the Company's procedures and practices.

Periodic updates and training programs for Board members are also conducted on relevant statutory changes and landmark judicial pronouncements encompassing important laws.

h. **Meeting of independent directors with operating team**

The independent directors of the Company meet in executive sessions with the various operating teams as and when they deem necessary. These discussions may include topics such as, operating policies and procedures, risk management strategies, measures to improve efficiencies, performance and compensation, strategic issues for Board consideration, flow of information to directors, management progression and succession and others as the independent directors may determine. During these executive sessions, the independent directors have access to members of management and other advisors, as the independent directors may determine and deem fit.

i. **Commitment of directors**

The meeting dates for the entire financial year are scheduled in the beginning of the year and an annual calendar of meetings of the Board and its committees is circulated to the directors. This enables the directors to plan their commitments and facilitates attendance at the meetings of the Board and its committees.

K. **Governance practices being followed to promote the interests of our stakeholders**

We have introduced several trend setting governance practices to improve stakeholders satisfaction. Some of the major ones among them are:

1. **Customers**

We have taken various customer caring initiatives, which give various services to our subscribers at all times. We also have captive contact centers having one of the largest facilities accommodating approx. 9,500 personnel on round the clock shift basis. In addition to this, we have provided various on line measures on Reliance World platform which also gives ready access to the customers. Our customers can view and pay their bills online and manage their account information online.

2. **Employees**

Our endeavour has been to create a high performing and engaged organisation. Through the year, the Company has rolled out several employees initiatives towards this. Re-engineering of Organisation Design, re-visiting work flows and processes, enhancing automation has enabled us to be an efficient, productive and agile organisation. The Company has

been recognised for its 'Best Practices' and in a survey conducted by Business Today, the Company was ranked Sixth among the "Best Companies to work for" and First in the Telecom and Allied Services sector.

One of the key factors of our success and achievement has been the capability and commitment of our employees.

On a periodic basis, the Company reviewed the HR policies, processes and procedures to make it more transparent, employee friendly and automated.

The continuous focus on learning and development and capability building of employees has led to developing and retaining our talent, and has facilitated in professional and personal growth and enrichment of our employees.

The Company has been organising, throughout the year, series of employee engagement events involving all employees and their families to create a 'Happy People Organisation'.

3. **Shareholders**

The Company recognises the importance of two-way communication with shareholders and of giving a balanced report of results and progress and responds to questions and issues raised in a timely and consistent manner. To ensure this, the Company's corporate website, www.rcom.co.in has information for institutional and retail shareholders alike. Shareholders seeking information may contact the Company directly throughout the year. They also have an opportunity to ask questions in person at the Annual General Meeting. Shareholders can contact the Company via dedicated shareholders contact points as provided in this report or through any of Investor Service Centers of the Company's Registrar and Transfer Agent spread in more than 80 cities across India, details of which are available on the Company's website.

4. **Lenders**

The Company has been prompt in honoring all debt obligations to its lenders.

5. **Society**

The Company, in keeping with its Corporate Social Responsibility policy, focuses on healthcare, education, and other social initiatives.

L. **Role of the Company Secretary in Governance Process**

The Company Secretary plays a key role in ensuring that the Board procedures are followed and regularly reviewed. The Company Secretary ensures that all relevant information, details and documents are made available to the directors and senior management for effective decision making at the meetings. The Company Secretary is primarily responsible to ensure compliance with applicable statutory requirements and is the interface between the management and regulatory authorities for governance matters. All the directors of the Company have access to the advice and services of the Company Secretary.

M. **Independent Statutory Auditors**

The Company's accounts are audited by a panel of two leading independent audit firms namely:

1. M/s. Charturvedi & Shah, Chartered Accountants.
2. M/s. B S R & Co., Chartered Accountants.

Reliance Communications Limited

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Compliance with the code and rules of Luxembourg Stock Exchange

The Global Depository Receipts (GDRs) issued by the Company are listed on the Luxembourg Stock Exchange (LSE). The Company has reviewed the code on corporate governance of LSE, and the Company's corporate governance practices conform to these codes and rules.

Compliance with Clause 49 of the listing agreement

The Company is fully compliant with the mandatory requirements of Clause 49 of the listing agreement formulated by the Securities and Exchange Board of India.

We present our report on compliance of governance conditions specified in Clause 49 of the listing agreement:

I. Board of Directors

1. Board composition – Board strength and representation

As on March 31, 2012, the Board consisted of five members. The composition of and the category of directors on the Board of the Company were as under:

Category	Particulars of directors
Promoter, non-executive and non-independent Director	Shri Anil D. Ambani, Chairman
Independent Directors	Prof. J. Ramachandran Shri S. P. Talwar Shri Deepak Shourie Shri A. K. Purwar

Notes:

- None of the directors is related to any other director.
- None of the directors has any business relationship with the Company.
- None of the directors has received any loans and advances from the Company during the year.

All the independent directors of the Company furnish a declaration at the time of their appointment as also annually that they qualify the conditions of their being independent. All such declarations are placed before the Board.

The Company has appointed Shri Prakash Shenoy, Company Secretary as the Manager of the Company in terms of provisions of the Companies Act, 1956 for a period of five years with effect from June 1, 2011.

2. Conduct of Board proceedings

The day to day business is conducted by the executives and the business heads of the Company under the direction of the Board led by the Chairman. The Board holds minimum four meetings every year to review and discuss the

performance of the Company, its future plans, strategies and other pertinent issues relating to the Company.

The Board performs the following specific functions in addition to overseeing the business and the management:

- review, monitor and approve major financial and business strategies and corporate actions;
- assess critical risks facing by the Company – review options for their mitigation;
- provide counsel on the selection, evaluation, development and compensation of senior management;
- ensure that processes are in place for maintaining the integrity of:
 - the Company
 - the financial statements
 - compliance with law
 - relationship with all the stakeholders
- delegation of appropriate authority to the senior executives of the Company for effective management of operations of the Company.

3. Board meetings

The Board held four meetings during financial year 2011-12 on May 30, 2011, August 13, 2011, November 12, 2011 and February 10, 2012. The maximum time gap between any two meetings was 89 days and the minimum gap was 74 days. The meetings are normally held at Mumbai.

The Board periodically reviews compliance reports of all laws applicable to the Company.

4. Standards issued by ICSI

The Institute of Company Secretaries of India (ICSI) has issued various 'Secretarial Standards' on key corporate functions like Board meetings, General meetings, Payment of Dividend, Maintenance of Registers and Records, Minutes of Meetings, Transmission of Shares and Debentures, Passing of Resolutions by Circulation, Affixing of Common Seal, Forfeiture of Shares and Board's Report.

Although these standards are not mandatory, the Company adheres to them voluntarily.

5. Attendance of directors

Attendance of directors at the Board meetings held during financial year 2011-2012 and the last Annual General Meeting held on September 27, 2011 and the details of directorships (calculated as per provisions of Section 275 and 278 of the Companies Act, 1956), Committee Chairmanships and the Committee memberships held by the directors as on March 31, 2012 are as under:

Name of the Director	Number of Board meetings attended out of four meetings held during the tenure	Attendance at the last AGM held on 27.09.2011	Number of directorship (including RCOM)	Committee(s)* membership* (including RCOM)	
				Membership	Chairmanship
Shri Anil D. Ambani	4	Present	6	1	-
Prof. J. Ramachandran	4	Present	8	6	2
Shri S. P. Talwar	4	Present	12	9	4
Shri Deepak Shourie	4	Absent	1	2	-
Shri A. K. Purwar	3	Present	13	9	3

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a. The information provided above pertains to the following committees in accordance with the provisions of Clause 49 of the listing agreement: (i) Audit Committee, and (ii) Shareholders/ Investors Grievance Committee.

b. Membership of Committees includes chairmanship, if any.

6. Other directorships

None of the directors hold directorships in more than 15 public limited companies.

7. Membership of Board committees

No director holds membership of more than 10 committees of Board nor any director is a chairman of more than 5 committees of Board.

8. Details of directors

The abbreviated resumes of all Directors are furnished hereunder:

Shri Anil D. Ambani

Regarded as one of the foremost corporate leaders of contemporary India, Shri Anil D. Ambani, 53, is the Chairman of Reliance Communications Limited, Reliance Capital Limited, Reliance Infrastructure Limited and Reliance Power Limited. He is also on the board of Reliance Infratel Limited and Reliance Anil Dhirubhai Ambani Group Limited. He is the President of the Dhirubhai Ambani Institute of Information and Communication Technology, Gandhinagar, Gujarat. The Group companies are engaged in leading businesses that provide cutting edge services to empower and enrich the lives of one out of every five Indians.

He is a member of Shareholders and Investors Grievance Committee of the Company.

An MBA from the Wharton School of the University of Pennsylvania, Shri Ambani is credited with having pioneered several path breaking financial innovations in the Indian capital markets. He spearheaded the country's first forays into the overseas capital markets with international public offerings of global depository receipts, convertibles and bonds. Under his Chairmanship, the constituent companies of the Reliance Group had raised nearly US\$ 7 billion from global financial markets in a period of less than 3 years.

Shri Ambani has been associated with a number of prestigious academic institutions in India and abroad.

He is currently a member of:

- Wharton Board of Overseers, The Wharton School, USA
- Board of Governors, Indian Institute of Management (IIM), Ahmedabad
- Executive Board, Indian School of Business (ISB), Hyderabad.

In June 2004, Shri Ambani was elected as an Independent member of the Rajya Sabha – Upper House, Parliament of India, a position he chose to resign voluntarily in March, 2006.

Shri Ambani is also recognized by the Indian government as a visionary and torch bearer for the overall growth and development of modern infrastructure in the country. He is a regular invitee to top level consultation programmes that the Prime Minister's Office and other key central ministries conduct with corporate leaders in India towards creating

and reforming policies and regulatory frameworks for the infrastructural growth in the country. The Prime Minister has recently nominated Shri Ambani as the Co-Chair from the Indian side of the India-China CEO Forum. In recent years, Shri Ambani has also been a trend setter for Corporate India in achieving multi-billion dollar investments from leading financial institutions in the US and China for infrastructure development in India.

Select Awards and Achievements

As one of the India's youngest business leaders, Shri Ambani has received National and International acclaim for his vision and leadership. Specific awards and recognitions include –

- Ranked in the 4th place amongst its list of India's Top 100 CEOs by the Economic Times, India most influential newspaper in 2009 as well as in 2010.
- Included in its selection of 50 notable business leaders from emerging markets in 2010 by the UK-based Financial Times
- Ranked as the third most powerful and influential person of India in its list of 50 such luminaries by India Today magazine in 2009.
- Also included in a similar list by the US-based Business Week magazine in 2009.
- Awarded by Light Readings as the Person of the Year – 2008 for outstanding achievements in the communication industry.
- Voted 'the Businessman of the Year' in a poll conducted by The Times of India – TNS, December, 2006.
- Voted the 'Best role model' among business leaders in the biannual Mood of the Nation poll conducted by India Today magazine, August 2006.
- Conferred with 'the CEO of the Year 2004' award at the Platts Global Energy Awards.
- Conferred 'The Entrepreneur of the Decade Award' by the Bombay Management Association, October, 2002.
- Awarded the First Wharton Indian Alumni Award by the Wharton India Economic Forum (WIEF) in recognition of his contribution to the establishment of Reliance as a global leader in many of its business areas, in December, 2001.

As on March 31, 2012, Shri Anil D. Ambani held 18,59,171 equity shares in the Company.

Prof. J. Ramachandran

Prof. J. Ramachandran, Director, 55 is the Chair Professor of Business Policy at the Indian Institute of Management, Bengaluru. He is a qualified Chartered Accountant and Cost Accountant and has obtained his doctorate from the Indian Institute of Management, Ahmedabad.

He is also director of Sasken Communication Technologies Limited, Redington (India) Limited, Boruka Power Corporation Limited, Indofil Industries Limited, Tejas Networks Limited, Infotech Enterprises Limited and Easyaccess Financial Services Limited.

He is a member of Audit Committee and Shareholders/ Investors Grievance Committee of the Company. He is a Chairman of Share Transfer and Investors' Grievance Committee of Sasken Communication Technologies Limited and Redington (India) Limited. He is a member of Audit

Reliance Communications Limited

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Committee of Redington (India) Limited and Infotech Enterprises Limited. He does not hold any share in the Company as of March 31, 2012.

Shri S. P. Talwar

Shri S. P. Talwar, Director, 73 was a former Deputy Governor of Reserve Bank of India. He was also former Chairman-cum-Managing Director of Bank of Baroda, Union Bank of India and Oriental Bank of Commerce. He is graduate in Arts and Law. He is also qualified as CAIIB. He has vast experience in financial services sector in the country.

He is also director of Crompton Greaves Limited, Reliance General Insurance Company Limited, Reliance Infratel Limited, Videocon Industries Limited, Reliance Life Insurance Company Limited, Housing Development and Infrastructure Limited, Kalpataru Power Transmission Limited, Uttam Galva Steels Limited, SPS Ispat & Power Limited, GTL Infrastructure Limited and Samvardhana Motherson Finance Limited.

He is Chairman of Audit Committee of Reliance Life Insurance Company Limited, Videocon Industries Limited, Housing Development and Infrastructure Limited. He is member of Audit Committee of Reliance General Insurance Company Limited, Crompton Greaves Limited, Reliance Infratel Limited and Samvardhana Motherson Finance Limited. He is member of Audit Committee and Shareholders'/ Investors' Grievance Committee of the Company. He does not hold any share in the Company as of March 31, 2012.

Shri Deepak Shourie

Shri Deepak Shourie, Director, 63 is a Bachelor of Arts in Economics with Honours and has more than 40 years' exposure with an emphasis on media, consumer goods, and corporate affairs. He is presently working as a Director, South Asia for BBC Worldwide Media Private Limited (Formerly BBCW Channels Private Limited).

He was the Executive Vice President and Managing Director of Discovery Communications of India.

He is a member of Audit Committee and Chairman of Shareholders'/ Investors' Grievance Committee of the Company. He does not hold any share in the Company as of March 31, 2012.

Shri A. K. Purwar

Shri A. K. Purwar, Director, 66 was the former Chairman and Managing Director of State Bank of India (SBI). He was also former Managing Director of State Bank of Patiala. He is a graduate in Commerce and Diploma in Business Administration. Under his leadership, the State Bank of India had taken giant strides in technological innovations, all the 13800+ branches of the SBI were fully computerised by 2004.

He is also a Director of Vardhman Textiles Limited, Jindal Steel and Power Limited, Jindal Power Limited, India Infoline Finance Limited, Apollo Tyres Limited, Engineers India Limited, IL&FS Renewable Energy Limited, C & C Constructions Limited, ONGC Tripura Power Company Limited, India Infoline Limited, Vardhman Chemtech Limited and Sri Kavery Medical Care (Trichy) Limited. Shri Purwar has been associated with a number of prestigious academic institutions, committees set up by various State and Central Governments and international institutions.

He is Chairman of Audit Committee and member of Shareholders'/ Investors' Grievance Committee of the

Company. He is also Chairman of Audit Committee of Engineers India Limited and ONGC-Tripura Power Company Limited. He is a Member of Audit Committee of Jindal Power Limited, Sri Kavery Medical Care (Trichy) Limited, C & C Construction Limited and PHL Finance Private Limited. He does not hold any share in the Company as of March 31, 2012.

9. Insurance coverage

The Company has obtained Directors and Officers liability insurance coverage in respect of any legal action that might be initiated against directors.

II. Audit Committee

In terms of Clause 49 of the listing agreement as well as Section 292A of the Companies Act, 1956, the Board has constituted Audit Committee of the Board of Directors at its meeting held on February 8, 2006. At present, the Committee consists of all the four independent non executive directors of the Company. viz; Shri A. K. Purwar, Chairman, Prof. J. Ramachandran, Shri S. P. Talwar and Shri Deepak Shourie as members. Shri A. K. Purwar has wide experience on accounting, financial and business policies. All other members of the Committee are financially literate.

The Audit Committee, inter alia advises the management on the areas where systems, processes, measures for controlling and monitoring revenue assurance, internal audit can be improved. The minutes of the meetings of the Audit Committee are placed before the Board. The terms of reference of the Audit Committee are in accordance with all the items listed in Clause 49(II) of the listing agreement as follows:

- i. Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial information is correct, sufficient and credible;
- ii. Recommending the appointment, reappointment and replacement/ removal of statutory auditor and fixation of audit fee;
- iii. Approving payment for any other services by statutory auditors;
- iv. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - a. Matters required to be included in the Directors' Responsibility Statement included in the report of the Board of Directors.
 - b. Any changes in accounting policies and practices and reasons thereof.
 - c. Major accounting entries based on exercise of judgment by management.
 - d. Qualifications in draft audit report, if any.
 - e. Significant adjustments arising out of audit.
 - f. Compliance with listing and other legal requirements concerning financial statements.
 - g. Disclosure of related party transactions.
- v. Reviewing with the management the quarterly financial statements before submission to the Board for approval;
- vi. Reviewing with the management, the statement of uses/ application of funds raised through an issue

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(public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or right issue, and making appropriate recommendations to the Board to take up steps in this matter;

- vii. Reviewing with the management, the performance of the external and internal auditors, the adequacy of internal control systems;
- viii. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- ix. Discussion with internal auditors on any significant findings and follow up thereon;
- x. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- xi. Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- xii. To look into the reasons for substantial defaults in the payment to the depositors, debentureholders, shareholders (in case of non-payment of declared dividends) and creditors;
- xiii. To review financial statements of subsidiary companies, in particular its investments;
- xiv. To review the functioning of the Whistle Blower mechanism;
- xv. To approve appointment of Chief Financial Officer after assessing qualification, experience, and background etc.;
- xvi. Carrying out all other functions as is mentioned in the terms of reference of the Audit committee;
- xvii. Review the following information:
 - a. Management Discussion and Analysis of Financial Condition and Results of Operations.
 - b. Internal audit reports relating to internal control weaknesses.
 - c. Management letters/ letters of internal control weaknesses issued by statutory auditors.
 - d. Statement of significant related party transactions, and
 - e. The appointment, removal and terms of remuneration of the Chief internal auditor.

The Audit Committee has the following powers:

- i. to investigate any activity within its terms of reference;
- ii. to seek any information from any employee;
- iii. to obtain outside legal and professional advice;
- iv. to secure attendance of outsiders with relevant expertise, if it considers necessary.

Attendance at the meetings of the Audit Committee held during 2011-2012.

The Audit Committee held its meetings on May 30, 2011, August 13, 2011, October 15, 2011, November 12, 2011 and February 10, 2012. The maximum time gap between any two meetings was 89 days and the minimum gap was 27 days.

Members	Number of Meetings held during the tenure	Number of Meetings attended
Shri A. K. Purwar	5	4
Prof. J. Ramachandran	5	5
Shri S. P. Talwar	5	5
Shri Deepak Shourie	5	5

The Chairman of the Audit Committee was present at the last Annual General Meeting of the Company.

The meetings considered all the points in terms of its reference at periodic intervals.

Shri Prakash Shenoy, Company Secretary and Manager acts as the Secretary to the Audit Committee.

During the year, the Committee discussed with the Company's auditors the overall scope and plans for the independent audit. The Management represented to the Committee that the Company's financial statements were prepared in accordance with prevailing laws and regulations. The Committee discussed the Company's audited financial statements, the rationality of significant judgments and the clarity of disclosures in the financial statements. Based on the review and discussions conducted with the Management and the auditors, the Audit Committee believes that the Company's financial statements are fairly presented in conformity with prevailing laws and regulations in all material aspects.

The Committee has also reviewed the internal controls put in place to ensure that the accounts of the Company are properly maintained and that the accounting transactions are in accordance with the prevailing laws and regulations. In conducting such reviews, the Committee found no material discrepancy or weakness in the internal control systems of the Company. The Committee also reviewed the financial policies of the Company and expressed its satisfaction with the same. The committee, after review expressed its satisfaction on the independence of both the internal and the statutory auditors.

Based on the committee's discussion with the Management and the auditors and the committee's review of the representations of the Management, the Committee has recommended the following to the Board of Directors:

1. The audited annual financial statements of the Company for the year ended March 31, 2012, be accepted by the Board as a true and fair statements of the financial status of the Company.
2. The audited abridged financial statements of the Company for the year ended March 31, 2012, be accepted by the Board as a true and fair statements of the financial status of the Company.
3. The audited consolidated financial statements of the Company and its subsidiaries and Joint Ventures for the year ended March 31, 2012, be accepted by the Board as a true and fair statements of the financial status.
4. The audited abridged consolidated financial statements of the Company, its subsidiaries and Joint Ventures for the year

Reliance Communications Limited

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ended March 31, 2012, be accepted by the Board as a true and fair statement of the financial status.

III. Nomination/ Remuneration Committee

The Nomination/ Remuneration Committee of the Board is constituted to formulate from time to time (a) process for selection and appointment of new directors and succession plans and (b) recommend to the Board from time to time, a compensation structure for directors and the manager. Presently, the Company has no executive director.

The Nomination/ Remuneration Committee comprises of five directors, viz; Shri S. P. Talwar, Chairman, Shri Anil D. Ambani, Prof. J. Ramachandran, Shri Deepak Shourie and Shri A. K. Purwar as members. During the year, the Nomination/ Remuneration Committee met on May 30, 2011 wherein all the members attended the meeting.

Shri Prakash Shenoy, Company Secretary and Manager acts as the Secretary to the Nomination/ Remuneration Committee.

Managerial remuneration policy

The Nomination/ Remuneration Committee determines and recommends to the Board, the compensation of the Directors and the Manager.

The key components of the Company's Remuneration Policy are:

- Compensation will be a major driver of performance.
- Compensation will be competitive and benchmarked with a select group of companies from the service sector.
- Compensation will be transparent, fair and simple to administer.
- Compensation will be fully legal and tax compliant.

The Members at the 6th Annual General Meeting held on September 28, 2010, had approved payment of commission to non executive directors, who were not in the whole time employment, upto the limits laid down under the provisions of Section 309(4) of the Companies Act, 1956, computed in the manner specified in the Act. The Ministry of Corporate Affairs vide its Circular No. 4/2011 dated March 4, 2011 has decided that a Company can pay Commission upto 3 per cent of its net profit to the Non-Whole Time Director(s) without approval of the Central Government, if it does not have a Managing Director or Whole Time Director(s). In view of above Circular, the Company can pay Commission upto 3 per cent of net profit to the Non Whole Time Directors of the Company.

Criteria for making payments to non executive directors

The remuneration to non executive directors is benchmarked with the relevant market and performance oriented, balanced between financial and sectoral market, comparative scales, aligned to Corporate goals, role assumed and number of meetings attended.

Details of Sitting fees paid to the Directors during the Financial Year ended March 31, 2012.

Name of Directors	Sitting Fee (₹ in Lac)
Shri Anil D. Ambani	2.60
Prof. J. Ramachandran	3.00
Shri S. P. Talwar	3.40
Shri Deepak Shourie	2.80
Shri A. K. Purwar	3.00

Notes:

- There were no other pecuniary relationships or transactions of non executive directors vis-à-vis the Company.
- Pursuant to the limits approved by the Board, all directors being non executive, are paid sitting fees of ₹ 20,000 for attending each meeting of the Board and its committees.
- No remuneration by way of commission to the non executive directors was proposed for the Financial Year 2011-12.

IV. 'Shareholders/ Investors Grievance Committee'

The Shareholders/ Investors Grievance Committee consist of five directors of the Company, viz; Shri Deepak Shourie, Chairman, Shri Anil D. Ambani, Shri S. P. Talwar, Prof. J. Ramachandran and Shri A. K. Purwar as members. The Company has appointed Karvy Computershare Pvt. Ltd. to act as Registrar and Transfer Agent of the Company.

The Committee, inter alia, approves issue of duplicate certificates and oversees and reviews all matters connected with transfer of securities of the Company. The Committee also monitors redressal of investor's grievances. Particulars of investors' grievances received and redressed are furnished in the Investor Information Section of this Report. The Committee oversees performance of the Registrar and Transfer Agents of the Company and recommends measures for overall improvement in the quality of investor services. The Committee also monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

During the year, the Shareholders/ Investors Grievance Committee held its meetings on May 30, 2011, August 13, 2011, September 27, 2011, November 12, 2011 and February 10, 2012. The maximum time gap between any two meetings was 89 days and the minimum gap was 44 days.

Attendance at the meetings of the Shareholders/ Investors Grievance Committee held during 2011-2012.

Members	Number of Meetings held during the Year	Number of Meetings attended
Shri Deepak Shourie	5	4
Shri Anil D. Ambani	5	5
Prof. J. Ramachandran	5	5
Shri S. P. Talwar	5	5
Shri A. K. Purwar	5	4

Shri Prakash Shenoy, Company Secretary and Manager acts as the Secretary to the Shareholders/ Investors Grievance Committee.

V. Compliance Officer

Shri Prakash Shenoy, Company Secretary and Manager is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreements with the Stock Exchanges.

VI. Employees Stock Option Scheme (ESOS) Compensation Committee

The ESOS Compensation Committee comprises of four independent directors, viz; Shri S. P. Talwar as the

Corporate Governance Report

Chairman, Prof. J. Ramachandran, Shri Deepak Shourie and Shri A. K. Purwar as members. Shri Prakash Shenoy, Company Secretary and Manager acts as the Secretary to the ESOS Compensation Committee.

No meeting of the ESOS Compensation Committee was held during the year.

VII. **Employees Stock Option Scheme**

In order to share the growth in value and reward the employees for having participated in the success of the Company, our Employee Stock Option Scheme (the Scheme) has been implemented by the Company to the eligible employees based on specified criteria, under Employee Stock Option Plans 2008 and 2009.

The Plans are prepared in due compliance of the Scheme, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and other applicable laws.

VIII. **General Body Meetings**

The Company held its last three Annual General Meetings as under:

Year	Date and Time	Whether Special Resolution passed or not
2010-2011	September 27, 2011 12.00 noon	Yes 1. Qualified Institutional Placement (QIP) 2. Raising of Resources through Issue of Securities in the International Markets
2009-2010	September 28, 2010 2.00 p.m.	Yes 1. Qualified Institutional Placement (QIP) 2. Approval for payment of commission to non-executive Directors
2008-2009	September 22, 2009 11.00 a.m.	No

Above Annual General Meetings were held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020.

IX. **Postal Ballot**

The Company had not conducted any Postal Ballot during the year and there is no resolution proposed to be passed by postal ballot at the ensuing Annual General Meeting.

None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through postal ballot.

X. **Means of communication**

- Quarterly Results:** Quarterly Results are published in Business Standard, English daily newspaper circulating in substantially the whole of India and in Navshakti, Marathi vernacular daily newspaper and are also posted on the Company's website www.rcom.co.in.
- Media Releases and Presentations:** Official media releases are sent to the Stock Exchanges before their release to the media for wider dissemination. Presentations made to media, analysts, institutional investors, etc. are posted on Company's website.

- Website:** The Company's website contains a separate dedicated section 'Investor Relations'. It contains comprehensive database of information of interest to our investors including the financial results and Annual Report of the Company, information on dividend declared by the Company, any price sensitive information disclosed to the regulatory authorities from time to time, business activities and the services rendered/ facilities extended by the Company to our investors, in a user friendly manner. The basic information about the Company as called for in terms of clause 54 of the Listing Agreement with the Stock Exchanges is provided on Company's website and the same is updated regularly.

- Annual Report:** Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report and is displayed on Company's website.

The Ministry of Corporate Affairs ("MCA"), Government of India, has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by companies in terms of which a company would have ensured compliance with the provisions of Section 53 of the Act, if service of documents have been made through electronic mode. In such a case, the Company has to obtain e-mail addresses of its members for sending the notices/ documents through e-mail giving an advance opportunity to each shareholder to register their e-mail address and changes therein, if any, from time to time with the Company.

The Company has welcomed the Green Initiative and accordingly has e-mailed to all those Members whose e-mail IDs are available with the Company's Registrar and Transfer Agent, the soft copies of the Unabridged Financial Statements for the year ended March 31, 2012.

- Corporate Filing and Dissemination System (CFDS):** The CFDS portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by listed companies. All disclosures and communications to BSE and NSE are filed electronically through the CFDS portal and hard copies of the said disclosures and correspondence are also filed with the Stock Exchanges.
- National Electronic Application Processing System (NEAPS):** The NEAPS is web based system designed by NSE for corporates. The Shareholding Pattern and Corporate Governance Report are also filed Electronically on NEAPS.
- Unique Investor helpdesk:** Exclusively for investor servicing, the Company has set up a unique investor helpdesk with multiple access modes as under:
Toll free no. (India) : 1800 4250 999
Telephone no. : +91 40 4030 8000
Fax no. : +91 40 2342 0859
Email : rcom@karvy.com
Post your request : <http://kcpl.karvy.com/adag>

h. Designated email-id:

The Company has also designated the email-id rcom.investors@relianceada.com exclusively for investor servicing.

- i. **SEBI Complaints Redress System (SCORES):** The investors' complaints are also being processed through the centralized web base complaint redressal system. The salient features of SCORES are availability of centralised data base of the complaints, uploading online action taken reports by the Company. Through SCORES the investors can view online, the actions taken and current status of the complaints.

XI. Compliance with other mandatory requirements

1. Management Discussion and Analysis

A Management Discussion and Analysis Report forms part of this Annual Report and includes discussions on various matters specified under Clause 49(IV)(F) of the listing agreement.

2. Subsidiaries

Reliance Infratel Limited (RITL) is a material non listed Indian subsidiary Company in terms of Clause 49 (III) of the listing agreement. Accordingly, Shri S. P. Talwar, Director has been appointed on the Board of RITL.

The Company monitors performance of subsidiary companies, *inter alia*, by the following means:

- Financial statements, in particular the investments made by unlisted subsidiary companies are reviewed quarterly by the Audit Committee of the Company.
- Minutes of the meetings of the Board of Directors of all subsidiary companies are placed before the Company's Board regularly.
- A statement containing all the significant transactions and arrangements entered into by the unlisted subsidiary companies is placed before the Company's Board/ Audit Committee.
- Quarterly review of Risk Management process by the Risk Management Committee/ Audit Committee/ Board.

3. Disclosures

- There has been no instance of non compliance by the Company on any matter related to capital markets during the last three years and hence no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory Authority.

b. Related party transactions

During the year 2011-12, no transactions of material nature had been entered into by the Company with the Promoters or Directors or Management or their relatives, their subsidiaries that may have a potential conflict with interest of the Company. The related party transactions with subsidiary companies and others are disclosed in Notes to Accounts.

c. Accounting treatment

In the preparation of financial statements, the Company has followed the Accounting Standards as prescribed under Companies (Accounting

Standards) Rules, 2006, as applicable. The Accounting Policies followed by the Company to the extent relevant, are set out elsewhere in this Annual Report.

d. Risk management

The Company has laid down a robust Risk Management Policy, defining Risk profiles involving Strategic, Technological, Operational, Financial, Organisational, Legal and Regulatory risks within a well defined framework. The Risk Management Policy acts as an enabler of growth for the Company by helping its businesses to identify the inherent risks, assess, evaluate and monitor these risks continuously and undertake effective steps to manage these risks.

A Risk Management Committee (RMC) consisting of senior executives of the Company periodically reviews the robustness of the Risk Management Policy. The periodical update on the risk management practices and mitigation plan of the Company and subsidiaries are presented to the Audit Committee and Board of Directors. The Audit Committee and Board periodically review such updates and findings and suggest areas where internal controls and risk management practices can be improved.

e. Code of conduct

The Company has adopted the code of conduct and ethics for directors and senior management. The code has been circulated to all the members of the Board and senior management and the same has been put on Company's website www.rcom.co.in. The Board members and senior management have affirmed their compliance with the code and a declaration signed by the Manager of the Company appointed in terms of the Companies Act, 1956 (i.e. the CEO within the meaning of Clause 49-V of the listing agreement) is given below:

"It is hereby declared that the Company has obtained from all members of the Board and senior management personnel affirmation that they have complied with the code of conduct for directors and senior management of the Company for the year 2011-12".

Prakash Shenoy
Manager

f. CEO and CFO certification

Shri Prakash Shenoy, Company Secretary and Manager, being the CEO and Shri Manikantan Iyer, CFO of the Company have provided certification on financial reporting and internal controls to the Board as required under Clause 49(V) of the Listing Agreement.

g. Review of Directors' responsibility statement

The Board in its report have confirmed that the annual accounts for the year ended March 31, 2012 have been prepared as per applicable accounting standards and policies and that sufficient care has been taken for maintaining adequate accounting records.

Corporate Governance Report

XII. Policy on insider trading

The Company has formulated a Code of Conduct for Prevention of Insider Trading (Code) in accordance with the guidelines specified under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. The Board has appointed Shri Prakash Shenoy, Company Secretary and Manager as the Compliance Officer under the Code responsible for complying with the procedures, monitoring adherence to the rules for the preservation of price sensitive information, pre-clearance of trade, monitoring of trades and implementation of the Code of Conduct under the overall supervision of the Board. The Company's Code, inter alia, prohibits purchase and/or sale of shares of the Company by an insider, while in possession of unpublished price sensitive information in relation to the Company and also during certain prohibited periods. The Company's Code is available on the Company's website.

XIII. Compliance of Clause 5A of Listing Agreement

As per Clause 5A of the Listing Agreement, the details in respect of equity shares lying in "Unclaimed Suspense Account – Reliance Communications Limited" are as follows:

Particulars	No. of Shareholders	No. of Shares
a. Aggregate number of shareholders and the outstanding shares lying in suspense account as on April 1, 2011	109,430	4,133,854
b. Number of shareholders who approached issuer for transfer of shares from suspense account during the year	443	39,356
c. Number of shareholders to whom shares were transferred from suspense account during the year.	31	3,541
d. Aggregate number of shareholders and the outstanding shares lying in suspense account as on March 31, 2012	109,399	4,130,313

The voting rights on the shares outstanding in the suspense account as on March 31, 2012 shall remain frozen till the rightful owner of such shares claims the shares.

Wherever the shareholders have claimed the shares, after proper verification, the share certificates were dispatched to them or credited the shares to the respective beneficiary account.

XIV. Compliance with non-mandatory requirements

1. Tenure of independent directors on the Board

The tenure of independent directors on the Board of the Company shall not exceed nine years in aggregate.

2. Nomination/ Remuneration Committee

The Board has set up a Nomination/ Remuneration Committee, details whereof are furnished at Sr. No. III of this report.

3. Disclosures

The quarterly financial results including summary of significant events of relevant period are published in newspapers and hosted on the website of the Company.

4. Audit qualifications

There are no audit qualifications on the financial statements of the Company for the year 2011-12.

5. Training of Board members

A programme has been devised to train Board members in the business model of the Company, risk profile of the business parameters and their responsibilities as directors.

6. Whistle blower policy

The Company has formulated a policy to prohibit managerial personnel from taking adverse action against employees, who are disclosing in good faith alleged wrongful conduct on matters of public concern involving violation of any law, mismanagement, gross waste or misappropriation of public funds, substantial and specific danger to public health and safety or an abuse of authority. The policy also lays down the mechanism for making enquiry into whistle blower complaint received by the Company.

Employees aware of any alleged wrongful conduct are encouraged to make a disclosure to the Audit Committee. Employees knowingly making false allegations of alleged wrongful conduct to the Audit Committee shall be subject to disciplinary action. No personnel of the Company have been denied access to the grievance redressal mechanism of the Company.

XV. Corporate Governance Voluntary Guidelines 2009

The Company has ensured substantially compliance with most of the guidelines issued by the Ministry of Corporate Affairs on Corporate Governance in the year 2009, notwithstanding that they are subject to only voluntary compliance by corporates.

XVI. General shareholder information

The mandatory and various additional information of interest to investors are voluntarily furnished in a separate section on investor information in this annual report.

Auditor's certificate on corporate governance

The Auditors' certificate on compliance of Clause 49 of the listing agreement relating to corporate governance is published elsewhere in this report.

Review of governance practices

We have in this report attempted to present the governance practices and principles being followed at Reliance Communications, as evolved over a period, and as best suited to the needs of our business and stakeholders.

Our disclosures and governance practices are continually revisited, reviewed and revised to respond to the dynamic needs of our business and ensure that our standards are at par with the globally recognised practices of governance, so as to meet the expectations of all our stakeholders.

Investor Information

IMPORTANT POINTS

Hold Securities in Dematerialised Form

Investors should hold their securities in dematerialised form as the same is beneficial due to following:-

- A safe and convenient way to hold securities;
- Elimination of risks associated with physical certificates such as bad delivery, fake securities, delays, thefts etc.;
- Immediate transfer of securities;
- No stamp duty on electronic transfer of securities;
- Reduction in transaction cost;
- Reduction in paperwork involved in transfer of securities;
- No odd lot problem, even one share can be traded;
- Availability of nomination facility;
- Ease in effecting change of address as change with Depository Participants gets registered with all companies in which investor holds securities electronically;
- Easier transmission of securities as the same done by Depository Participants for all securities in demat account;
- Automatic credit into demat account of shares, arising out of bonus/ split/ consolidation/ merger etc.;

Hold Securities in Consolidated form

Investors holding shares in multiple folios are requested to consolidate their holding in single folio. Holding of securities in one folio enables shareholders to monitor the same with ease.

Furnish Bank Details and get Dividend directly credited in Bank account

Investors should avail the Electronic Clearing Services for payment of dividend as the same reduces risk attached to physical dividend warrants. Some of the advantages of payment through electronic credit services are as under:

- Avoidance of frequent visits to banks for depositing the physical instruments;
- Prompt credit to the bank account of the investor through electronic clearing;
- Fraudulent encashment of warrants is avoided;
- Exposure to delays/ loss in postal service avoided;
- As there can be no loss in transit of warrants, issue of duplicate warrants is avoided.

Printing of bank account number, names and addresses of bank branch on dividend warrants provide protection against fraudulent encashment of dividend warrants. Members are requested to provide, the same to the Company's RTA for incorporating on dividend warrants.

Register for SMS alert Facility

Investor should register with Depository Participants for the SMS alert facility. Both National Securities Depository Limited and Central Depository Services (India) Limited alert investors through SMS of the debits and credits in their demat account.

Submit Nomination Form and avoid transmission hassle

Nomination helps nominees to get the shares transmitted in their favour without any hassles. Investors should get the nomination registered with the Company in case of physical holding and

with their Depository Participants in case of shares are held in dematerialised format.

Form may be downloaded from the Company's website, www.rcom.co.in under the section 'Investor Relations'. However, if shares are held in dematerialised form, nomination has to be registered with the concerned Depository Participants directly, as per the format prescribed by the Depository Participants.

Deal only with SEBI Registered Intermediaries

Investors should deal with SEBI registered intermediary so that in case of deficiency of services, investor may take up the matter with SEBI.

Corporate Benefits in Electronic Form

Investor holding shares in physical form should opt for corporate benefits like split/ bonus etc. in electronic form by providing their demat account details to Company's RTA.

Register e-mail address

Investors should register their email address with the Company/ Depository Participants. This will help them in receiving all communication from the Company electronically at their email address. This is faster and also avoids delay in receiving communications from the Company. Prescribed form for registration may please be downloaded from the Company's website.

Dividend announcements

The Board of Directors of the Company have recommended a Dividend of ₹ 0.25 (5 per cent) per equity share of the Company for the financial year ended March 31, 2012, subject to the declaration by shareholders at the ensuing Annual General Meeting (AGM). The dividend, if declared, will be paid after the Meeting.

Book closure dates for the purpose of dividend and AGM

Register of Members and Share Transfer Books of the Company will remain closed from Saturday, August 25, 2012 to Tuesday, September 4, 2012 (both days inclusive) for the purpose of AGM as well as to determine the entitlement of shareholders to receive the Dividend, if declared, for the year ended March 31, 2012.

Dividend remittance

Dividend on Equity Shares as recommended by the Board of Directors for the financial year ended March 31, 2012, when declared at the AGM will be paid to:

- (i) all those equity shareholders whose names appear in the Register of Members as on the close of the day on August 24, 2012; and
- (ii) those whose names appear as beneficial owners as on close of the day on August 24, 2012 as furnished by the National Securities Depository Ltd. and Central Depository Services (India) Ltd. for the purpose.

Modes of payment of dividend

The dividend is paid under two modes viz:

- Credit to the Bank account
 - o ECS (Electronic Clearing Services)
 - o NECS (National Electronic Clearing Services)
 - o NEFT (National Electronic Fund Transfer)
 - o RTGS (Real Time Gross Settlement)
 - o Direct Credit
- Dispatch of physical dividend warrant

Investor Information

Shareholders are requested to avail the Electronic Clearing Services for payment of dividend as the same is immensely beneficial to them and considerably reduces risk attached to physical dividend warrants.

Annual General Meeting

The 8th Annual General Meeting (AGM) of the Company will be held on Tuesday, September 4, 2012 at 12.00 noon or soon after conclusion of the annual general meeting of Reliance Capital Limited convened on the same day, whichever is later, at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.

Financial year of the company

The financial year of the Company is from April 1 to March 31 each year.

Website

The Company's website www.rcom.co.in contains a separate dedicated section called 'Investor Relations'. It contains comprehensive data base of information of interest to our investors including the financial results, annual reports, dividends declared, any price sensitive information disclosed to the regulatory authorities from time to time, business activities and the services rendered/ facilities extended to our investors.

Dedicated e-mail id for investors

For the convenience of our investors, the Company has designated an e-mail id i.e. rcom.investors@relianceada.com

Registrar and Transfer Agent (RTA)

Karvy Computershare Private Limited,
Unit: Reliance Communications Limited,
Madhura Estates, Municipal No. 1-9/13/C
Plot No. 13 & 13C, Madhapur Village,
Hyderabad 500081, Andhra Pradesh
Email: rcom@karvy.com
Toll free no. (India) : 1800 4250 999
Telephone no. : +91 40 4030 8000
Fax no. : +91 40 2342 0859
Post your request : <http://kcpl.karvy.com/adag>

Shareholders/investors are requested to forward share transfer documents, dematerialisation requests (through their Depository Participant (DP)) and other related correspondence directly to Company's RTA at the above address for speedy response.

Course of Action in case of Non-receipt of Dividend, Revalidation of Dividend Warrant etc.

Shareholders may write to the Company's RTA, furnishing the particulars of the dividend not received, quoting the folio number/ DP ID and Client ID particulars (in case of dematerialised shares). On expiry of the validity period, if the dividend warrant still appears as unpaid in records of the Company, duplicate warrant will be issued. The Company's RTA would request the concerned shareholder to execute an indemnity before issuing the duplicate warrant. However, duplicate warrants will not be issued against those shares wherein a 'stop transfer indicator' has been instituted either by virtue of a complaint or by law, unless the procedure for releasing the same has been completed.

Shareholders are requested to note that they have to wait till the expiry of the validity of the original warrant before a duplicate warrant is issued to them, since the dividend warrants are payable at par at several centres across the country and the banks do not accept 'stop payment' instructions on the said warrants.

Unclaimed dividend

The Dividend for the following years remaining unclaimed for 7 years from the date of declaration are required to be transferred by the Company to Investor Education and Protection Fund (IEPF) and various dates for the transfer of such amounts are as under:

Financial Year	Dividend per share (₹)	Date of declaration	Due for transfer on
2006-07	0.50	July 17, 2007	August 16, 2014
2007-08	0.75	September 30, 2008	October 30, 2015
2008-09	0.80	July 31, 2009	August 30, 2016
2009-10	0.85	September 28, 2010	October 28, 2017
2010- 11	0.50	September 27, 2011	October 27, 2018

Members who have so far not encashed dividend warrant for the aforesaid years are requested to approach the Company's Registrar and Transfer Agent, Karvy Computershare Private Limited, immediately.

Ministry of Corporate Affairs has notified the Investor Education and Protection Fund (uploading of information regarding unpaid and unclaimed amount lying with the companies) Rules, 2012, whereby the Company inter alia will be required to upload the details of unpaid and unclaimed dividend on the website of the Company. The Company shall ensure to comply the same within the stipulated time frame.

Members are requested to note that no claims shall lie against the Company or the IEPF in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date that it first became due for payment and no payment shall be made in respect of any such claim.

Share transfer system

Shareholders/ investors are requested to send share certificate(s) along with share transfer deed in the prescribed form 7B, duly filled in, executed and affixed with share transfer stamps, to the Company's RTA. If the transfer documents are in order, the transfer of shares is registered within 7 days of receipt of transfer documents by Company's RTA.

Permanent Account Number (PAN) for transfer of shares in physical form mandatory

SEBI has stated that for securities market transactions and off-market transactions involving transfer of shares in physical form of listed companies, it shall be mandatory for the transferee(s) to furnish copy of PAN card to the Company's RTA for registration of such transfer of shares.

Reliance Communications Limited

Investor Information

Shareholding Pattern as on March 31, 2012

Category of Shareholders	As on 31.03.2012		As on 31.03.2011	
	Number of Shares	per cent	Number of Shares	per cent
(A) Shareholding of Promoter and Promoter Group				
(i) Indian	1400708557	67.86	1400730060	67.86
(ii) Foreign				
Total shareholding of Promoter and Promoter Group	1400708557	67.86	1400730060	67.86
(B) Public Shareholding				
(i) Institutions	191555473	9.28	186150039	9.02
(ii) Non-Institutions	464061559	22.49	464343081	22.50
Total Public Shareholding	655617032	31.77	650493120	31.52
(C) Shares held by Custodians and against which Depository Receipts have been issued	7701292	0.37	12803701	0.62
GRAND TOTAL (A)+(B)+(C)	2064026881	100.00	2064026881	100.00

Distribution of shareholding

Number of Shares	Number of Shareholders as on 31.03.2012		Total Shares as on 31.03.2012		Number of Shareholders as on 31.03.2011		Total Shares on 31.03.2011	
	Number	per cent	Number	per cent	Number	per cent	Number	per cent
Upto 500	1924009	98.53	170891091	8.28	2071339	98.69	176001451	8.52
501 to 5000	27136	1.39	61715951	2.99	25925	1.24	57917578	2.81
5001 to 100000	1417	0.07	48812787	2.36	1287	0.06	42692665	2.07
100001 and above	198	0.01	1782607052	86.37	192	0.01	1787415187	86.60
Total	1952760	100.00	2064026881	100.00	2098743	100.00	2064026881	100.00

Dematerialisation of Shares

The Company has admitted its shares to the depository system of National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialisation of shares. The International Securities Identification Number (ISIN) allotted to the Company is INE330H01018. The equity shares of the Company are compulsorily traded in dematerialised form as mandated by Securities and Exchange Board of India (SEBI).

Status of Dematerialisation of shares

As on March 31, 2012, 97.92 per cent of the Company's equity shares are held in dematerialised form.

Investors' grievances attended

Received from	Received during		Redressed during		Pending as on	
	2011-2012	2010-2011	2011-2012	2010-2011	31.03.2012	31.03.2011
SEBI	24	28	24	28	Nil	Nil
Stock Exchanges	19	29	19	29	Nil	Nil
NSDL/CDSL/RoC	9	0	9	0	Nil	Nil
Direct from investors	16	11	16	11	Nil	Nil
Total	68	68	68	68	Nil	Nil

Analysis of grievances

	2011-2012		2010-2011	
	Numbers	per cent	Numbers	per cent
Non-receipt of Annual Reports	21	30.88	13	19.12
Non-receipt of dividend warrants	32	47.06	31	45.59
Non-receipt of share certificates	15	22.06	24	35.29
Total	68	100.00	68	100.00

There was no complaint pending as on March 31, 2012.

Investor Information
Notes:

1. The shareholder base was 19,52,760 as of March 31, 2012 and 20,98,743 as of March 31, 2011.
2. Investors' queries/ grievances are normally attended within a period of three days from the date of receipt thereof, except in cases involving external agencies or compliance with longer procedural requirements specified by the authorities concerned. The queries and grievances received correspond to 0.003 per cent of the total number of members.

Legal proceedings

There are certain pending cases relating to disputes over title to shares, in which the Company is made a party. These cases are however not material in nature.

Equity capital build up

Sr. No.	Date	Particulars	Issue Price (₹)	No. of Shares	Cumulative (No. of Shares)
1	16.07.2004	Allotted upon Incorporation	10	10000	10000
2	25.07.2005	Additional issue of equity shares	10	40000	50000
3	11.08.2005	Sub division of equity shares of ₹ 10 into ₹ 5 per share	N.A.	100000	100000
4	27.01.2006	Allotment pursuant to Scheme of Arrangement	N.A.	1223130422	1223230422
5	27.01.2006	Cancelled pursuant to Scheme	N.A.	(100000)	1223130422
6	14.09.2006	Allotment pursuant to Scheme of Arrangement	N.A.	821484568	2044614990
7	18.10.2007 to 31.01.2008	Conversion of FCCBs	480.68/ 661.23	19411891 *	2064026881

* Of above 667,090 shares were converted @ ₹ 661.23 on 31.10.2007.

Stock price and volume

Month	Bombay Stock Exchange			National Stock Exchange		
	Highest ₹	Lowest ₹	Volume Nos.	Highest ₹	Lowest ₹	Volume Nos.
April, 2011	113.85	98.60	28,640,239	113.85	98.25	99,040,764
May, 2011	101.40	79.60	33,575,649	101.60	79.40	10,839,834
June, 2011	97.65	86.10	44,535,154	97.70	86.25	20,229,824
July, 2011	108.50	89.65	44,627,302	108.70	89.25	31,561,087
August, 2011	103.80	71.70	45,227,871	103.90	71.65	16,815,724
September, 2011	93.25	71.00	54,542,438	93.30	70.90	21,652,155
October, 2011	81.30	70.45	29,442,093	81.40	70.30	109,992,081
November, 2011	87.90	67.60	43,158,886	87.90	67.50	152,030,041
December, 2011	81.00	61.00	37,235,856	81.00	60.80	144,873,178
January, 2012	99.70	69.15	58,982,902	99.90	69.10	216,091,625
February, 2012	109.70	86.85	99,411,023	109.70	86.80	385,678,372
March, 2012	101.95	81.80	85,371,689	101.80	81.65	229,119,209

Stock Exchange listings

The Company's equity shares are actively traded on BSE and NSE.

A. Stock Exchanges on which the shares of the Company are listed.

1. BSE Limited (BSE)
Phiroze Jeejeebhoy Towers, Dalal Street
Fort, Mumbai 400 001
Email : corp.relations@bseindia.com
Website : www.bseindia.com
2. National Stock Exchange of India Limited (NSE)
Exchange Plaza, Plot no. C/1, G Block
Bandra-Kurla Complex, Bandra (East), Mumbai 400 051
Email : cmlist@nse.co.in
Website : www.nseindia.com

Stock Code and ISIN

	Stock Code	ISIN
BSE (Equity shares)	532712	INE330H01018
NSE (Equity shares)	RCOM	INE330H01018

An Index Scrip: Equity shares of the Company are included in CNX 100, S&P CNX500 and Futures and Options trading. BSE 100, BSE 200, BSE 500.

B. Global Depository Receipts (GDRs).

GDRs of the Company are listed on Luxembourg Stock Exchange (LSE)
Société de la Bourse de Luxembourg
11, avenue de la Porte-Neuve, L-2227 Luxembourg
Email : info@bourse.lu
Website : www.bourse.lu

Reliance Communications Limited

Investor Information

Depository and Custodian for GDR holders

1. Depository
Deutsche Bank Trust
Company Americas, 60
Wall Street, New York 10005
Telephone no. : +1 212 250 9100
Fax no. : +1 212 797 0327
2. Custodian
Deutsche Bank AG
Mumbai Branch
222, Kodak House, Post Box No. 1142
Fort, Mumbai 400 001

Security codes of GDRs

	Master Rule 144A GDRs	Master Regulation S GDRs
CUSIP	75945T106	75945T205
ISIN	US75945T1060	US75945T2050
Common Code	025317530	025317645

Note: The GDRs are admitted to listing on the official list of the Luxembourg Stock Exchange and trading on the Euro MTF market. The Rule 144A GDRs have been accepted for clearance and settlement through the facilities of DTC, New York. The Regulation S GDRs have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream, Luxembourg. The Rule 144A GDRs have been designated as eligible for trading on PORTAL.

Outstanding GDRs of the Company, conversion date and likely impact on equity

Outstanding GDRs as on March 31, 2012 represent 77,01,292 equity shares constituting 0.37 per cent of the paid-up equity share capital of the Company.

C. The Following Debt Securities are listed on the Wholesale Debt Market(WDM) Segment of BSE and NSE.

1. 11.20 per cent Secured Redeemable Non-Convertible Debentures
2. 11.25 per cent Secured Redeemable Non-Convertible Debentures, Series - 1
3. 11.60 per cent Secured Redeemable Non-Convertible Debentures, Series - 2

Debenture Trustee

Axis Trustee Services Limited
2nd Floor - E, Axis House
Bombay Dyeing Mills Compound
Pandurang Budhkar Marg
Worli, Mumbai 400 025
Telephone no. : +91 22 24252525/ 43252525

Payment of Listing Fees

Annual listing fees for the year 2012-13 (as applicable) has been paid by the Company to the stock exchanges.

Share Price Performance in comparison to broad based indices - BSE Sensex and NSE Nifty as on March 31, 2012

Period	RCOM	Sensex	Nifty
FY 2011-12	-22.96 per cent	-10.50 per cent	-9.23 per cent
2 years	-50.76 per cent	-0.70 per cent	0.88 per cent
3 years	-51.86 per cent	79.27 per cent	75.29 per cent

Key Financial Reporting Dates for the Financial Year 2012-13

Unaudited results for the first quarter ended June 30, 2012	: On or before August 14, 2012
Unaudited results for the second quarter / half year ended September 30, 2012	: On or before November 14, 2012
Unaudited results for the third quarter ended December 31, 2012	: On or before February 14, 2013
Audited results for the financial year 2012-13	: On or before May 30, 2013

Depository services

For guidance on depository services, shareholders may write to the Company's RTA or National Securities Depository Ltd., Trade World, A Wing, 4th and 5th Floors, Kamala Mills Compound, Lower Parel, Mumbai 400 013, Telephone: (022) 2499 4200, Facsimile: (022) 2497 2993/ 2497 6351, e-mail: info@nsdl.co.in, website: www.nsdl.com or Central Depository Services (India) Ltd., Phiroze Jeejeebhoy Towers, 16th Floor, Dalal Street, Mumbai 400 023, Tel.: 022-2272 3333 Facsimile: (022) 2272 3199 / 2072, website: www.cdsindia.com, e-mail: investors@cdslindia.com

Communication to members

The quarterly financial results of the Company were announced within 45 days of the end of the respective quarter during the year under review. The Company's media releases and details of significant developments are made available on Company's website: www.rcom.co.in. These are also published in leading newspapers.

Reconciliation of Share Capital

The Securities and Exchange Board of India has directed that all issuer companies shall submit a certificate reconciling the total shares held in both the depositories, viz. NSDL and CDSL and in physical form with the total issued/ paid up capital. The said certificate, duly certified by a qualified chartered accountant is submitted to the stock exchanges where the securities of the Company are listed within 30 days of the end of each quarter and the certificate is also placed before the Board of Directors of the Company.

Investor Information

Investors' correspondence may be addressed to the Registrar and Transfer Agent of the Company

Shareholders/ Investors are requested to forward documents related to share transfer, dematerialisation requests (through their respective Depository Participant) and other related correspondence directly to Karvy Computershare Private Limited at the below mentioned address for speedy response.

Karvy Computershare Private Limited
Unit: Reliance Communications Limited
Madhura Estates, Municipal No. 1-9/13/C
Plot No. 13 & 13C, Madhapur Village
Hyderabad 500 081
Andhra Pradesh, India

Shareholders/ Investors can also send the above correspondence to the Compliance Officer of the Company at the following address

The Company Secretary
Reliance Communications Limited
H Block, 1st Floor, Dhirubhai Ambani Knowledge City
Navi Mumbai 400 710.
Telephone no. : +91 22 3038 6286
Fax no. : +91 22 3037 6622
Email : rcom.investors@relianceada.com

Plant locations

The Company is engaged in the business of providing telecommunications services and as such has no plant.

Reliance Communications Limited

Auditors' Report

To The Members of Reliance Communications Limited

- 1 We have audited the attached Balance Sheet of Reliance Communications Limited ('the Company') as at March 31, 2012 and also the Statement of profit and loss and the Cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- 4 Without qualifying our report, we draw your attention to Note 2.38 of the financial statements regarding the Scheme of Arrangement ('the Scheme') sanctioned by the Hon'ble High Court of Judicature at Mumbai. The Scheme permits the Company to adjust expenses and/or losses identified by the Board of Directors, which are required to be debited to the Statement of profit and loss by a corresponding withdrawal from General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company has identified exchange variations of ₹ 1,064 crore (including ₹ 775 crore in the nature of borrowing costs), provision for doubtful debt of ₹ 220 crore and provision for subsidy receivable of ₹ 48 crore, as in the opinion of the Board, such exchange loss and provisions are considered to be of an exceptional nature and accordingly, these expenses have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses and losses not been met from General Reserve, the Company would have reflected a loss after tax for the year of ₹ 1,176 crore and the consequential effect of this on the profit after tax for the year would have been of ₹ 1,332 crore.

- 5 Further to our comments in the Annexure referred to in the paragraph 3 above, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Statement of profit and loss and Cash flow statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance sheet, Statement of profit and loss and Cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; as referred in paragraph (4) above, the Company has exercised the option available as per the Court Order which overrides the relevant provisions of Accounting Standard 5 (AS 5);
 - (e) on the basis of written representations received from the directors of the Company as at March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as at March 31, 2012 from being appointed as a director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - (f) in our opinion, and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
 - ii. in the case of the Statement of profit and loss, of the profit of the Company for the year ended on that date; and
 - iii. in the case of the Cash flow statement, of the cash flows of the Company for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No: 035671

Mumbai
May 26, 2012

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Annexure to the Auditors' Report – March 31, 2012

With reference to the Annexure referred to in the Auditors' Report to the Members of Reliance Communications Limited ('the Company') on the financial statements for the year ended March 31, 2012, we report the following:

1. (a) The Company is in the process of updating its fixed asset register including, to give effect to the assets transferred on demerger of the optical fibre undertaking and the passive infrastructure to a subsidiary company.
- (b) We are informed that the Company physically verifies its assets over a three year period, except for base trans-receiver stations. We are informed that these assets are under continuous operational surveillance at National Network Operating Centre and are therefore not separately physically verified. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this policy, the Company has physically verified certain fixed assets during the year.
- (c) Fixed assets disposed off during the year were not substantial and, therefore, do not affect the going concern assumption.
2. (a) The inventory has been physically verified by management during the current year. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. Discrepancies identified on physical verification of inventories as compared to book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraph 4(iii) of the Order is not applicable.
4. In our opinion, and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements for which suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of services. In our opinion, activities of the Company do not involve sale of goods. In our opinion, and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in the internal control system.
5. In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 in respect of telecommunication activities and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
9. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Wealth Tax, Income Tax, Service Tax, Customs Duty, Sales Tax, Entry Tax, Employees' State Insurance and other material statutory dues have been generally regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty and Investor Education and Protection Fund. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Wealth Tax, Income Tax, Service Tax, Customs Duty, Sales Tax, Entry Tax, Employees' State Insurance and other material statutory dues were in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Provident Fund, Wealth Tax, Income Tax, Service Tax, Customs Duty, Employees' State Insurance which have not been deposited on account of any dispute. The dues of Excise Duty, Sales Tax and Entry Tax as disclosed below have not been deposited by the Company on account of disputes.

Reliance Communications Limited

Annexure to the Auditors' Report – March 31, 2012

Name of the Statute	Nature of dues	Amount (₹ crore)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax, West Bengal	Central Sales Tax	0.34	2007-08	West Bengal Tax revision board
	Central Sales Tax	1.73	2008-09	Joint Commissioner (Appeals)
Central Sales Tax, Uttar Pradesh	Central Sales Tax	0.24	2003-04	UP Trade Tax Tribunal
		0.93	2004-05	High Court of Uttar Pradesh
		0.07	2006-07	UP Trade Tax Tribunal
		0.02	Oct 06 - Mar 09	Joint Commissioner (Appeals)
Central Sales Tax, Orissa	Central Sales Tax	4.79	2004-05	Joint Commissioner (Appeals)
Central Sales Tax, Maharashtra	Central Sales Tax	0.03	2005-06	Deputy Commissioner (Appeals)
Central Sales Tax, Bihar	Central Sales Tax	0.10	2007-08	Deputy Commissioner (Appeals)
Entry Tax, Assam	Entry Tax	0.76	2007-08	Joint Commissioner (Appeals)
		0.20	2008-09	Joint Commissioner (Appeals)
Entry Tax, Madhya Pradesh	Entry Tax	0.05	2006-07	Deputy Commissioner (Appeals)
		0.29	2002-03	MP Taxation Board
		0.19	2003-04	MP Taxation Board
		0.12	2005-06	MP Taxation Board
		0.12	2006-07	MP Taxation Board
		0.52	2007-08	Deputy Commissioner (Appeals)
		0.07	2008-09	MP Taxation Board
Entry Tax, Orissa	Entry Tax	0.05	Oct 06 - Mar 09	Joint Commissioner (Appeals)
Entry Tax, Rajasthan	Entry Tax	0.03	2005-06	Deputy Commissioner (Appeals)
		6.64	2007-08	High Court of Rajasthan
		6.52	2008-09	High Court of Rajasthan
		0.96	2009-10	Supreme Court
Entry Tax, Uttar Pradesh	Entry Tax	0.13	2003-04	UP Trade Tax Tribunal
Excise duty, Maharashtra	Excise duty	2.08	2002-04	UP Trade Tax Tribunal
VAT, Bihar	VAT	0.68	2005-06	Deputy Commissioner (Appeals)
VAT, Uttarakhand	VAT	0.01	2005-06	Uttarakhand Sales Tax Tribunal
		0.03	2007-08	Joint Commissioner (Appeals)
VAT, West Bengal	VAT	1.49	2005-06	West Bengal Tax revision board
		1.80	2006-07	West Bengal Tax revision board
		2.34	2007-08	West Bengal Tax revision board
		2.75	2008-09	Joint Commissioner (Appeals)

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or debenture holders or to any financial institutions.
12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society.
14. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by wholly owned subsidiaries and other companies with whom the Company has business dealings, from banks or financial institutions are not prejudicial to the interest of the Company.

Annexure to the Auditors' Report – March 31, 2012

16. In our opinion and according to the information and explanations given to us and the records of the Company examined by us, the term loans taken by the Company have been applied for the purpose for which they were raised.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on the short term basis have not been used for long-term investment.
18. The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, the Company has created securities in respect of Debentures issued except for certain Debentures issued during the year as mentioned in Note 2.03.1 for which the Company is in the process of creating the security.
20. The Company has not raised any money by public issues during the year.
21. According to the information and explanations given to us, no significant fraud on or by the Company, that causes a material misstatement to the financial statements, has been noticed or reported during the year.
- For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W
- For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W
- C. D. Lala**
Partner
Membership No: 035671
- Bhavesh Dhupelia**
Partner
Membership No: 042070
- Mumbai
May 26, 2012

Reliance Communications Limited

Balance Sheet as at March 31, 2012

	Notes		As at March 31, 2012	(₹ in Crore) As at March 31, 2011
EQUITY AND LIABILITIES				
Shareholders' Funds				
(a) Share Capital	2.01	1,032	1,032	
(b) Reserves and Surplus	2.02	44,165	45,197	48,144
Non Current Liabilities				
(a) Long Term Borrowings	2.03	23,365	13,606	
(b) Other Long Term Liabilities	2.04	169	60	
(c) Long Term Provisions	2.05	4,339	27,873	16,889
Current Liabilities				
(a) Short Term Borrowings	2.06	4,506	9,530	
(b) Trade Payables	2.07	1,150	1,029	
(c) Other Current Liabilities	2.08	4,707	11,628	
(d) Short Term Provisions	2.09	2,572	12,935	24,971
TOTAL			86,005	90,004
ASSETS				
Non Current Assets				
(a) Fixed Assets				
(i) Tangible Assets	2.10	16,464	14,169	
(ii) Intangible Assets	2.10	20,920	14,672	
(iii) Capital Work in Progress	2.10	765	9,888	
		38,149	38,729	
(b) Non Current Investments	2.11	31,889	32,102	
(c) Foreign Currency Monetary Item Translation Difference Account	2.27	299	-	
(d) Long Term Loans and Advances	2.12	4,307	74,644	74,734
Current Assets				
(a) Current Investments	2.13	-	-	
(b) Inventories	2.14	329	306	
(c) Trade Receivables	2.15	1,932	1,538	
(d) Cash and Bank Balances	2.16	178	3,813	
(e) Short Term Loans and Advances	2.17	6,800	7,348	
(f) Other Current Assets	2.18	2,122	11,361	15,270
TOTAL			86,005	90,004
Significant Accounting Policies	1			
Notes on Accounts	2			

Notes referred to above form an integral part of the Financial Statements.

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board
Chairman

Directors

Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Prakash Shenoy

Mumbai
May 26, 2012

Reliance Communications Limited

Statement of Profit and Loss for the year ended March 31, 2012

(₹ in Crore)

	Notes	For the year ended March 31, 2012	For the year ended March 31, 2011
INCOME			
Revenue from Operations	2.19	11,110	12,130
Other Income	2.20	753	1,152
Total Revenue		11,863	13,282
EXPENDITURE			
Access Charges, License Fees and Network Expenses	2.21	6,911	9,306
Employee Benefits Expenses	2.22	476	601
Finance Costs	2.23	1,265	846
Depreciation and Amortisation Expenses	2.10	3,020	2,856
Depreciation adjusted against Provision for Business Restructuring		(102)	(86)
Depreciation adjusted against General Reserve III		(1,177)	(1,175)
Sales and General Administration Expenses	2.24	1,315	1,794
Total Expenses		11,708	14,142
Profit/ (Loss) before Exceptional items, Tax and Adjustments		155	(860)
Exceptional Items	2.38		
Provision for Bad Debts and Subsidy		268	-
Equivalent amount withdrawn from General Reserve III		(268)	-
Loss on account of change in exchange rate (net)		1,064	-
Equivalent amount withdrawn from General Reserve III		(1,064)	-
Profit/ (Loss) for the year before Tax and Adjustment		155	(860)
Tax Expense:			
Current Tax and Deferred Tax		-	-
Excess provision for tax of earlier years		(1)	(102)
Profit/ (Loss) after Tax and before Adjustment		156	(758)
Investment in Global Innovative Solutions Private Limited written off	2.28	-	1
Equivalent amount withdrawn from General Reserve III	2.28	-	(1)
Profit/ (Loss) after Tax and Adjustment		156	(758)
Earnings per Share of face value of ₹ 5 each fully paid up (before and after exceptional items)	2.37		
Basic (₹)		0.76	(3.67)
Diluted (₹)		0.73	(3.67)
Significant Accounting Policies	1		
Notes on Accounts	2		

Notes referred to above form an integral part of the Financial Statements.

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

For **B S R & Co.**
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Bhavesh Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board
Chairman

Directors

Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Prakash Shenoy

Mumbai
May 26, 2012

Reliance Communications Limited

Cash Flow Statement for the year ended March 31, 2012

			(₹ in Crore)
	For the year ended March 31, 2012		For the year ended March 31, 2011
A CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/ (Loss) before tax as per Statement of Profit and Loss	155		(860)
Adjusted for:			
Provision for Doubtful Debts and Advances	45		131
Depreciation and Amortisation	1,741		1,594
Exceptional and Non Recurring items			
- Employee Compensation Expenses (ESOS)	(5)		(7)
Effect of Foreign Exchange Rate Change	(130)		(241)
Profit on Sale of Assets and Capital Work in Progress	(7)		(426)
Net gain on Sale of Investments	(23)		(19)
Finance Costs	1,265		712
Rent Income	(3)		(3)
Interest Income	(596)	2,287	(642)
Operating Profit before Assets and Liabilities changes	2,442		239
Adjusted for:			
Receivables and other Advances	133		(635)
Inventories	(23)		(8)
Trade Payables and Other Liabilities	721	831	1,098
Cash Generated from Operations	3,273		694
Tax Refund	197		254
Tax Paid	(132)		(222)
Net Cash from Operating Activities	3,338		726
B CASH FLOW FROM INVESTING ACTIVITIES			
Additions to Fixed Assets and Capital Work in Progress (including realised loss capitalised)	(2,468)		(8,746)
Sale of Fixed Assets and Capital Work in Progress	216		208
Realised foreign exchange loss withdrawn from General Reserve	(19)		-
Purchase of Investments	(26,937)		(17,573)
Redemption of Investments	27,214		19,891
Refund of Loans given to Subsidiaries	15,349		31,447
Loans given to Subsidiaries	(15,896)		(28,513)
Rent Income	3		3
Interest Income	423		482
Net Cash used in Investing Activities	(2,115)		(2,801)

Cash Flow Statement for the year ended March 31, 2012

		(₹ in Crore)
	For the year ended March 31, 2012	For the year ended March 31, 2011
C CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of FCCB (Including Premium)	(6,507)	-
Expense on FCCB	(177)	-
Realised foreign exchange loss withdrawn from General Reserve	(50)	-
Proceeds from Non Convertible Debentures	2,000	-
Proceeds from/ (Repayment of) Short Term Borrowings (net)	(5,060)	4,016
Proceeds from Secured/ Unsecured Term Loans	7,892	5,186
Repayment of Secured/ Unsecured Term Loans	(1,484)	(2,129)
Dividend Paid (including Tax)	(119)	(202)
Interest Paid includes interest capitalised ₹ 134 crore (Previous year ₹ 355 crore)	(1,354)	(1,064)
Net Cash Used (in)/ from Financing Activities	(4,859)	5,807
Net Increase/ (Decrease) in Cash and Cash Equivalents	(3,636)	3,732
Opening Balance of Cash and Cash Equivalents	3,813	82
Effect of Exchange (Loss)/ Gain on Cash and Cash Equivalents	1	(1)
Closing Balance of Cash and Cash Equivalents	178	3,813

Notes:

- (1) Figures in brackets indicate cash outgo.
(2) Cash and Cash Equivalents include cash on hand and bank balances including Fixed Deposits.

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

Mumbai
May 26, 2012

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board
Chairman

Directors

Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Prakash Shenoy

Reliance Communications Limited

Significant Accounting Policies to Balance Sheet and Statement of Profit and Loss

Note: 1

1.01 Basis of Preparation of Financial Statements

The Financial Statements are prepared under historical cost convention and fair valuation under a Scheme approved by the Hon'ble High Court, in accordance with the generally accepted accounting principles (GAAP) in India and provisions of the Companies Act, 1956 read with the Companies (Accounting Standards) Rules, 2006 (Accounting Standards Rules) as well as applicable pronouncements of the Institute of Chartered Accountants of India (ICAI).

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

1.02 Use of Estimates

The preparation and presentation of Financial Statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent 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 is recognised in the period in which the results are known/ materialised.

1.03 Fixed Assets

- (i) Fixed Assets are stated at cost/ fair value net of Modvat/ Cenvat, Value Added Tax and include amount added on revaluation less accumulated depreciation, amortisation and impairment loss, if any.
- (ii) All costs including financing cost of qualifying assets till commencement of commercial operations, net charges of foreign exchange contracts and adjustments arising upto March 31, 2007 from exchange rate variations, relating to borrowings attributable to fixed assets are capitalised.
- (iii) Expenses incurred relating to project, prior to commencement of commercial operation, are considered as project development expenditure and shown under Capital Work in Progress.
- (iv) Telecom Licenses are stated at fair value or at cost as applicable, less accumulated amortisation.
- (v) Indefeasible Rights of Connectivity (IRC) are stated at cost less accumulated amortisation.
- (vi) In respect of accounting period commencing on or after April 1, 2011, consequent to the insertion of para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates', notified under the Companies (Accounting Standard) (Second Amendment) Rules 2011, the cost of depreciable capital assets includes foreign exchange differences arising on translation of long term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisitions of such assets.

1.04 Lease

In respect of Operating Leases, lease rentals are expensed on straight line basis with reference to lease terms and considerations except for lease rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalised.

1.05 Depreciation/ Amortisation

- (i) Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except in case of the following assets which are depreciated as given below.
 - (a) Telecom Electronic Equipments - 18 years
 - (b) Furniture, Fixtures and Office Equipments - 10 years
 - (c) Customer Premises Equipments - 3 years
 - (d) Vehicles - 5 years
 - (e) Ducts and Cables - 18 years
- (ii) Leasehold Land is depreciated over the period of the lease term.
- (iii) Intangible assets, namely Telecom Licenses and Brand Licence are amortised equally over the period of Licenses. IRC and Software are amortised from the date of acquisition or commencement of commercial services, whichever is later. The life of amortisation of the intangible assets are as follows.
 - (a) Telecom Licenses - 12.5 to 20 years
 - (b) Brand License - 10 years
 - (c) Indefeasible Right of Connectivity - 15, 20 years
 - (d) Software - 5 years
- (iv) Depreciation on foreign exchange differences capitalised pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' vide notification dated December 29, 2011 by Ministry of Corporate Affairs (MCA), Government of India is provided over the balance useful life of depreciable capital assets.
- (v) Depreciation on additions is calculated pro rata from the following month of addition.

Significant Accounting Policies to Balance Sheet and Statement of Profit and Loss

1.06 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 Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is increased/ reversed where there has been change in the estimate of recoverable value. The recoverable value is the higher of the assets' net selling price and value in use.

1.07 Investments

Current Investments are carried at lower of cost and market value computed Investment wise. Long Term Investments are stated at cost or fair value as required under order of the High Court. 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.

1.08 Inventories of Stores and Spares

Inventories of stores and spares are accounted for at cost, determined on weighted average basis or net realisable value, whichever is less.

1.09 Employee Benefits

Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are recognised as an expense during the period.

Long term employee benefits

(i) Defined contribution plan

The Company's contribution towards Employees' Superannuation Plan is recognised as an expense during the period in which it accrues.

(ii) Defined benefit plans

Provident Fund

Provident Fund contributions are made to a Trust administered by the Trustees. Interest payable to the Provident Fund members, shall not be at a rate lower than the statutory rate. Liability is recognised for any shortfall in the income of the fund vis-à-vis liability of the interest to the members as per statutory rates.

Gratuity Plan

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government Securities as at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss .

(iii) Other Long term employment benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the Balance Sheet date, determined based on actuarial valuation using Projected Unit Credit Method. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government Securities as at the Balance Sheet date.

1.10 Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets upto 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 recognised as expense in the year in which they are incurred.

1.11 Issue Expenses and Premium on Foreign Currency Convertible Bonds (FCCBs)

The premium payable/ paid on redemption of Foreign Currency Convertible Bonds (FCCBs) is charged to Securities Premium Account over the period of the issue. Issue expenses are debited to Securities Premium account at the time of the issue.

1.12 Foreign Currency Transactions

(i) Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the time of the transaction.

Reliance Communications Limited

Significant Accounting Policies to Balance Sheet and Statement of Profit and Loss

- (ii) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items, which are covered by forward exchange contracts, the difference between the transaction rate and rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.
- (iii) Non monetary foreign currency items are carried at cost.
- (iv) Exchange difference arising either on settlement or on translation of monetary items other than those mentioned above is recognised in the Statement of Profit and Loss.
- (v) Any loss arising out of marking of a class of derivative contracts to market price is recognised in the Statement of Profit and Loss. Income, if any, arising out of marking a class of derivative contracts to market price is not recognised in the Statement of Profit and Loss.
- (vi) All long term foreign currency monetary items consisting of liabilities 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 Corporate Affairs (MCA) dated December 29, 2011. Exchange difference on other long term foreign currency monetary items is accumulated in "Foreign Currency Monetary Item Translation Difference Account" which will be amortized over the balance period of monetary assets or liabilities.

1.13 Revenue Recognition

- (i) Revenue is recognised as and when the services are provided on the basis of actual usage of the Company's network. Revenue on upfront charges for services with lifetime validity and fixed validity periods of one year or more are recognised over the estimated useful life of subscribers and specified fixed validity period, as appropriate. The estimated useful life is consistent with estimated churn of the subscribers.
- (ii) Interest income on investment is recognised on time proportion basis. Dividend is considered when right to receive is established.

1.14 Provision for Doubtful Debts and Loans and Advances

Provision is made in the accounts for doubtful debts, loans and advances in cases where the management considers the debts, loans and advances to be doubtful of recovery.

1.15 Taxes on Income and Deferred Tax

Provision for Income Tax is made on the basis of taxable income for the year at current rates. Tax expense comprises of 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. The Deferred Tax Asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, Deferred Tax Assets are recognised only if there is virtual certainty of realisation of assets.

1.16 Government Grants

Subsidies granted by the Government for providing telecom services in rural areas are recognised as Other Operating Income in accordance with the relevant terms and conditions of the scheme and agreement.

1.17 Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the Financial Statements.

1.18 Earning per Share

In determining Earning per Share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary / exceptional item. The number of shares used in computing Basic Earning per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing Diluted Earning per Share comprises the weighted average shares considered for deriving Basic Earnings per Share and also the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares unless the results would be anti - dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

1.19 Employee Stock Option Scheme

In respect of stock Options granted pursuant to the Company's Employee Stock Options Scheme, the intrinsic value of the Options (excess of market price of the share over the exercise price of the Option) is treated as discount and accounted as employee compensation cost over the vesting period. Employee compensation cost recognised earlier on grant of Options is reversed in the period when the Options are surrendered by any employee.

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012 **As at**
 March 31, 2011

Note : 2.01
Share Capital
Authorised

3,00,00,00,000 Equity Shares of ₹ 5 each

(3,00,00,00,000)

1,500

1,500

1,500
1,500
Issued, Subscribed and Paid up

2,06,40,26,881 Equity Shares of ₹ 5 each fully paid up

(2,06,40,26,881)

1,032

1,032

1,032
1,032
(1) Shares held by Holding/ Ultimate Holding Company and/ or their Subsidiaries

	No of Shares	No of Shares
Reliance Innoventures Private Limited, Holding Company	1,23,79,001	1,15,29,001
AAA Communication Private Limited, Subsidiary of Holding Company	72,31,10,172	72,31,10,172
AAA Industries Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000
ADA Enterprises and Venture Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000

(2) Details of Shareholders holding more than 5% shares in the Company

	No of Shares	%	No of Shares	%
AAA Communication Private Limited	72,31,10,172	35.03	72,31,10,172	35.03
AAA Industries Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
ADA Enterprises and Ventures Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
Life Insurance Corporation of India	14,96,03,497	7.25	14,96,03,497	7.25

- (3)** The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

During the year ended March 31, 2012, the amount of per share dividend recognized as distributable to equity shareholders is ₹ 0.25 (March 31, 2011: ₹ 0.50). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

- (4)** The Company, during the past years, undertook various Schemes including restructuring of ownership structure of telecom business so as to align the interest of the shareholders. Accordingly, pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved by the Hon'ble High Court of respective Judicature, the Company, during the respective years, recorded all necessary accounting effects, alongwith requisite disclosure in the notes to accounts, the cumulative effects of the Schemes in case of Equity Share Capital of the Company due to allotment of equity shares as fully paid up without payment being received in cash have been disclosed herein below.

	Number of Shares
(a) Pursuant to demerger of Telecom Undertaking of Reliance Industries Limited into the Company	1,22,31,30,422
(b) Pursuant to the Scheme of Amalgamation and Arrangement including Group Companies	82,14,84,568
	2,04,46,14,990

- (5)** The Company is no longer required to issue 8.91 crore equity shares of ₹ 5 each as required on conversion of Foreign Currency Convertible Bonds (FCCBs) due to its redemption during the year (Refer Note 2.26).

- (6)** Reconciliation of shares outstanding at the beginning and at the end of the reporting period.

	March 31, 2012		March 31, 2011
	Number	(₹ in Crore)	Number
Equity Shares			(₹ in Crore)
At the beginning of the Year	2,06,40,26,881	1,032	2,06,40,26,881
Add/ Less: Changes during the year	-	-	-
At the end of the Year	2,06,40,26,881	1,032	2,06,40,26,881

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.02

Reserve and Surplus

Capital Reserve ₹ 5,00,000 (Previous Year ₹ 5,00,000)

-

-

Securities Premium Account

As per last Balance Sheet	8,581		8,882	
Less : Withholding tax on redemption of FCCBs	177		-	
Premium on redemption of FCCBs (Refer Note 2.26)	357	8,047	301	8,581

Debenture Redemption Reserve

As per last Balance Sheet	82		82	
Add : Transferred from Surplus/ (deficit) in the Statement of Profit and Loss	91	173	-	82

General Reserve I (Refer Note 2.28)

5,538

5,538

General Reserve II (Refer Note 2.28)

2,785

2,785

General Reserve III (Refer Note 2.28)

As per last Balance Sheet	28,839		30,230	
Less : Transferred to Surplus/ (deficit) in the Statement of Profit and Loss	-		216	
Add : As per Scheme of Amalgamation (Refer Note 2.28)	-		1	
Less : Transferred to Statement of Profit and Loss	-		1	
Transfer to Statement of Profit and Loss for Provision on Bad Debts and Subsidy (Refer Note 2.38)	268		-	
Transfer to Statement of Profit and Loss for loss on account of change in exchange rates (Refer Note 2.38)	1,064		-	
Transferred to Statement of Profit and Loss for depreciation on fair value of assets (Refer Note 2.28)	1,177	26,330	1,175	28,839

Reserve for Business Restructuring (Refer Note 2.28)

1,287

1,287

Surplus/ (deficit) in the Statement of Profit and Loss

As per last Balance Sheet	-		662	
Profit/ (Loss) for the year	156		(758)	
Less : Appropriations				
Transfer to Debenture Redemption Reserve	91		-	
Transferred to/ (from) General Reserve III	-		(216)	
Proposed Dividend on equity shares	52		103	
Tax on Proposed Dividend	8		17	
Balance Carried Forward		5		-
		44,165		47,112

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.03
Long Term Borrowings
Debentures
Secured

3,000 (3,000), 11.20 % Redeemable, Non Convertible Debentures of ₹ 1 crore each.	3,000	3,000
5,000 (Nil), 11.60 % Redeemable, Non Convertible Debentures of ₹ 10 lac each.	500	-
1,500 (Nil), 11.25 % Redeemable, Non Convertible Debentures of ₹ 1 crore each.	1,500	-

Term Loans from Banks
Secured

Foreign Currency Loans from Banks	18,355	10,596
Rupee Loan from Bank	10	10
	<u>23,365</u>	<u>13,606</u>

2.03.1 Debentures and Term Loans

The Company, on February 7, 2012, allotted, 1,500, 11.25% and 5,000, 11.60% Secured, Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each and ₹ 10,00,000 each respectively, aggregating to ₹ 2,000 crore. Redemption of NCDs of ₹ 1,500 crore shall be in four annual equal installments starting at the end of fourth year from the date of allotment thereof and NCDs of ₹ 500 crore shall be at the end of 5th year from the date of allotment thereof. During the earlier year, the Company, on March 2, 2009, allotted, 3,000, 11.20% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each, aggregating to ₹ 3,000 crore to be redeemed at the end of 10th year from the date of allotment thereof.

11.20% Secured Redeemable, Non Convertible Debentures and 11.60% Secured, Redeemable, Non Convertible Debentures along with foreign currency loans and rupee loans ("Secured Loans") have been secured by first pari passu charge on the whole of the movable plant and machinery, of the Company including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), capital work in progress (pertaining to movable fixed assets) both present and future including all the rights, title, interest, benefits, claims and demands in respect of all insurance contracts relating thereto of the RCOM Group ("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) in favour of the Security Trustee for the benefit of the NCDs Holders and the Lenders of the said Secured Loans. The said loans (Refer Note 2.03.2 (b) (vi)) also include guaranteed. The Company, for the benefit of the Lenders of foreign currency loans, has apart from the above, also assigned 20 Telecom Licenses for services under Unified Access Services (UAS), National Long Distance (NLD) and International Long Distance (ILD) by execution of Tripartite Agreements with Department of Telecommunications (DoT) and IDBI Bank, being the agent acting on behalf of the Lenders.

Assignment of aforesaid Telecom Licenses of the Company in favour of 11.60%, 5,000 Secured Redeemable, Non Convertible Debentures aggregating to ₹ 500 crore and secured foreign currency loans aggregating to ₹ 4,707 crore raised during the year is pending to be executed. Security on the above assets of the Borrower Group on first pari passu basis including assignment of Telecom Licenses of the Company for 1,500, 11.25% Secured Redeemable, Non Convertible Debentures aggregating to ₹ 1,500 crore is pending for execution. Secured foreign currency loans and rupee loans shall be additionally secured by way of a pledge over the shares held by the Company in its subsidiaries; RTL and RCIL, which is pending to be created on first pari passu basis for necessary consent from the existing Secured Lenders.

2.03.2 Repayment Schedule of Long Term Loans
(a) Debentures

(₹ in Crore)

Rate of Interest		Repayment Schedule			
		2015-16	2016-17	2017-18	2018-19
(i)	11.20%	-	-	-	3,000
(ii)	11.60%	-	500	-	-
(iii)	11.25%	375	375	375	375

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(b) Foreign Currency Loans

(₹ in Crore)

	Rate of Interest	Repayment Schedule							
		2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
(i)	0.79%	848	-	-	-	-	-	-	-
(ii)	0.81%	170	-	-	-	-	-	-	-
(iii)	1.33%	-	527	351	-	-	-	-	-
(iv)	1.35%	-	308	154	-	-	-	-	-
(v)	2.55%	267	515	916	916	534	267	-	-
(vi)	3.72%	135	406	541	609	1,218	1,218	1,218	1,286
(vii)	2.84%	-	432	432	432	-	-	-	-
(viii)	2.67%	1	2	3	3	9	10	8	6
(ix)	2.46%	-	-	32	16	-	-	-	-
(x)	5.50%	282	471	282	847	1,177	1,506	-	-

(c) Rupee Term Loan

(₹ in Crore)

Rate of Interest	Repayment Schedule
	2015-16
13.00%	10

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.04

Other Long Term Liabilities

Other Liabilities	169	60
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Note : 2.05

Long Term Provisions

Retirement Benefits	59	72
Lease Rent Equalisation	4,280	3,151
	4,339	3,223

Note : 2.06

Short Term Borrowings

Secured

Cash Credit from Bank	300	-
Rupee Loans from Banks	2,600	-

Unsecured

Foreign Currency Loans from Banks	662	834
Rupee Loans from Banks	-	8,550
Commercial Papers	944	146
	4,506	9,530

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

2.06.1 Cash Credit and Rupee Loans from Banks

The Company and its subsidiaries had during the earlier year, also availed Short Term Borrowings ("Secured Short Term Borrowings") which have been secured by way of second pari passu charge on plant and machinery, including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), capital work in progress (pertaining to movable fixed assets), both present and future, of the Borrower Group; comprising of the Company and its subsidiary companies namely; RTL, RITL and RCIL in favour of the Security Trustee for the benefit of Secured Short Term Lenders.

Working capital (Cash Credit) facilities shall be secured by first pari passu charge over current assets comprising of Stock and receivables of the Company in favour of the working capital lenders, which is pending to be created.

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.07

Trade Payables

Dues to Micro and Small Enterprises (Refer Note 2.42)	34	35
Others	1,116	994
	<u>1,150</u>	<u>1,029</u>

Note : 2.08

Other Current liabilities

Current Maturities of Long Term Debts

Foreign Currency Loans (Secured) (Refer Note 2.03.1)	2,220	1,620	
Foreign Currency Convertible Bonds (FCCBs) (Refer Note 2.26)	-	2,220	6,696
			8,316
Others			
Interest accrued but not due on borrowings	96	50	
Income Received in advance	361	443	
Unclaimed Dividend	9	7	
Employee Stock Options	5	10	
Capital Creditors	955	1,324	
Payable to Tax Authorities	146	307	
Other Liabilities*	915	2,487	1,171
		<u>4,707</u>	<u>11,628</u>

* Includes amounts due towards material and services received, security deposit and advance from customers.

NOTE : 2.09

SHORT TERM PROVISIONS

Provision for Employee benefits

Retirement Benefits	12	14
Others		
Disputed Claims and Others (Refer Note 2.30)	1,362	1,408
Business Restructuring (Refer Note 2.28)	1,137	1,240
Wealth Tax (net of taxes paid) (₹ 17,47,753)	-	1
Fringe Benefit Tax (net of taxes paid)	1	1
Proposed Dividend on equity shares	52	103
Tax on Proposed Dividend	8	2,560
	<u>2,572</u>	<u>2,784</u>

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

Note : 2.10

Fixed Assets

(₹ in Crore)

Description	Gross Block			Depreciation/ Amortisation			Net Block		
	As at April 1, 2011	Additions	Deductions/ Adjustments	As at March 31, 2012	For the year	Deductions/ Adjustments	As at March 31, 2012	As at March 31, 2011	As at March 31, 2011
Tangible Assets:									
Leasehold Land	5	-	-	5	-	-	1	4	4
Freehold Land	391	7	-	398	-	-	-	398	391
Buildings	402	-	-	402	11	-	65	337	348
Plant and Machinery	21,725	3,627	21	25,331	1,309	12	9,617	15,714	13,405
Office Equipments	23	-	-	23	3	-	17	6	9
Furniture and Fixtures	40	-	-	40	6	-	39	1	7
Vehicles	45	-	-	45	1	-	41	4	5
Sub total	22,631	3,634	21	26,244	1,330	12	9,780	16,464	14,169
Previous Year	21,674	1,000	42	22,631	1,338	18	8,462	14,169	14,532
Intangible Assets:									
Indefeasible Right of Connectivity (IRC)	225	-	-	225	14	-	76	149	163
Telecom Licenses	17,687	7,888	-	25,575	1,655	-	4,926	20,649	14,416
Software	192	50	-	242	12	-	200	42	4
Brand Licence	169	-	-	169	9	-	89	80	89
Sub total	18,273	7,938	-	26,211	1,690	-	5,291	20,920	14,672
Previous Year	18,164	108	-	18,273	1,518	-	3,601	14,672	30,612
Grand Total	40,904	11,572	21	52,455	3,020	12	15,071	37,384	28,841
Previous Year	39,838	1,108	42	40,904	2,856	18	12,063	28,841	-
Capital Work in Progress								765	9,888

2.10.1 Capital Work in Progress includes:

(a) ₹ 155 crore (Previous year ₹ 615 crore) on account of project development expenditure.

(b) ₹ 57 crore (Previous year ₹ 211 crore) on account of materials at site.

(c) ₹ Nil (Previous year ₹ 7,237 crore) relating to 3G Spectrum fees paid to Department of Telecommunications (DoT).

2.10.2 Transfer of title of certain Land and Buildings received from Reliance Industries Limited pursuant to the Scheme of Arrangement and from Reliance Communications Infrastructure Limited pursuant to scheme of demerger of the Network division are under process.

2.10.3 Pursuant to the Scheme of Amalgamation of Reliance Gateway Net Limited (RGNL), on account of the fair valuation, during an earlier year ended on March 31, 2009, opening gross block of fixed assets included increase in Freehold Land by ₹ 225 crore, Buildings by ₹ 130 crore and Telecom Licenses by ₹ 14,145 crore and pursuant to the Scheme of Arrangement, reduction in plant and machinery, on account of transfer of Optic Fiber Undertaking to Reliance Infratel Limited by ₹ 5,078 crore (gross) and accumulated depreciation by ₹ 451 crore.

2.10.4 Balance useful life as at March 31, 2012 is 11 years for Indefeasible Right of Connectivity (IRC), 9 years for 2G Telecom licences and 19 years for 3G Telecom Licences.

2.10.5 Refer Note 2.03.1 and 2.06.1 for Security in favour of the Lenders.

2.10.6 Addition in Plant and Machinery includes ₹ 1,336 crore (net loss) (Previous year ₹ Nil) of exchange difference during the year. Out of this, ₹ 16 crore has been amortised during the year.

2.10.7 Additions in Intangible Assets-Telecom licenses includes ₹ 163 crore (net loss) (Previous year ₹ Nil) on account of exchange difference in the nature of borrowing cost as per para 4 (e) of Accounting Standard (AS) 16, "Borrowing Cost" and ₹ 489 crore of interest costs out of which ₹ 134 crore pertains to current year and ₹ 355 crore to Previous year.

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

As at	As at
March 31, 2012	March 31, 2011

Note : 2.11
Non Current Investments
Other Investments (valued at cost unless stated otherwise)
Government Securities
Unquoted

6 years National Savings Certificate (Lodged with Sales Tax Department) ₹ 45,000 (Previous year ₹ 45,000)	-	-		
5 1/2 years Kisan Vikas Patra (Lodged with Chennai Metropolitan Development Authority) ₹ 5,000 (Previous year ₹ 5,000)	-	-	-	-

Trade Investments (valued at cost unless stated otherwise)
In Equity Shares of Wholly Owned Subsidiary Companies
Unquoted, fully paid up

2,01,00,00,000 Reliance Communications Infrastructure Limited of (2,01,00,00,000) ₹ 1 each	7,997		7,997	
50,00,000 Reliance Infocomm Infrastructure Private Limited of (50,00,000) ₹ 10 each	1,036		1,036	
6,87,066 Reliance WiMax Limited of ₹ 10 each (6,87,066)	8		8	
50,000 Reliance Digital Home Services Limited of ₹ 10 each (50,000) ₹ 5,00,000 (Previous year ₹ 5,00,000)	-		-	
50,000 Reliance Webstore Limited of ₹ 10 each ₹ 5,00,000 (50,000) (Previous year ₹ 5,00,000)	-		-	
1,00,00,000 Reliance Big TV Limited of ₹ 10 each (1,00,00,000)	10		10	
35,63,601 Campion Properties Limited of ₹ 10 each (35,63,601)	9		9	
20,00,000 Reliance Mobile Commerce Limited of ₹ 10 each (20,00,000)	2	9,062	2	9,062

In Equity Shares of Subsidiary Companies
Unquoted, fully paid up

2,75,80,100 Reliance Telecom Limited of ₹ 10 each (2,75,80,100)	482		482	
16,200 Reliance Tech Services Private Limited of ₹ 10 each (16,200) ₹ 1,62,000 (Previous year ₹ 1,62,000)	-		-	
14,516 Reliance Globalcom BV of Euro 100 each (14,516)	17,395		17,395	
12,00,000 Reliance Globalcom Limited, Bermuda Class A Common (12,00,000) Shares of USD 0.01 each	233		233	
1,00,000 Gateway Net Trading Pte. Limited of USD 1 each (1,00,000) ₹ 46,78,250 (Previous year ₹ 46,78,250)	-	18,110	-	18,110

In Equity Shares of Companies
Unquoted, fully paid up

6,50,25,000 Warf Telecom International Private Limited of MRf 1 each (6,50,25,000)	22		22	
13,000 Mumbai Metro Transport Private Limited of ₹ 10 each (13,000) ₹ 1,30,000 (Previous year ₹ 1,30,000)	-	22	-	22

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

		As at March 31, 2012	(₹ in Crore) As at March 31, 2011
In Preference Shares of Wholly Owned Subsidiary Companies			
Unquoted, fully paid up			
20,000 8 % Redeemable, Cumulative Preference Shares of (20,000) Reliance Communications Infrastructure Limited of ₹ 10 each ₹ 2,00,000 (Previous year ₹ 2,00,000)	-	-	-
10,00,000 0 % Redeemable, Non Cumulative, Non Convertible (10,00,000) Preference Shares of Reliance WiMax Limited of ₹ 10 each	100	100	100
In Preference Shares of Subsidiary Companies			
Unquoted, fully paid up			
4,50,00,000 1% Redeemable, Non Cumulative, Non Convertible (4,50,00,000) Preference Shares of Reliance Telecom Limited of ₹ 10 each	445	445	
52 1% Redeemable, Non Cumulative, Non Convertible (52) Preference Shares of Reliance Globalcom BV of Euro 1 each ₹ 29,85,060 (Previous year ₹ 29,85,060)	-	-	
22,143 8 % Redeemable, Non Cumulative, Non Convertible, (22,143) Preference Shares of Reliance Globalcom BV of Euro 1 each*	150	140	
- 4 % Redeemable, Cumulative Preference Shares of (5,00,00,000) Reliance Globalcom Limited, Bermuda of USD 1 each*	-	223	
4,00,00,000 8% Redeemable, Non Cumulative, Non Convertible (4,00,00,000) Preference Shares of Reliance Infratel Limited of ₹ 10 each	4,000	4,000	4,808
		31,889	32,102
Aggregate Amount of Investments			
Unquoted		31,889	32,102
Quoted		-	-
		31,889	32,102

* This investment has been considered as monetary item as per AS 11, hence cost has been revalued at the year end rate.

Note : 2.12

Long Term Loans And Advances

(Unsecured, Considered Good unless stated otherwise)

Loans to Related Parties (Refer Note 2.43)	2,719	2,719
Interest Accrued on Investments and Loans	651	296
TDS and Advance Tax	303	368
Unamortised Arranger's Fee	245	131
Other Long Term Advances (Refer Note 2.44)	389	389
Bank Deposit with maturity for more than 12 months * ₹ 31,41,206 (Previous year ₹ 25,76,045)	-	-
	4,307	3,903

* Includes ₹ 76,045 (Previous year ₹ 76,045) the receipt of which is deposited with Sales Tax Department.

Note : 2.13

Current Investments

Other Investments

Government Securities (valued at cost or market price whichever is lower)

Quoted

34,000 6.83% GOI 2039 of ₹ 100 each fully paid up (34,000) ₹ 27,26,726 (Previous year ₹ 28,33,853)	-	-
Book Value of Quoted Investments ₹ 30,52,000 (Previous year ₹ 30,52,000)		

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.14
Inventories

Stores and Spares (valued at cost or net realisable value whichever is less)	329	306
--	------------	-----

Note : 2.15
Trade Receivables (Unsecured)
Due for more than six months from the date they are due for payment

Considered good	944	769
Considered doubtful	683	507
	<u>1,627</u>	<u>1,276</u>
Less: Provision for doubtful debts (Refer Note 2.38)	683	507
	944	769

Others

Considered good	988	769
Considered doubtful	146	53
	<u>1,134</u>	<u>822</u>
Less: Provision for doubtful debts (Refer Note 2.38)	146	53
	988	769
	1,932	1,538

The above includes debts due from subsidiaries ₹ 542 crore
(Previous year ₹ 453 crore)

Note : 2.16
Cash and Bank Balances

(i) Balances with Banks	50	3,659
(ii) Earmarked Balance – Unpaid Dividend	9	7
(iii) Balances held as Margin Money	119	147
	178	3,813

Note : 2.17
Short Term Loans And Advances

(Unsecured, Considered good unless stated otherwise)

Loans to Related Parties (Refer Note 2.43)	4,784	4,237
Other Advance to Related Parties	85	1,517
Balance with Customs, Excise Authorities ₹ 17,80,815 (₹ Previous year ₹ 13,12,801)	-	-
Others*		
Considered good	1,931	1,594
Considered doubtful	74	26
	<u>2,005</u>	<u>1,620</u>
Less: Provision for doubtful advances (Refer Note 2.38)	74	26
	1,931	1,594
	6,800	7,348

* Includes prepaid expenses, advances to sundry creditors, refund due against claims lodged and other receivables.

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

NOTE : 2.18

Other Current Assets

Deposits*	1,642	1,411
Interest Accrued on Investments and Loans	241	422
Unbilled revenue	231	224
Receivable against Sale of Assets	8	208
	<u>2,122</u>	<u>2,265</u>

* Deposits include ₹ 1,527 crore (Previous year ₹ 1,186 crore) paid against disputed claims (Refer Note 2.31).

For the year ended
March 31, 2012

For the year ended
March 31, 2011

Note : 2.19

Revenue from Operations

Sale of Services	12,132	13,168
Less: Service Tax	<u>1,025</u>	<u>1,179</u>
Other Operating Income	3	141
	<u>11,107</u>	<u>11,989</u>
	<u>11,110</u>	<u>12,130</u>

Note : 2.20

Other Income

Net gain on Sale of Current Investments	23	19
Profit on Sale of Fixed Assets and Capital Work in Progress	7	426
Rent	3	3
Miscellaneous Income	108	36
Income from Current Investment ₹ 2,32,220 (Previous year ₹ 2,32,220)	-	-
Interest Income (Refer Note 2.46)	612	668
	<u>753</u>	<u>1,152</u>

Note : 2.21

Access Charges, Licence Fees and Network Expenses

Access Charges	2,664	2,759
License Fees	896	962
Passive Infrastructure Charges (Refer Note 2.39)	711	2,343
Network Repairs and Maintenance	310	380
Stores and Spares Consumed	40	65
Power, Fuel and Utilities	820	1,158
Bandwidth Charges	1,228	1,238
Other Network Operating Expenses (Refer Note 2.39)	242	401
	<u>6,911</u>	<u>9,306</u>

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

**For the year ended
March 31, 2012**
**For the year ended
March 31, 2011**
Note : 2.22
Employee Benefits Expenses

Salaries (including managerial remuneration) (Refer Note 2.39)	390	502
Contribution to Provident and Gratuity Fund	33	39
Employee Welfare and Other Amenities	58	67
Write back of Compensation under Employee Stock Option Scheme	(5)	(7)
	476	601

Note : 2.23
Finance Costs

Interest and Other Charges on Term Loans	718	380
Interest on Other Loans	489	292
Other Financial Cost	58	174
	1,265	846

Note : 2.24
Sales and General Administration Expenses

Commission (Refer Note 2.39)	359	514
Selling and Marketing (Refer Note 2.39)	177	190
Advertisement (Refer Note 2.39)	64	68
Customer Acquisition and Customer Care (Refer Note 2.39)	114	186
Provision for Doubtful Debts, Loans and Advances	45	131
Insurance	9	11
Rent, Rates and Taxes	19	21
Other Repairs	8	10
Travelling	31	35
Professional Fees	59	92
Foreign Exchange Loss/ (Gain) (net)	-	(32)
Hire Charges (Refer Note 2.39)	80	142
Data Warehousing Charges	209	226
Other General and Administrative Expenses	135	194
[Includes ₹ 14,80,000 (Previous year ₹ 13,00,000) towards sitting fees paid to Non Executive Directors]		
Wealth Tax ₹ 4,50,000 (Previous year ₹ 5,50,000)	-	-
Payment to Auditors		
(a) As Auditors	6	6
(b) For reimbursement of expenses ₹ 12,01,728 (Previous year ₹ 21,15,646)	-	-
	6	6
	1,315	1,794

Note : 2.25
Previous year

The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year's figures does not impact recognition and measurement principles followed for preparation of financial statements. Amount in financial statements are presented in Rupees crore, except as otherwise stated.

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

Note : 2.26

Foreign Currency Convertible Bonds (FCCBs)

- (i) The Company issued FCCBs in two tranches; 5,00,000 FCCBs for 5 Years, 4.65%, USD 500 million issued on May 9, 2006 and 10,000 FCCBs for 5 Years, 4.95%, USD 1000 million issued on February 28, 2007. Pursuant to the exercise of an Option by the FCCB holders and in accordance with the terms and conditions thereof, the Company, during the earlier years, allotted 1,87,44,801 fully paid equity shares of ₹ 5 each at a pre determined premium of ₹ 475.68 per share against 2,03,051 FCCBs and 6,67,090 fully paid equity shares of ₹ 5 each at a pre determined premium of ₹ 656.23 per share against 100 FCCBs respectively.
- (ii) During the earlier years, the Company bought back and cancelled 647 nos. of 5 Year, 4.95%, FCCBs of the face value of USD 1,00,000 each, as per approval of the Reserve Bank of India, at a discount to the face value, resulting in a saving of ₹ 101 crore then accounted.
- (iii) In accordance with the terms of issue of respective FCCBs, the Company, on due date, redeemed all outstanding 2,96,949 FCCBs aggregating USD 296.95 million on May 9, 2011 and balance outstanding 9,253 FCCBs aggregating USD 925.30 million on February 27, 2012. As a result, the Company is not required to allot 8.91 crore equity shares of ₹ 5 each arising out of conversion of the said FCCBs. Premium of USD 76.73 million and USD 256.22 million respectively, for the entire tenor, paid on redemption of the respective FCCBs has been charged to Securities Premium Account. This includes an amount of USD 1.79 million and USD 51.78 million respectively pertaining to the year ended March 31, 2012.

Note : 2.27

Foreign Currency Monetary Items; Long Term

In view of the Option allowed pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs (MCA), Government of India, for the year ended on March 31, 2012, the Company has added ₹ 1,336 crore of exchange differences on long term borrowing relating to the acquisition of depreciable capital assets to the cost of capitalised assets. Further, the Company has accumulated foreign currency variations of ₹ 315 crore arising on other long term foreign currency monetary items in "Foreign Currency Monetary Item Translation Difference Account", out of which, ₹ 16 crore has been amortised during the year, leaving balance which will be amortised over the balance period of loans.

Note : 2.28

Schemes of Amalgamation and Arrangement of the earlier years

The Company, during the previous years, undertook various Schemes including restructuring of ownership structure of telecom business so as to align the interest of the shareholders. Accordingly, pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved by the Hon'ble High Court of respective Judicature, the Company, during the respective years, recorded all necessary accounting effects, along with requisite disclosure in the notes to the accounts, in accordance with the provisions of the said Schemes. The cumulative effects of the Schemes in case of Equity Share Capital of the Company have been disclosed below the respective Notes to the Accounts. Reserves, pursuant to the said Schemes, include:

- (i) ₹ 8,581 crore, being Securities Premium Account, which was part of the Security Premium of erstwhile Reliance Infocomm Limited (RIC), the transferor company.
- (ii) General Reserve I of ₹ 5,538 crore representing the unadjusted balance being the excess of assets over liabilities relating to Telecommunications Undertaking transferred and vested into the Company.
- (iii) General Reserve II of ₹ 2,785 crore representing the unadjusted balance of the excess of assets over liabilities received by the Company relating to Telecommunications Undertaking transferred and vested into the Company.
- (iv) General Reserve III of ₹ 28,839 crore comprises of ₹ 4,159 crore transferred to General Reserve from Statement of Profit and Loss and ₹ 24,679 crore arising pursuant to Scheme of Amalgamation of erstwhile Reliance Gateway Net Limited and ₹ 1 crore of erstwhile Global Innovative Solutions Private Limited.
- (v) Reserve for Business Restructuring of ₹ 1,287 crore representing the unadjusted balance of revaluation of investment in Reliance Communications Infrastructure Limited, the holding company of Reliance Infratel Limited after withdrawing an amount equivalent to writing off Passive Infrastructure assets, transferred to Reliance Infratel Limited, to the Statement of Profit and Loss. Balance in Reserve for Business Restructuring shall be available to meet the increased depreciation, costs, expenses and losses including on account of impairment of or write down of assets etc.
- (vi) Additional depreciation arising on fair value of the assets has been adjusted from General Reserve III and Provision for Business Restructuring.
- (vii) Also refer note 2.38 "Exceptional Items" below.

Notes on Accounts to Balance Sheet and Statement of Profit and Loss
Note : 2.29
Project Development Expenditure

Details of Project Development Expenditure (Included Capital Work in Progress)

(₹ in Crore)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Opening Balance	615	148
Add: Expenditure incurred during the year		
Employee Benefit Expenses	61	13
Rent, Rates and Taxes	11	8
Repairs (Previous year ₹ 1,52,148)	-	-
Travelling (₹ 5,77,336)	-	2
Professional Fees	12	66
Network Setup Costs	36	34
General and Administrative Expenses	1	3
Interest on Term Loans*	297	355
Passive Infrastructure Charges	45	97
Others ₹ 5,09,638 (Previous year ₹ 45,14,318)	-	-
	463	578
	1,078	726
Less: Capitalised during the year	923	111
Closing Balance	155	615

* Includes ₹ 163 crore (net loss) (Previous year ₹ Nil) on account of exchange difference in the nature of borrowing cost as per para 4 (e) of AS 16.

Note : 2.30
Provisions

Provisions include, provision for disputed claims of verification of customers ₹ 9 crore (Previous year ₹ 9 crore), others of ₹ 1,353 crore (Previous year ₹ 1,399 crore), and reversal of disputed liabilities of ₹ 46 crore (Previous year ₹ 102 crore).

The aforesaid provisions shall be utilised on settlement of the claims, if any, there against.

Note : 2.31
Contingent Liabilities and Capital Commitment (as represented by the Management)

(₹ in Crore)

	As at March 31, 2012	As at March 31, 2011
(i) Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for	294	357
(ii) Disputed Liabilities in Appeal		
- Sales Tax and VAT	18	12
- Excise and Service Tax	2	2
- Entry Tax and Octroi	28	23
- Other Litigations	31	27
- Interest on ADC on FWP/ T	342	160
(iii) Guarantees given by the Company on behalf of its Subsidiaries	5,472	1,116
(iv) Guarantees given by the Company on behalf of other companies for business purpose	51	421
(v) License Fees		

The Hon'ble Supreme Court, vide its judgment dated October 11, 2011, has set aside the Order of Telecom Disputes Settlement and Appellate Tribunal (TDSAT) dated August 30, 2007 and allowed two months' time to the licensees to raise their disputes before the Hon'ble TDSAT w.r.t. the demands already raised by Department of Telecommunications (DoT). The Hon'ble Supreme Court, in the meanwhile, also restrained DoT from enforcing its demands already raised. By Order dated December 15, 2011, the Hon'ble TDSAT granted all licensees/ operators the liberty to file additional affidavits thereby bringing on record the material facts including the subsequent events with respect to the petitions already pending before the Hon'ble TDSAT, which have been revived pursuant to the aforesaid judgement of the Hon'ble Supreme Court. On April 12, 2012, all the petitions (both old and new of all the operators including of the Company) were heard and an interim order of protection, earlier passed was extended to the new AGR petitions. The matter is pending for further hearing/ orders scheduled before the Hon'ble TDSAT on July 2, 2012.

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(vi) Access Deficit Charges (ADC)

The Hon'ble TDSAT and the Hon'ble Supreme Court, vide their judgments dated January 17, 2006 and April 30, 2008 respectively upheld the circular of Bharat Sanchar Nigam Limited (BSNL) dated January 14, 2005 whereby and whereunder the Company's fixed wireless phone (FWP) service was declared as limited mobile service. The period of claim, which was raised before the Hon'ble Supreme Court, was from November 14, 2004 to August 26, 2005. As directed by the Hon'ble Supreme Court, on April 30, 2008, the Company moved before the Hon'ble TDSAT for quantification of ADC for aforesaid period. The Hon'ble TDSAT vide its judgement dated April 17, 2012 confirmed the liability of the Company for the said period and for subsequent periods. The Company already has an adequate provision of ₹ 540 crore in the books for the liability which has been determined to be payable. Further course of action including the financial impact, if any, for the balance amount, which is under dispute shall be determined on completion of reconciliation with BSNL.

(vii) Special Audit

Pursuant to the Telecom License Agreement, DoT directed audits of various Telecom companies including of the Company. The Special Auditors appointed by DoT were required to verify records of the Company and some of its subsidiaries for the years ended March 31, 2007 and March 31, 2008 relating to license fees and revenue share. The Company and its subsidiary have received show cause notices dated January 31, 2012 based on report of the Special Audit directed by DoT relating to alleged shortfall of license fees and revenue share of ₹ 300 crore and interest thereon as applicable. The Company has submitted its reply to DoT towards show cause notice. The Company is confident that based on advice and, inter alia, on current understanding of the regulation by the industry and judicial pronouncements directly applicable to the issues raised in the special audit report, there shall not be any liability in this regard and hence, no provision is required in the accounts of the Company.

(₹ in Crore)

Note : 2.32

		As at March 31, 2012		As at March 31, 2011
(i)	Value of Imports on CIF basis			
	Capital Goods	375		1,095
	Stores and Spares	7		55
(ii)	Expenditure in Foreign Currency			
	Professional and Technical Fees	60		30
	Long Distance Operations	459		800
	Interest on Foreign Currency Term Loans	438		166
	Others	157		125
(iii)	Consumption of Stores and Spares			
		(₹ in Crore)	%	(₹ in Crore) %
	Imported (Value)	4	11%	49 76%
	Indigenous (Value)	35	89%	15 24%
(iv)	Dividend in Foreign Currency			
	Dividend relating to 2010-11 remitted in Foreign Currency during the year	-		-
	₹ 3,41,984 (Previous year ₹ 6,08,704)			
	No. of Non resident Equity Shareholders	753		783
	No. of equity shares held by them	6,83,962		7,16,095
(v)	Earnings in Foreign Currency			
	Long Distance Operations	999		932
	Interest and other income	-		-
	₹ 21,67,272 (Previous year ₹ 27,72,995)			

Note : 2.33

Operating Lease

The Company's significant leasing arrangements are in respect of operating leases for premises and network sites. These lease agreements provide for cancellation by either parties thereto as per the terms and conditions of the agreements. The Company is a lessee in respect of Optic Fibres and in respect of this lease, lease rent of ₹ 1,141 crore, (Previous year ₹ 1,141 crore) including ₹ 1,129 crore (Previous year ₹ 1,129 crore) not leviable for the year as per the lease agreement, has been recognised on a straight line basis as Network Expenses and corresponding amount is included in Long Term Provisions.

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

	As at March 31, 2012	(₹ in Crore) As at March 31, 2011
Estimated future minimum payments under non cancellable operating leases		
(i) Not later than one year	12	12
(ii) Later than one year and not later than five years	8,888	6,675
(iii) Later than five years	2,225	4,450

Note : 2.34
Deferred Tax Assets and Liabilities

	As at March 31, 2012	As at March 31, 2011
Deferred Tax Asset of the Company is as under		
(i) Deferred Tax Assets		
Related to carried forward loss	1,690	2,191
Disallowances, if any, under the Income Tax Act, 1961	4,818	3,515
Lease Rent Equalisation	4,280	3,151
	10,788	8,857
(ii) Deferred Tax Liabilities		
Related to timing difference on depreciation on fixed assets	3,428	3,019
Interest Capitalised	221	87
Impairment/ Loss on sale of capital assets	2,592	2,592
Net Deferred Tax Assets	4,547	5,698
		3,159

In absence of virtual certainty of realisability of deferred tax assets, the Company on a conservative basis has restricted deferred tax asset to Nil.

Note : 2.35
Export Commitments

The Company has obtained licenses/ authorisations under the Export Promotion Capital Goods (EPCG) Scheme for importing capital goods at a concessional rate of customs duty against submission of bonds. Under the terms of the respective licenses/ authorisations, the Company is required to export goods of FOB value equivalent to or more than, eight times the amount of duty saved in respect of such licenses/ authorisations, where export obligation has been refixed by the order of Director General Foreign Trade (DGFT), Ministry of Commerce and Industry, Government of India, as applicable. The Company has fulfilled its export obligation under the aforesaid license as on March 31, 2012 and has submitted necessary documents to DGFT for availing redemption letter for completion of export obligation amounting to ₹ 334 crore (Previous year ₹ 334 crore).

Note : 2.36
Segment Performance

Disclosure as per Accounting Standard ("AS") 17 "Segment Reporting" is reported in Consolidated Accounts of the Company. Therefore, the same has not been separately disclosed in line with the provision of AS.

Note : 2.37
Earnings per Share (EPS)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Basic and Diluted EPS (before and after Expectional Items)		
(a) Profit/ (Loss) attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	156	(758)
(b) Profit/ (Loss) attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	156	(758)
(c) Weighted average number of equity shares (used as denominator for calculating Basic EPS)	2,06,40,26,881	2,06,40,26,881
(d) Add: Effect of potential equity shares to be issued under FCCBs	4,00,20,055	8,91,38,933
(e) Weighted average number of equity shares (used as denominator for calculating Diluted EPS)	2,10,40,46,936	2,15,31,65,814
(f) Basic EPS of ₹ 5 each (₹)	0.76	(3.67)
(g) Diluted EPS of ₹ 5 each (₹)	0.73	(3.67)

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

Note : 2.38

Exceptional Items

Pursuant to the direction of the Hon'ble High Court of Judicature of Mumbai and Option exercised by the Board of the Company, in accordance with and as per the Scheme of Arrangement approved by the Hon'ble High Court vide order dated July 3, 2009 binding on the Company, expenses and/ or losses, identified by the Board of the Company as being exceptional or otherwise subject to the Accounting treatment prescribed in the said Scheme and comprising of ₹ 268 crore of debts due including, in particular, debts due from telecom operators whose licences are under cancellation pursuant to the directions of the Hon'ble Supreme Court in its order dated February 2, 2012 in the matter of Centre for Public Interest Litigation and others vs. Union of India and others and subsidy claimed from the Government, ₹ 849 crore unrealised net losses, including ₹ 775 crore regarded as an adjustment to interest cost, on account of restating Long Term monetary items expressed in foreign currency at year end prevailing rates, as also ₹ 199 crore of net realised losses on settlement of items recovered and/ or discharged in foreign currency, and ₹ 16 crore (Refer Note 2.27) as the amortised portion of FCMITDA, in accordance with Para 46A of Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates" in context of unprecedented volatility in exchange rates during the year, have been met by corresponding withdrawal from General Reserve, leaving no impact on profit for the year ended March 31, 2012. Such withdrawals have been included/ reflected in the Statement of Profit and Loss.

While the Company has been legally advised that such inclusion in the Statement of Profit and Loss is in accordance with Revised Schedule VI of the Companies Act, 1956, the Company is also seeking clarification from the ICAI that such inclusion in the Statement of Profit and Loss is not contrary to Revised Schedule VI.

Had such write off of expenses and losses not been met from General Reserve, the Company would have reflected a Loss after tax of ₹ 1,176 crore and the consequential effect of this on the profit after tax for the year would have been ₹ 1,332 crore.

Note : 2.39

Recovery of Expenses

Expenses under the heads Provision for Employee Costs and Other Expenses are net of recoveries for common cost from Reliance Communications Infrastructure Limited, a Wholly Owned Subsidiary of the Company. Such amounts recovered for the year amounting to ₹ 84 crore (Previous year ₹ 200 crore) for Salaries, ₹ 409 crore (Previous year ₹ 435 crore) for Sales and General Administration Expenses comprising of ₹ 46 crore (Previous year ₹ 35 crore) for Advertising Expenses, ₹ 305 crore (Previous year ₹ 327 crore) for Customer Acquisition, Commission, Billing and Collection, Webstore Expenses and Customer Care, ₹ 58 crore (Previous year ₹ 73 crore) for Hire Charges. Similarly, the amount recovered from Reliance Infratel Limited, a subsidiary of Reliance Communications Infrastructure Limited for the year includes ₹ 26 crore (Previous year ₹ 84 crore) for Salaries and ₹ 67 crore (Previous year ₹ 36 crore) for Sales and General Administration Expenses comprising of, ₹ 22 crore (Previous year ₹ 1 crore) for hire charges and ₹ 45 crore for other General Administration Expenses (Previous year ₹ 35 crore). Similarly, the amount recovered from Reliance Big TV Limited, a Wholly Owned Subsidiary of the Company includes ₹ 4 crore (Previous year ₹ 5 crore) for Hire Charges and ₹ 26 crore (Previous year ₹ 26 crore) for Salaries. Similarly, the amount recovered from Reliance Telecom Limited, a Wholly Owned Subsidiary of the Company includes ₹ 93 crore (Previous year ₹ Nil) for Salary, ₹ 14 crore (Previous year ₹ Nil) for Advertisement and Marketing Expenses, ₹ 111 crore (Previous year ₹ Nil) for General Administrative Expenses and ₹ 7 crore (Previous year ₹ Nil) towards Network Charges. Network Expenses is net of remission of charges of ₹ 821 crore, including ₹ 476 crore of the Previous year, for the deficiency in Passive Infrastructure Services by Reliance Infratel Limited, a subsidiary of the Company pursuant to the Service Level Agreement between the parties.

Note : 2.40

Financial Statements of Subsidiary Companies

The Ministry of Corporate Affairs, Government of India vide its General circular no. 2 and 3, dated February 8, 2011 and February 21, 2011 respectively, has granted general exemption from compliance with Section 212 of the Companies Act, 1956, subject to fulfilment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence, is entitled to the exemption. As per the circular, key details of each subsidiary is attached in the Consolidated Financial Statements.

Note : 2.41

Employee Benefits

Gratuity : In accordance with the applicable Indian laws, the Company provides for the gratuity, a defined benefit retirement plan (Gratuity Plan) for all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on respective employee's last drawn salary and for the years of employment with the Company.

The following table sets out the status of the Gratuity Plan as required under Accounting Standard ("AS") 15 (Revised) "Employee Benefits".

(₹ in Crore)

Particulars	Gratuity *		Leave Encashment	
	As at	As at	As at	As at
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
Obligation at the beginning of the year	32	30	75	81
Service Cost	6	7	2	3
Interest Cost	3	2	5	5

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

Particulars	Gratuity *		Leave Encashment	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Actuarial (gain)/ loss (Leave Encashment ₹ 13,08,977)	(3)	(1)	-	15
Benefits Paid	(8)	(6)	(22)	(29)
Obligation at the end of the year	30	32	60	75
* Defined benefit obligation liability is wholly funded by the Company				
(ii) Change in plan assets				
Plan assets at the beginning of the year, at fair value	25	29	-	-
Expected return on plan assets	2	2	-	-
Actuarial gain / (loss)	(1)	(1)	-	-
Contributions	7	1	22	29
Benefits	(8)	(6)	(22)	(29)
Plan assets at the end of the year, at fair value	25	25	-	-
(iii) Reconciliation of present value of the obligation and the fair value of the plan assets				
Fair value of plan assets at the end of the year	25	25	-	-
Present value of the defined benefit obligation at the end of the year	30	32	60	75
Liability recognized in the Balance Sheet	5	7	60	75
(iv) Cost for the year				
Service Cost	6	7	2	3
Interest Cost	3	2	5	5
Expected return on plan assets	(2)	(2)	NA	NA
Actuarial (gain)/ loss (Gratuity Previous year ₹ 48,00,000 and Leave Encashment ₹ 13,08,977)	(2)	-	-	15
Net Cost	5	7	7	23
(v) Investment details of plan assets				
100% of the plan assets are invested in balanced Fund Instruments				
(vi) Actual return on plan assets	1	2	-	-
(vii) Assumptions				
Interest rate	9%	8%	9%	8%
Estimated return on plan assets	9%	8%	-	-
Salary growth rate	6%	7%	6%	7%

The estimates, of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

 (viii) **Particulars of the amounts for the year and Previous years**

	Gratuity For the year ended March 31				
	2012	2011	2010	2009	2008
Present Value of benefit obligation	30	32	30	29	23
Fair value of plan assets	25	25	29	21	24
Excess of obligation over plan assets (plan assets over obligation)	5	7	1	8	(1)
(ix) Experience Adjustment					
On Plan Liabilities	-	2	(2)	(1)	-
On Plan Assets	(1)	(1)	2	(2)	-

Provident Fund : The guidance on Implementing ("AS") 15 "Employee Benefits" (revised 2005) issued by the ICAI states that the benefits involving employer established Provident Fund, which require interest shortfalls to be recompensed are to be considered as/ in defined benefit plans. The employee and employer each make monthly contribution to the plan equal to 12% of the covered

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

employee's salary. Contributions are made to the trust established by the Company. During the year ended March 31, 2012, the Actuarial Society of India issued the final guidance for measurement of provident fund liabilities. As at March 31, 2012, Fair value of plan assets is ₹ 294 crore, the present value of defined benefit obligation is ₹ 296 crore. Accordingly, based on such actuarial valuation, the Company has charged ₹ 2 crore (Previous year ₹ Nil), being shortfall in interest, during the year. For the year ended March 31, 2012, the Company has contributed ₹ 22 crore (Previous year ₹ 25 crore) towards Provident Fund. The Employee Benefits as disclosed herein pertain to the Company.

The assumptions made for the above are Discount rate of 8.50%, average remaining tenure of Investment Portfolio is 7 years and guaranteed rate of return is 8.25%.

Note : 2.42

Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to MSE. On the basis of the information and records available with the Company, the following disclosures are made for the amounts due to Micro and Small Enterprises.

	As at March 31, 2012	As at March 31, 2011
(a) Principal amount due to any supplier as at the year end	34	35
(b) Interest due on the principal amount unpaid at the year end to any supplier	9	6
(c) Amount of Interest paid by the Company in terms of Section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
(d) Payment made to the enterprises beyond appointed date under Section 16 of MSMED	53	15
(e) Amount of Interest due and payable for the period of delay in making payment, which has been paid but beyond the appointed day during the year, but without adding the interest specified under MSMED (Previous Year ₹ 38,46,340)	3	-
(f) The amount of interest accrued and remaining unpaid at the end of each accounting year; and	12	6
(g) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED.	9	4

Note : 2.43

Disclosures required under Clause 32 of the Listing Agreement.

Loans and Advances in the nature of Loans to Subsidiary Companies (₹ in Crore)

Sr. No.	Name of the Company	As At March 31, 2012	As At March 31, 2011	Maximum Balance during the current year	Maximum Balance during the Previous year
(i)	Reliance Webstore Limited	87	332	335	387
(ii)	Netizen Rajasthan Limited	-	7	7	7
(iii)	Reliance Telecom Limited	1,839	1,467	2,140	9,197
(iv)	Campion Properties Limited	150	141	150	141
(v)	Reliance Communications Infrastructure Limited	1,827	1,529	3,110	2,967
(vi)	Reliance Infocomm Infrastructure Private Limited	358	406	406	545
(vii)	Reliance Big TV Limited	523	320	604	614
(viii)	Reliance Infratel Limited	2,719	2,719	2,719	5,942
(ix)	Reliance Tech Services Private Limited	-	35	35	43
		7,503	6,956	9,506	19,843

Loans to subsidiaries except Reliance Infratel Limited are interest free loans, where there is no repayment schedule and are repayable on demand.

Notes on Accounts to Balance Sheet and Statement of Profit and Loss
Note : 2.44
Employee Stock Option Schemes

The Company operates two Employee Stock Option Plans; ESOS Plan 2008 and ESOS Plan 2009, which cover eligible employees of the Company, the Holding Company and its Subsidiaries. ESOS Plans are administered through an ESOS Trust. The Vesting of the Options is on the expiry of one year from the date of Grant as per Plan under the respective ESOS(s). In respect of Options granted, the accounting value of Options (based on market price of the share on the date of the grant of the Option) is accounted as deferred employee compensation, which is amortised on a straight line basis over the Vesting Period. Each Option entitles the holder thereof to apply for and be allotted one Equity Share of the Company of ₹ 5 each upon payment of the Exercise Price during the Exercise Period. The maximum Exercise Period is 10 years from the date of Grant of Options.

The Company has established a Trust for the implementation and management of ESOS for the benefit of its present and future employees. Advance of ₹ 389 crore (Previous year ₹ 389 crore) has been granted to the Trust and ₹ 391 crore (Previous year ₹ 391 crore) has been utilised by the Trust for purchasing 2.13 crore (Previous year 2.13 crore) equity shares during the period upto March 31, 2012.

Amortization of compensation includes write back of ₹ 5 crore (Previous year ₹ 7 crore) based on intrinsic value of Options which have been vested under ESOS Plan 2008 and reflected in Statement of Profit and Loss under Employee Benefit Expenses. No amount is chargeable in respect of Options granted under ESOS Plan 2009.

Particulars	Employees Stock Option Plans			
	ESOS Plan 2008		ESOS Plan 2009	
	Number of Options	Weighted average exercise price (₹)	Number of Options	Weighted average exercise price (₹)
No. of Options Outstanding at the beginning of the year	8,75,253	395.64	63,34,253	206.00
Number of Options granted	Nil	-	Nil	-
Total number of Options surrendered	-	-	2,44,000	-
Number of Options vested	8,75,253	395.64	63,34,253	206.00
Total number of Options exercised	Nil	-	Nil	-
Total number of Options forfeited/ lapsed	3,06,059	297.83	24,22,039	206.00
Number of Options outstanding at the end of the year	5,69,194	448.24	39,12,214	206.00

If the entity would have estimated fair value computed on the basis of Black Scholes pricing model, the compensation cost for the year ended March 31, 2012 for ESOS Plan 2008 and ESOS Plan 2009 would have been ₹ 5 crore and ₹ 12 crore respectively. The key assumptions used to estimate the fair value of Options are given below.

Particulars	ESOS Plan 2008	ESOS Plan 2009
Risk-free interest rate	8.05%	8.05%
Expected life	6 years	7 years
Expected volatility	52.04%	52.04%
Expected dividend yield	0.02%	0.07%
Price of the underlying share in market at the time of Option grant	₹ 541.15	₹ 174.00

Note : 2.45
Particulars of Derivative Instruments

Particulars of Derivative Instruments acquired for hedging	For the year ended March 31, 2012			For the year ended March 31, 2011		
	No. of Instruments	Value		No. of Instruments	Value	
		(US \$ Crore)	(₹ in Crore)		(US \$ Crore)	(₹ in Crore)
Principal Only Swap	2	4	178	2	4	156
Interest Rate Swap-FC	14	44	2,228	19	64	2,845
Interest Rate Swap-INR	12	6	325	25	18	825
Options - Cross Currency	3	31	1,570	7	34	1,532

No derivative instruments are acquired for speculation purpose.

In respect of Foreign Currency Swap and Interest Rate Swap transactions, which are linked with LIBOR rates and exchange rate during the period of contract, gains/ losses, if any, are recognised on the settlement day or the reporting day, whichever is earlier, at the rate prevailing on respective day.

Foreign Currency exposures that are not hedged by derivative instruments or otherwise for Loans/ Liabilities and assets are USD 428 crore (Previous year USD 457 crore), equivalent to ₹ 21,770 crore (Previous year ₹ 20,371 crore).

Above exposure status does not include the effects of accruals.

The unamortised premium of Buyers' Credit to be recognized is ₹ 2 crore (Previous year ₹ 18,86,127) for one or more subsequent accounting periods.

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

Note : 2.46

Related Parties

As per Accounting Standard (AS) 18, 'Related Party Disclosures', prescribed under the Accounting Standard Rules, the disclosures of transactions with the related parties are given below.

A List of Related Parties : where control exists

Sr. No.	Name of the Subsidiary Companies (direct and step down subsidiaries)	Sr. No.	Name of the Subsidiary Companies (direct and step down subsidiaries)
1	Reliance WiMax Limited	45	Reliance FLAG Telecom Ireland Limited
2	Reliance Digital Home Services Limited	46	FLAG Telecom Japan Limited
3	Reliance Webstore Limited	47	FLAG Telecom Ireland Network Limited
4	Reliance Infocomm Infrastructure Private Limited	48	FLAG Telecom Network USA Limited
5	Campion Properties Limited	49	FLAG Telecom Espana Network SAU
6	Reliance Big TV Limited	50	Reliance Vanco Group Limited
7	Reliance Tech Services Private Limited	51	Euronet Spain SA
8	Reliance Telecom Limited	52	Net Direct SA (Proprietary) Limited (Under liquidation)
9	Reliance Communications Infrastructure Limited	53	Vanco (Shanghai) Co. Limited
10	Reliance Communications Investment and Leasing Limited	54	Vanco (Asia Pacific) Pte. Limited
11	Reliance Infratel Limited	55	Vanco Australasia Pty. Limited
12	Reliance Mobile Commerce Limited	56	Vanco EpE
13	Netizen Rajasthan Limited (up to March 01, 2012)	57	Vanco Sp Zoo
14	Reliance Globalcom BV	58	Vanco Euronet Sro (liquidated w.e.f March 03, 2012)
15	Reliance Communications (UK) Limited	59	Vanco Gmbh
16	Reliance Communications (Hong Kong) Limited	60	Vanco Japan KK
17	Reliance Communications (Singapore) Pte. Limited	61	Vanco Net Direct Limited, Ireland (Struck off w.e.f. April 08, 2011)
18	Reliance Communications (New Zealand) Pte. Limited	62	Vanco NV
19	Reliance Communications (Australia) Pty. Limited	63	Vanco SAS
20	Anupam Global Soft (U) Limited	64	Vanco South America Ltda
21	Gateway Net Trading Pte. Limited	65	Vanco Srl
22	Reliance Globalcom Limited	66	Vanco Sweden AB
23	FLAG Telecom Singapore Pte. Limited	67	Vanco Switzerland AG
24	FLAG Atlantic UK Limited	68	Vanco Deutschland Gmbh
25	Reliance FLAG Atlantic France SAS	69	Vanco BV
26	FLAG Telecom Taiwan Limited	70	Vanco Benelux BV
27	Reliance FLAG Pacific Holdings Limited	71	Vanco UK Limited
28	FLAG Telecom Group Services Limited	72	Vanco International Limited
29	FLAG Telecom Deutschland GmbH	73	Vanco Row Limited
30	FLAG Telecom Hellas AE	74	Vanco Global Limited
31	FLAG Telecom Asia Limited	75	WANcom Gmbh (up to May 30, 2011)
32	FLAG Telecom Netherland BV	76	VNO Direct Limited
33	Reliance Globalcom (UK) Limited	77	Vanco US LLC
34	Yipes Holdings Inc.	78	Vanco Solutions Inc.
35	Reliance Globalcom Services Inc.	79	Reliance WiMax World BVI
36	YTV Inc.	80	Reliance WiMax World BV
37	Reliance Infocom Inc.	81	Reliance WiMax World Limited
38	Reliance Communications Inc.	82	Reliance WiMax World LLC
39	Reliance Communications International Inc.	83	Reliance WiMax Congo Brazzaville BV
40	Reliance Communications Canada Inc.	84	Interconnect Brazzaville S. A.
41	Bonn Investment Inc.	85	Reliance WiMax Guinea BV
42	FLAG Telecom Development Limited	86	Access Guinea SARL
43	FLAG Telecom Development Services Company LLC	87	Reliance WiMax Sierra Leone BV
44	FLAG Telecom Network Services Limited	88	Equatorial Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

Sr. Name of the Subsidiary Companies (direct and step down subsidiaries)

- 89 Reliance WiMax Cameroon BV
 90 Equatorial Communications SARL
 91 Reliance WiMax D.R.C. BV
 92 Reliance WiMax Gambia BV
 93 Reliance WiMax Mauritius BV
 94 Reliance WiMax Mozambique BV
 95 Reliance WiMax Niger BV
 96 Reliance WiMax Zambia BV
 97 Access Bissau LDA
 98 Seoul Telenet Inc. (Board Control)
 99 FLAG Holdings (Taiwan) Limited (Board Control)
 100 Reliance Telecom Infrastructure (Cyprus) Holdings Limited (Board Control)
 101 Lagerwood Investments Limited (Board Control)
Joint Venture
 102 Alcatel-Lucent Managed Solutions India Private Limited
Holding Company
 103 Reliance Innoventures Private Limited.

Sr. Name of the Subsidiary Companies (direct and step down subsidiaries)

- Subsidiary of Holding Company**
 104 AAA Communication Private Limited
Individuals
Promoters
 105 Shri Anil D. Ambani, the person having control during the year
Key Managerial Personnel
 106 Shri Hasit Shukla (upto May 31, 2011)
 107 Shri Prakash Shenoy (w.e.f. June 01, 2011)
B List of Other Related Parties where there have been transactions
Associate Companies
 1 Warf Telecom International Private Limited
 2 Mumbai Metro Transport Private Limited
Fellow Subsidiaries
 3 Reliance Capital Limited
 4 Reliance General Insurance Company Limited

Disclosure in respect of transactions, which are more than 10% of the total transactions of the same type with a related party during the year ended March 31, 2012

- Fixed assets acquired during the year include ₹ 86 crore from Reliance Tech Services Private Limited, ₹ 36 crore from Reliance Infratel Limited and ₹ 16 crore from Alcatel-Lucent Managed Solutions India Private Limited (*Previous Year - Fixed assets acquired during the year include ₹ 34 crore from Reliance Tech Services Private Limited and ₹ 32 crore from Reliance Infratel Limited and ₹ 28 crore from Alcatel-Lucent Managed Solutions India Private Limited*).
 - Loans and Advances include loans granted during the year of ₹ 12,772 crore to Reliance Communications Infrastructure Limited, ₹ 2,509 crore to Reliance Telecom Limited, and repaid/ adjusted during the year ₹ 12,474 crore by Reliance Communications Infrastructure Limited, ₹ 2,137 crore by Reliance Telecom Limited and ₹ Nil by Reliance Infratel Limited. (*Previous year - Loans and Advances include loan granted during the year of ₹ 5,945 crore to Reliance Communications Infrastructure Limited, ₹ 21,291 crore to Reliance Telecom Limited, and repaid during the year ₹ 6,033 crore by Reliance Communications Infrastructure Limited, ₹ 23,395 crore by Reliance Telecom Limited and ₹ 3,549 crore by Reliance Infratel Limited*).
 - Sundry Debtors include ₹ 230 crore from Reliance Telecom Limited, ₹ 127 crore from Reliance Webstore Limited, ₹ 34 crore from Reliance Communications Inc., ₹ 39 crore from Reliance Communications Infrastructure Limited (*Previous year - Sundry Debtors include ₹ 31 crore Reliance Telecom Limited, ₹ 11 crore from Reliance Webstore Limited, ₹ 277 crore from Reliance Communications Inc. and ₹ 115 crore from Reliance Communications Infrastructure Limited*).
 - Loans given include ₹ 1,827 crore to Reliance Communications Infrastructure Limited, ₹ 1,839 crore to Reliance Telecom Limited, ₹ 2,719 crore to Reliance Infratel Limited and Advances include ₹ Nil to Reliance Communications Infrastructure Limited, ₹ 44 crore to Reliance Telecom Limited, ₹ 23 crore to Reliance Webstore Limited (*Previous year - Loans given include ₹ 1,529 crore to Reliance Communications Infrastructure Limited, ₹ 1,467 crore to Reliance Telecom Limited, ₹ 2,719 crore to Reliance Infratel Limited and Advances include ₹ 1,431 crore to Reliance Communications Infrastructure Limited, ₹ Nil to Reliance Telecom Limited and ₹ Nil to Reliance Webstore Limited*).
 - Sundry Creditors include ₹ 39 crore to Reliance Flag Atlantic France SAS, ₹ 69 crore to Reliance Communications (UK) Limited, ₹ 7 crore to Reliance Infratel Limited, ₹ 78 crore to Reliance Tech Services Private Limited, ₹ 64 crore to Alcatel-Lucent Managed Solutions India Private Limited, (*Previous year - Sundry Creditors include ₹ 108 crore to Reliance Flag Atlantic France SAS, ₹ 53 crore to Reliance Communications (UK) Limited, ₹ 61 crore to Reliance Infratel Limited, ₹ 55 crore to Reliance Tech Services Private Limited and ₹ 79 crore to Alcatel-Lucent Managed Solutions India Private Limited*).
- Sundry Creditors also includes ₹ 217 crore to Reliance Infratel Limited for availing passive infrastructure services for 3G Operations. (*Previous Year - Sundry Creditors also includes ₹ 217 crore to Reliance Infratel Limited for availing passive infrastructure services for 3G Operations*).
- Other Current Assets includes ₹ 51 crore of Unbilled revenue of Reliance Communications Inc., Interest Receivable includes ₹ 892 crore from Reliance Infratel Limited and ₹ 16 crore Deposit to Alcatel-Lucent Managed Solutions India Private Limited.

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(Previous year - ₹ 50 crore of Unbilled revenue of Reliance Communications Inc, Interest Receivable includes ₹ 670 crore from Reliance Infratel Limited, and ₹ 16 crore Deposit to Alcatel-Lucent Managed Solutions India Private Limited).

7. Investments include conversion of Loans into Preference Shares during the year ₹ Nil of Reliance Infratel Limited and conversion of Preference Shares of ₹ Nil of Reliance Globalcom BV into equity shares. Redemption of Preference Shares during the year includes ₹ Nil of Reliance Globalcom BV and ₹ 223 crore of Reliance Globalcom Limited Bermuda (Previous year- Investments include conversion of Loans into Preference Shares ₹ 2,500 crore of Reliance Infratel Limited and conversion of Preference Shares of ₹ 2,276 crore of Reliance Globalcom BV into equity shares. Redemption of Preference Shares includes ₹ 1,528 crore of Reliance Globalcom BV and ₹ 764 crore of Reliance Globalcom Limited Bermuda).
8. Unearned Income includes ₹ 14 crore from Reliance Flag Telecom Ireland Network Limited and ₹ 5 crore from Reliance FLAG Atlantic France SAS. (Previous Year- Unearned Income includes ₹ 15 crore from Flag Telecom Ireland Network Limited and ₹ 4 crore from Reliance FLAG Atlantic France SAS.)
9. Prepaid expenses includes ₹ 10 crore from Reliance FLAG Atlantic France SAS and ₹ 87 crore from Reliance Telecom Limited. (Previous year-Prepaid expense includes ₹ 10 crore from Reliance FLAG Atlantic France SAS and ₹ Nil from Reliance Telecom Limited).
10. Financial Guarantee issued includes ₹ Nil to Reliance Globalcom BV (Previous year - ₹ 70 crore to Reliance Globalcom BV).
11. Corporate Guarantee issued includes ₹ 3,508 crore to Reliance Infratel Limited and ₹ 1,463 crore to Reliance Telecom Limited. (Previous year - Corporate Guarantee issued includes ₹ 189 crore to Reliance Infratel Limited and ₹ 749 crore to Reliance Telecom Limited).
12. Turnover includes ₹ 1,182 crore from Reliance Communications Infrastructure Limited, ₹ 601 crore from Reliance Communications Inc., ₹ 721 crore from Reliance Telecom Limited. (Previous year - Turnover includes ₹ 845 crore from Reliance Communications Infrastructure Limited, ₹ 488 crore from Reliance Communications Inc. and ₹ 666 crore from Reliance Telecom Limited).
13. Other Income includes Sale of Capital inventories of ₹ Nil to Reliance Webstore Limited (Previous Year - ₹ 95 crore to Reliance Webstore Limited)
14. Interest income includes ₹ 596 crore received from Reliance Infratel Limited (Previous year - Interest income includes ₹ 595 crore received from Reliance Infratel Limited).
15. Expenditure includes Access Charges: ₹ 173 crore to Reliance Communications Inc. and ₹ 274 crore to Reliance Telecom Limited, Network Operation Expenses: ₹ 1,178 crore to Reliance Infratel Limited and ₹ 180 crore to Alcatel-Lucent Managed Solutions India Private Limited. Selling and Marketing expenses: ₹ 136 crore to Reliance Communications Infrastructure Limited and ₹ 38 crore to Reliance Webstore Limited. General and Administrative Expenses: ₹ 209 crore to Reliance Communications Infrastructure Limited, ₹ 51 crore to Reliance Infocomm Infrastructure Private Limited and ₹ 40 crore to Reliance Tech Services Private Limited. (Previous year - Expenditure includes Access Charges: ₹ 126 crore to Reliance Communications Inc., ₹ 240 crore to Reliance Telecom Limited, Network Operation Expenses: ₹ 3,551 crore to Reliance Infratel Limited. Selling and Marketing expenses: ₹ 151 crore to Reliance Communications Infrastructure Limited and ₹ 117 crore to Reliance Webstore Limited. General and Administrative Expenses: ₹ 226 crore to Reliance Communications Infrastructure Limited, ₹ 41 crore to Reliance Infocomm Infrastructure Private Limited and ₹ 21 crore to Reliance Tech Services Private Limited).
16. Expenses under the heads Provision for Employee Costs and Other Expenses are net of recoveries for common cost from Reliance Communications Infrastructure Limited, a Wholly Owned Subsidiary of the Company. Such amounts recovered for the year amounting to ₹ 84 crore for Salaries, ₹ 409 crore for Sales and General Administration Expenses comprising of ₹ 46 crore for Advertising Expenses, ₹ 305 crore for Customer Acquisition, Commission, Billing and Collection, Webstore expenses and Customer Care, ₹ 58 crore for Hire Charges. Similarly, the amount recovered from Reliance Infratel Limited, a subsidiary of RCIL for the year includes ₹ 26 crore for Salaries and ₹ 67 crore for Sales and General Administration Expenses comprising of ₹ 22 crore for Hire Charges and ₹ 45 crore for Other General Administration Expenses. Similarly, the amount recovered from Reliance Big TV Limited, a Wholly Owned Subsidiary of the Company includes ₹ 4 crore for Hire Charges and ₹ 26 crore for Salaries. Similarly, the amount recovered from Reliance Telecom Limited, a Wholly Owned Subsidiary of the Company includes ₹ 93 crore for Salary, ₹ 14 crore for Advertisement and Marketing Expenses, ₹ 111 crore for General Administration Expenses and ₹ 7 crore towards Network charges (Previous Year - Expenses under the heads Provision for Employee Costs and Other Expenses are net of recoveries for common cost from Reliance Communications Infrastructure Limited, a Wholly Owned Subsidiary of the Company. Such amounts recovered ₹ 200 crore for Salaries, ₹ 435 crore for Sales and General Administration Expenses comprising of ₹ 35 crore for Advertising Expenses, ₹ 327 crore for Customer Acquisition, Commission, Billing and Collection, Webstore expenses and Customer Care, ₹ 73 crore for Hire Charges. Similarly, the amount recovered from Reliance Infratel Limited, a subsidiary of RCIL includes ₹ 84 crore for Salaries and ₹ 36 crore for Sales and General Administration Expenses comprising of ₹ 1 crore for Hire Charges and ₹ 35 crore for Other General Administration Expenses. Similarly, the amount recovered from Reliance Big TV Limited, a Wholly Owned Subsidiary of the Company includes ₹ 5 crore for Hire Charges and ₹ 26 crore for Salaries. Similarly, the amount recovered from Reliance Telecom Limited, a Wholly Owned Subsidiary of the Company includes ₹ Nil for Salary, ₹ Nil for Advertisement and Marketing Expenses, ₹ Nil for General Administration Expenses and ₹ Nil towards Network charges).

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

Sr. No	Nature of Transactions	Subsidiaries	Joint Venture	Fellow Subsidiaries	Others	Total
(A)	Investments					
	Balance as at April 1, 2011	32,080	22	-	-	32,102
		(31,876)	(22)	-	-	(31,898)
	Purchased/ adjusted during the year	-	-	-	-	-
		(2,502)	-	-	-	(2,502)
	Sold/ adjusted during the year	223	-	-	-	223
		(2,292)	-	-	-	(2,292)
	Foreign Exchange Fluctuation	10	-	-	-	10
		(6)	-	-	-	(6)
	Balance as at March 31, 2012	31,867	22	-	-	31,889
		(32,080)	(22)	-	-	(32,102)
(B)	Purchase of Assets	122	16	-	-	138
		(66)	(28)	-	-	(94)
(C)	Sundry Debtors as at March 31, 2012	542	-	-	-	542
		(453)	-	-	-	(453)
(D)	Loans & Advances					
	(i) Loans					
	Balance as at April 1, 2012	6,956	-	-	-	6,956
		(12,390)	-	-	-	(12,390)
	Given during the period	15,896	-	-	-	15,896
		(28,513)	-	-	-	(28,513)
	Repaid & Adjusted during the Year	15,349	-	-	-	15,349
		(33,947)	-	-	-	(33,947)
	Balance as at March 31, 2012	7,503	-	-	-	7,503
		(6,956)	-	-	-	(6,956)
	(ii) Advances	72	-	-	-	72
		(1,501)	-	(1)	(1)	(1,503)
	(iii) Other Current Assets	943	16	-	-	959
		(783)	(16)	-	-	(799)
	(iv) Prepaid Expenses	97	-	-	-	97
		(10)	-	-	-	(10)
(E)	(i) Sundry Creditors as at March 31, 2012	414	64	1	-	479
		(532)	(79)	-	-	(612)
	(ii) Unearned Income	19	-	-	-	19
		(19)	-	-	-	(19)

Reliance Communications Limited

Notes on Accounts to Balance Sheet and Statement of Profit and Loss

(₹ in Crore)

Sr. No	Nature of Transactions	Subsidiaries	Joint Venture	Fellow Subsidiaries	Others	Total
(F)	Income					
	Turnover	2,625	-	-	-	2,625
		(2,134)	-	-	-	(2,134)
	Other Income	-	-	-	-	-
		(95)	-	-	-	(95)
	Interest Income	596	-	-	-	596
		(642)	-	-	-	(642)
(G)	Expenditure					
	Access Charges	448	-	-	-	448
		(366)	-	-	-	(366)
	Network Operation Expenses	1,353	180	-	-	1,533
		(3,661)	(174)	-	-	(3,835)
	Selling and Marketing Expenses	174	-	-	-	174
		(268)	-	-	-	(268)
	General and Administration Expenses	300	-	2	-	302
		(288)	-	-	-	(288)
	Recovery of Expenses	841	-	-	-	841
		(780)	-	-	-	(780)
(H)	Corporate Guarantee	5,472	-	-	-	5,472
		(1,116)	-	-	-	(1,116)
(I)	Person having control during the year	-	-	-	-	-
	Shri Anil D. Ambani- Sitting Fees [₹ 2,60,000 (Previous year ₹ 2,00,000)]	-	-	-	-	-
(J)	Managerial Remuneration	-	-	-	-	-
	Shri Hasit Shukla ₹ 6,58,398 [excluding ₹ 11,37,167, being paid in excess under the Act, shown as recoverable (Previous year ₹ 24,00,000)]	-	-	-	-	-
	Sh. Prakash Shenoy ₹ 21,56,178 (Previous year ₹ Nil)	-	-	-	-	-

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

Mumbai
May 26, 2012

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board
Chairman

Directors

Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Prakash Shenoy

Auditors' Report on Consolidated Financial Statements

To
The Board of Directors of Reliance Communications Limited

We have audited the attached consolidated Balance sheet of Reliance Communications Limited ('the Company') and its subsidiaries and associates (collectively called 'the Group') as at March 31, 2012, the consolidated Statement of profit and loss and the consolidated Cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- 1 We did not audit the financial statements and other financial information of certain subsidiaries. The financial statements of these subsidiaries for the year ended March 31, 2012 have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included in respect of subsidiaries, is based solely on these reports. The attached consolidated financial statements include assets of ₹ 4,118 crore as at March 31, 2012, revenues of ₹ 3,907 crore and cash outflows amounting to ₹ 29 crore in respect of the aforementioned subsidiaries for the year then ended.
- 2 The financial statements of certain subsidiaries for the year ended March 31, 2012 have been audited by one of the joint auditors, Chaturvedi & Shah, Chartered Accountants. The attached consolidated financial statements include assets of ₹ 17,277 crore as at March 31, 2012, revenues of ₹ 6,092 crore and cash outflows amounting to ₹ 497 crore in respect of the aforementioned subsidiaries for the year then ended.
- 3 We have relied on the unaudited financial statements of the subsidiaries and joint ventures whose financial statements reflect total assets of ₹ 7,317 crore as at March 31, 2012, total revenue of ₹ 157 crore and cash outflows amounting to ₹ 81 crore for the year ending March 31, 2012. These unaudited financial statements as approved by the respective Board of Directors of these companies have been furnished to us by the management, and our report in so far as it relates to the amounts included in respect of the subsidiaries is based solely on such approved financial statements.
- 4 The consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investment in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interest in Joint Ventures, prescribed by the Companies (Accounting Standards) Rules, 2006.
- 5 Without qualifying our report, we draw your attention to:
 - (a) Note 2.31(x) of the consolidated financial statements, the Company has computed goodwill on consolidation by comparing the cost of investments with the equity of subsidiaries as on date on which investments were made by Reliance Industries Limited ('the transferor company') prior to demerger instead of considering the date of demerger as the date of investment.
 - (b) Note 2.36 of the consolidated financial statements regarding certain preliminary charges framed by a Trial Court in October, 2011 against one of the Director of

the Company's subsidiary and the subsidiary through its Director for alleged charges under Indian Penal Code (IPC) in relation to the breach of rules of Regulatory Authorities for the application of License made by a Private Limited Company pursuant to Unified Access Service License ('UASL') guidelines referred to in the aforesaid note. In the opinion of the management, the charges so framed are preliminary in nature based on investigations only, and pending the hearing of a writ petition for quashing the said charges in October, 2011 before the Hon'ble Delhi High Court, there is no impact based on the legal advice received by the Company, on these financial statements at this stage.

- (c) Note 2.40 of the consolidated financial statements regarding the Schemes of Arrangement ('the Schemes') sanctioned by the Hon'ble High Court of Judicature at Mumbai, permit the Company and three of its subsidiaries, namely, Reliance Communication Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited to adjust expenses and/or losses identified by the respective Board of the Company and its three subsidiaries, which are required to be debited/ credited to the Statement of profit and loss by a corresponding withdrawal or credit from/ to General Reserve, which is considered to be an override to the relevant provisions of Accounting Standard 5 (AS 5) 'Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies'. The Company and its three subsidiaries have identified exchange variations incurred during the year of ₹ 1,573 crore (including ₹ 951 crore in the nature of borrowing costs), fuel cost of ₹ 70 crore (Previous year ₹ 77 crore), provision for doubtful debts and subsidy receivable of ₹ 1,107 crore (Previous year ₹ 159 crore), as in the opinion of the respective Boards, such exchange loss and provisions are considered to be of an exceptional nature and accordingly, these expenses and deferred tax liability of ₹ 651 crore of one of its subsidiary have been met by corresponding withdrawal from General Reserve. Pending clarification from the Institute of Chartered Accountants of India (ICAI), the Company has credited such withdrawal to the Statement of profit and loss. Had such write off of expenses and losses not been met from General Reserve, the consolidated financial statements would have reflected a loss after tax of ₹ 2,472 crore and the consequential effect of this on the consolidated profit after tax would have been of ₹ 3,401 crore.
- 6 Based on our audit as aforesaid, and on consideration of reports of other auditors and accounts approved by the Board of Directors as explained in paragraphs 1, 2 and 3 above, and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2012;
 - (ii) in the case of the consolidated Statement of profit and loss, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the consolidated cash flow statement, of the cash flows of the Group for the year ended on that date.

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No: 035671

Mumbai
May 26, 2012

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No: 042070

Reliance Communications Limited

Consolidated Balance Sheet as at March 31, 2012

	Notes	As at March 31, 2012		(₹ in Crore) As at March 31, 2011	
EQUITY AND LIABILITIES					
Shareholders' Funds					
Share Capital	2.01	1,032		1,032	
Reserves and Surplus	2.02	35,689	36,721	39,467	40,499
			860		824
Minority Interest					
Non Current Liabilities					
(a) Long Term Borrowings	2.03	29,646		19,313	
(b) Deferred Tax Liabilities (Net)	2.04	1,018		367	
(c) Other Long Term Liabilities	2.05	1,217		1,171	
(d) Long Term Provisions	2.06	824	32,705	247	21,098
Current Liabilities					
(a) Short Term Borrowings	2.07	5,539		10,682	
(b) Trade Payables	2.08	2,318		1,889	
(c) Other Current Liabilities	2.09	11,881		16,619	
(d) Short Term Provisions	2.10	2,666	22,404	3,112	32,302
TOTAL			92,690		94,723
ASSETS					
Non Current Assets					
(a) Fixed Assets	2.11				
(i) Tangible Assets		43,551		39,287	
(ii) Intangible Assets		22,901		15,464	
(iii) Capital Work in Progress		5,026		16,600	
		71,478		71,351	
(b) Goodwill		5,009		4,747	
(c) Non Current Investments	2.12	133		118	
(d) Foreign Currency Monetary Item Translation Difference Account	2.30	425		-	
(e) Long Term Loans and Advances	2.13	2,482		2,059	
(f) Other Non Current Assets	2.14	618	80,145	-	78,275
Current Assets					
(a) Current Investments	2.15	519		452	
(b) Inventories	2.16	566		517	
(c) Trade Receivables	2.17	3,584		3,753	
(d) Cash and Bank Balances	2.18	550		4,866	
(e) Short Term Loans and Advances	2.19	4,988		4,640	
(f) Other Current Assets	2.20	2,338	12,545	2,220	16,448
TOTAL			92,690		94,723
Significant Accounting Policies	1				
Notes on Accounts	2				

The Notes referred to above form an integral part of the Financial Statements.

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board
Chairman

Directors

Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Prakash Shenoy

Mumbai
May 26, 2012

Reliance Communications Limited

Consolidated Statement of Profit and Loss for the year ended March 31, 2012

(₹ in Crore)

	Notes	For the year ended March 31, 2012	For the year ended March 31, 2011
INCOME			
Revenue from Operations	2.21	19,677	22,431
Other Income	2.22	705	738
Total Revenue		20,382	23,169
EXPENDITURE			
Access charges, License Fees and Network Expenses	2.23	9,652	9,276
Employee Benefits Expenses	2.24	1,283	1,469
Finance Costs	2.25	1,630	1,133
Depreciation, Impairment and Amortisation	2.11 & 2.33	5,450	8,512
Depreciation adjusted by/transfer from:			
Provision for Business restructuring		(102)	(86)
General Reserve (Refer note 2.31 (vii))		(113)	(631)
General Reserve (Refer note 2.31 (iii))		(1,257)	(1,291)
Sales and General Administration Expenses	2.26	2,957	3,275
Total Expenses		19,500	21,657
Profit before Exceptional Items, Adjustments and Tax		882	1,512
Exceptional Items	2.40		
Employee Restructuring Cost		-	(5)
Bad Debts and Subsidy written off		1,107	159
Equivalent amount withdrawn from General Reserve		(1,107)	(159)
Foreign Currency Exchange Fluctuation (Gain)/ Loss (net)		1,573	-
Equivalent amount withdrawn from General Reserve		(1,573)	-
Fuel Expenses		70	77
Equivalent amount withdrawn from General Reserve		(70)	(77)
Profit Before Tax		882	1,517
Provision for:			
- Current Tax		(106)	(280)
- Deferred Tax	2.04	651	292
- Equivalent amount withdrawn from General Reserve		(651)	-
Profit After Tax (before adjustment of Minority Interest/ Associates)		988	1,505
Less: Share of Profit transferred to Minority		61	150
Less: Share of (Loss)/ Profit of Associates		(1)	10
Profit After Tax (after adjustment of Minority Interest/ Associates)		928	1,345
Earning per Share of ₹ 5 each fully paid up (before Exceptional Items)	2.39		
- Basic (₹)		4.50	6.46
- Diluted (₹)		4.41	6.19
Earning per Share of ₹ 5 each fully paid up (after Exceptional Items)	2.39		
- Basic (₹)		4.50	6.52
- Diluted (₹)		4.41	6.25
Significant Accounting Policies	1		
Notes on Accounts	2		

The Notes referred to above form an integral part of the Financial Statements.

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board
Chairman

Directors

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Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Prakash Shenoy

Mumbai
May 26, 2012

Reliance Communications Limited

Consolidated Cash Flow Statement for the year ended March 31, 2012

		(₹ in Crore)
	For the year ended March 31, 2012	For the year ended March 31, 2011
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax as per Statement of Profit and Loss	882	1,517
Adjusted for:		
Provision for Doubtful Debts, Loans and Advances	60	93
Depreciation/ Impairment and Amortisation	3,978	6,504
Exceptional and Non - Recurring items	-	(7)
Effect of Foreign Exchange Rate Changes (net)	(136)	(163)
(Profit)/ Loss on Sale of Assets and Capital Work in Progress (net)	(7)	(331)
Profit on Sale of Investments	(23)	(57)
Dividend Income (Previous year ₹ 3,15,172)	-	-
Other Financial Cost	153	114
Interest Expenses	1,477	902
Financial Income	(40)	(11)
Operating Profit before Working Capital Changes	5,462	7,044
Adjusted for:		
Receivables and other Advances	(2,423)	(1,049)
Inventories	(49)	27
Trade Payables and Other Liabilities	1,798	(5,025)
Cash Generated from Operations	(674)	(6,047)
Tax Refund	470	519
Tax Paid	(389)	(599)
Net Cash from Operating Activities	5,751	2,434
B CASH FLOW FROM INVESTING ACTIVITIES		
Additions of Fixed Assets and Capital Work in Progress	(4,850)	(10,327)
Sale of Fixed Assets and Capital Work in Progress	216	206
Purchase of Investments	(26,941)	(48,449)
Sale of Investments	26,964	52,096
Financial Income	40	16
Net Cash Used in Investing Activities	(4,571)	(6,458)
C CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds from/ (Repayment of) Short term Borrowings	(5,211)	2,684
Expenses on FCCB (Withholding Tax)	(177)	-
Realised Forex Loss withdrawn from General Reserve	(167)	-
Proceeds from Long Term Borrowings	10,756	9,090
Repayment of Long Term Borrowings	(8,861)	(2,139)
Dividends Paid (Including tax on dividend)	(119)	(202)
Finance Cost	(1,718)	(1,362)
Net Cash from/ (used in) Financing Activities	(5,497)	8,071
Net Increase/ (Decrease) in Cash and Cash Equivalents	(4,317)	4,047
Opening Balance of Cash and Cash Equivalents	4,866	819
Effect of Exchange Gain/ (Loss) on Cash and Cash Equivalents (Previous year ₹ 40,53,971)	1	-
Closing Balance of Cash and Cash Equivalents	550	4,866

Note:

- (a) Cash and Cash Equivalents include cash on hand, cheques on hand, remittances-in-transit and bank balance including Fixed Deposits with Banks.
- (b) Prepaid expenses of ₹ Nil (Previous year ₹ 891 crore) written off during the previous year has not been shown separately as adjusted, pursuant to the Scheme by withdrawal from General Reserve.

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhavesh Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board

Chairman

Directors

Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
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A. K. Purwar

Prakash Shenoy

Mumbai
May 26, 2012

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 1

1.01 Principles of Consolidation

The Consolidated Financial Statements relate to Reliance Communications Limited ('the Company') and all of its subsidiary companies and the companies controlled, that is, the companies over which the Company exercises control/ joint control over ownership and voting power and the associates and joint venture (hereinafter collectively referred to as the "Group"). The Consolidated Financial Statements have been prepared on the following bases.

- (a) The financial statements of the Company and its subsidiaries are consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, incomes and expenses after fully eliminating intra group balances and intra group transactions resulting in unrealised profits or losses in accordance with the Accounting Standard ("AS") 21 "Consolidated Financial Statements" as referred to in the Companies (Accounting Standards) Rules, 2006 (Accounting Standard Rules).
- (b) In case of the foreign subsidiaries and companies controlled by the Company, revenue is consolidated at the average exchange rate prevailing during the year. All monetary assets and liabilities are converted at the exchange rate prevailing at the end of the year. While, non monetary assets and liabilities are recorded at the exchange rate prevailing on the date of the transaction or closing rate, as applicable. Any exchange difference arising on consolidation of integral foreign operation and non integral foreign operation is recognised in the Statement of Profit and Loss and Exchange Fluctuation Reserve respectively.
- (c) Investments in subsidiaries are eliminated and differences between the cost of investment over the net assets on the date of investment or on the date of the financial statements immediately preceeding the date of investment in subsidiaries are recognised as Goodwill or Capital Reserve, as the case may be.
- (d) The difference between the proceeds from disposal of investment in a subsidiary or in a company controlled by the Company and the proportionate carrying amount of its assets less liabilities as of the date of disposal, is recognised in the Consolidated Statement of Profit and Loss as the profit or loss on disposal of investment in subsidiaries.
- (e) Minority Interest's share of net profit or loss of consolidated subsidiaries for the year is identified and adjusted against the income of the Group in order to arrive at the net income attributable to the Equity Shareholders of the Company.
- (f) Minority Interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated Balance Sheet as a separate item from liabilities and the Shareholders' Equity.
- (g) In case of associates, where the Company directly or indirectly through subsidiaries holds 20% or more of equity shares, investments in associates are accounted for using equity method in accordance with Accounting Standard ("AS") 23 "Accounting for Investments in Associates in Consolidated Financial Statements" as referred to in the Accounting Standard Rules. The Company accounts for its share in the change in the net assets of the associates, post acquisition, after eliminating unrealised profits and losses resulting from transactions between the Company and its associates to the extent of its share, through its Statement of Profit and Loss, to the extent such change is attributable to the associates' Statement of Profit and Loss, based on available information. The difference between the cost of investment in the associates and the share of net assets, at the time of acquisition of shares in the associates, is identified in the financial statements as Goodwill or Capital Reserve, as the case may be.
- (h) Interest in a jointly controlled entity is reported using proportionate consolidation in accordance with the Accounting Standard ("AS") 27 "Financial Reporting of Interests in Joint Ventures" as referred to in Accounting Standards Rules.
- (i) As far as possible, the Consolidated Financial Statements are prepared using uniform Accounting Policies for like transactions and other events in similar circumstances and are presented in the same manner as the standalone financial statements of the Company.

1.02 Investments other than in subsidiaries, associates and joint ventures are accounted as per Accounting Standard ("AS") 13 "Accounting for Investments" as referred to in the Accounting Standard Rules.

1.03 Other Significant Accounting Policies

(a) Basis of Preparation of Financial Statements

The Financial Statements are prepared under historical cost convention and fair valuation under a Scheme approved by the Hon'ble High Court, in accordance with the generally accepted accounting principles (GAAP) in India and provisions of the Companies Act, 1956 read with Accounting Standards Rules, as well as applicable pronouncements of the Institute of Chartered Accountants of India (ICAI).

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. Based on the nature of the services and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as twelve months for the purpose of current or non-current classification of assets and liabilities.

(b) Use of Estimates

The preparation and presentation of Consolidated Financial Statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities and disclosure of contingent 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 is recognised in the period in which the results are known/ materialised.

(c) Fixed Assets

Fixed Assets are divided into Tangible Assets and Intangible Assets

- (i) Fixed Assets are stated at cost/ fair value net of Modvat/ Cenvat, Value Added Tax and include amount added on revaluation less accumulated depreciation, amortisation and impairment loss, if any.
- (ii) All costs including financing cost of qualifying assets till commencement of commercial operations, net charges of foreign exchange contracts and adjustments arising upto March 31, 2007 from exchange rate variations, relating to borrowings attributable to fixed assets are capitalised.
- (iii) Expenses incurred relating to project, prior to commencement of commercial operation, are considered as project development expenditure and shown under Capital Work in Progress.
- (iv) Telecom Licenses are stated at fair value or at cost as applicable, less accumulated amortisation.
- (v) Indefeasable Right of Connectivity (IRC) are stated at cost less accumulated amortisation.
- (vi) In respect of accounting periods commencing on or after April 1, 2011, consequent to the insertion of para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates', notified under the Companies (Accounting Standard) (Second Amendment) Rules 2011, the cost of depreciable capital assets includes foreign exchange differences arising on translation of long term foreign currency monetary items as at the balance sheet date in so far as they relate to the acquisition of such assets.

(d) Lease

- (i) In respect of Operating Leases, lease rentals are expensed on straight line basis with reference to the term of lease, except for lease rentals pertaining to the period up to the date of commencement of commercial operations, which are capitalised.

Where the lessor effectively retains substantially all risks and benefits of ownership of the leased assets they are classified as operating lease. Operating lease payments are recognised as an expense in the Statement of Profit and Loss.
- (ii) Finance leases prior to April 1, 2001: Rentals are expensed with reference to the term of lease and other considerations.
- (iii) Finance Leases on or after April 1, 2001: The lower of the fair value of the assets and present value of the minimum lease rentals is capitalised as Fixed Assets with corresponding amount shown as liabilities for leased assets. The principal component in lease rental in respect of the above is adjusted against liabilities for leased assets and the interest component is recognised as an expense in the year in which the same is incurred except in case of assets used for capital projects where it is capitalised.

(e) Depreciation/ Amortisation

- (i) Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except in case of the following assets which are depreciated at the rates as given below.
 - (a) Ducts and Cables – 18, 20 years
 - (b) Telecom Electronic Equipments – 18 years
 - (c) Telecom Towers – 35 years
 - (d) Furniture, Fixtures and Office Equipments – 5, 10 years
 - (e) Customer Premises Equipments – 3 years
 - (f) Vehicles – 5 years
 - (g) Leasehold improvements – Shorter of the remaining lease term or useful life
 - (h) Cable Systems – Shorter of 15 years or remaining useful life

In case of Falcon project, the asset life of Sub Marine Cable Network and Terrestrial Network is estimated at 25 years and 15 to 25 years respectively.
- (ii) Depreciation on assets, taken on finance lease on or after April 1, 2001, is provided over the remaining period of lease from commencement of commercial operations.
- (iii) Expenditure of capital nature incurred on assets taken on operating lease is depreciated over the remaining period of the lease term.
- (iv) Leasehold Land is depreciated over the period of the lease term.

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (v) Intangible assets, namely entry fees/ fees for Telecom Licenses and Brand Licenses are amortised equally over the balance period of Licenses. IRC and Software are amortized from the date of acquisition or commencement of commercial services, whichever is later. The Rights in Cinematography Films are treated as intangible assets and are amortised over the balance period of rights remaining after commencement of commercial operation. The life of amortisation of the intangible assets are as follows.
- (a) Telecom Licenses – 12.50 to 20 years
 - (b) Brand License – 10 years
 - (c) DTH License – 10 years
 - (d) Indefeasible Right of Connectivity – In the year of purchase, 15/ 20 years
 - (e) Software – 5 years
 - (f) Trade Names and Trademarks – 5 to 10 years
 - (g) Intellectual Property – 7 years
 - (h) Building access Rights – 5 years
- (vi) Depreciation on foreign exchange differences capitalised pursuant to para 46A of AS 11 'The Effects of Changes in Foreign Exchange Rates' vide notification dated December 29, 2011 by Ministry of Corporate Affairs (MCA), Government of India is provided over the balance useful life of depreciable capital assets.
- (vii) Depreciation on additions is calculated pro rata from the following month of addition.
- (f) Asset Retirement Obligation (ARO)**
- Asset Retirement Obligation (ARO) relates to the removal of cable systems and equipments when they will be retired from its active use. Provision is recognised based on the best estimate, of the management, of the eventual costs (net of recovery) that relates to such obligation and is adjusted to the cost of such assets.
- (g) 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 Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is increased/ reversed where there is a change in the estimate of recoverable value. The recoverable value is higher of net selling price and value in use.
- (h) Investments**
- Current Investments are carried at lower of cost and market value computed Investment 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.
- (i) Inventories of Stores, Spares and Communication Devices**
- Inventories of stores, spares and communication devices are accounted for at costs, determined on weighted average basis or net realisable value, whichever is less, except in case of certain subsidiaries, where cost is determined on First In First Out basis.
- (j) Loans and Advances**
- Initial direct costs incurred specifically to earn revenue, in the nature of severance cost paid to third party vendors to acquire the contract are deferred and expensed over the term of the revenue contract, provided that the Company has a legal enforceable right to recover the unabsorbed costs in the event of early termination of the revenue contract.
- (k) Employee Benefits**
- Short-term employee benefits**
- All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. These benefits include compensated absences such as paid annual leave and sickness leave. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognized as an expense during the period.
- Long term employee benefits**
- (i) Defined contribution plan**
- The Company's contribution towards Employees' Superannuation Plan is recognized as an expense during the period in which it accrues.
- (ii) Defined benefit plans**
- Provident Fund**
- Provident Fund contributions are made to a Trust administered by the Trustees. Interest payable to the Provident Fund members, shall not be at a rate lower than the statutory rate. Liability is recognized for any shortfall in the Income of the fund vis-à-vis liability of the Interest to the members as per statutory rates.

Gratuity Plan

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of the gratuity benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

Actuarial gains and losses are recognized immediately in the Statement of Profit and Loss.

(iii) Other Long term employment benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability at the present value of the defined benefit obligation at the Balance Sheet date, determined based on actuarial valuation using Projected Unit Credit Method. The discount rates used for determining the present value of the obligation under defined benefit plan, are based on the market yields on Government securities as at the balance sheet date.

(l) Borrowing Cost

Borrowing costs, that are attributable to the acquisition or construction of qualifying assets, are capitalised as part of the cost of such assets upto 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 recognised as expense in the year in which they are incurred.

(m) Issue Expenses and Premium on Foreign Currency Convertible Bonds (FCCBs)

The Premium payable/ paid on redemption of Foreign Currency Bonds (FCCBs) is charged to Securities Premium Account over the period of the Issue. Issue expenses are debited to Securities Premium Account at the time of the issue.

(n) Foreign Currency Transactions

- (i) Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the time of the transaction.
- (ii) Monetary items denominated in foreign currencies at the year end are restated at year end rates. In case of monetary items which are covered by forward exchange contracts, the difference between the year end rate and the rate on the date of the contract is recognised as exchange difference and the premium paid on forward contracts is recognised over the life of the contract.
- (iii) Non monetary foreign currency items are carried at cost.
- (iv) Exchange difference arising either on settlement or on translation of monetary items other than those mentioned above is recognised in the Statement of Profit and Loss.
- (v) Any loss arising out of marking a class of derivative contracts to market price is recognised in the Statement of Profit and Loss. Income, if any, arising out of marking a class of derivative contracts to market price is not recognised in the Statement of Profit and Loss.
- (vi) All long term foreign currency monetary items consisting of liabilities 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 Corporate Affairs (MCA) dated December 29, 2011. Exchange difference on other long term foreign currency monetary items is accumulated in "Foreign Currency Monetary Item Translation Difference Account" which will be amortized over the balance period of monetary assets or liabilities.

(o) Revenue Recognition

- (i) Revenue is recognised as and when the services are provided on the basis of actual usage of the Company's network. Revenue on upfront charges for services with lifetime validity and fixed validity periods of one year or more are recognised over the estimated useful life of subscribers and specified fixed validity period, as appropriate. The estimated useful life is consistent with estimated churn of the subscribers.
- (ii) The Company sells Right of Use (ROUs) that provide customers with network capacity, typically over a 10- to 15-year period without transferring the legal title or giving an option to purchase the network capacity. Capacity services revenues are accounted as operating lease and recognised in the Company's income statement over the life of the contract. Bills raised on customers/ payments received from customers for long term contracts and for which revenue is not recognised are included in deferred revenue. Revenue on non cancellable ROUs are recognised upfront as licencing income on activation of services.

Significant Accounting Policies to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (iii) Standby maintenance charges are invoiced separately from capacity sales. Revenues relating to standby maintenance are recognised over the period in which the service is provided. Any amounts billed prior to providing of service are included in deferred revenue.
- (iv) Network services include Capacity lease services, IP transit, IPLC (private lines leased to customers), backup service for other network operators and all other services. The customer typically pays the charges for network services periodically over the life of the contract, which may be up to three years. Network revenue is recognised in the Company's income statement over the term of the contract.
- (v) Sales on Handsets and accessories are recognised when goods are supplied and are recorded net of trade discounts, rebates, commissions to Distributors and Dealers and sales taxes. It does not include inter company transfers.
- (vi) Interest income on investment is recognised on time proportion basis. Dividend is considered when right to receive is established. The Group recognises income from the units in the Fixed Income Schemes of Mutual Funds where income accrued is held, till the declaration or payment thereof, for the benefit of the unit holders.
- (vii) Revenue is recognised net of taxes when the Base Transceiver Station (BTS) Tower is Ready For Installation of customer equipments and as per the terms of the agreements.
- (viii) Activation fees in respect of DTH is recognised on upfront basis at the time of activation of services in customers' premises. Subscription revenue towards initial customers are recognised upfront as and when it is realised and the monthly subscription is recognised on accrual basis, net of service tax, entertainment tax and trade discount.
- (p) Provision for Doubtful Debts and Loans and Advances**
Provision is made in the Accounts for doubtful debts and Loans and Advances in cases where the management considers the debts, loans and advances, to be doubtful of recovery.
- (q) Miscellaneous Expenditure**
Miscellaneous Expenditure is charged to the Statement of Profit and Loss as and when it is incurred.
- (r) Taxes on Income and Deferred Tax**
Provision for income tax is made on the basis of taxable income for the year at current rates. Tax expense comprises of 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. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future. However, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of assets. MAT credit is recognised as an asset only if there is convincing evidence that the Company will pay normal income tax during the specified period.
- (s) Government Grants**
Subsidies granted by the Government for providing telecom services in rural areas are recognised as Other Operating Income in accordance with the relevant terms and conditions of the scheme and agreement.
- (t) Provisions and Contingent Liabilities and Contingent Assets**
Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent Assets are neither recognised nor disclosed in the financial statements.
- (u) Earning per Share**
In determining Earning per Share, the Group considers the net profit after tax and includes the post tax effect of any extra-ordinary/ exceptional item. The number of shares used in computing Basic Earnings per Share is the weighted average number of shares outstanding during the period. The number of shares used in computing Diluted Earnings per Share comprises the weighted average shares considered for deriving Basic Earnings per Share, and also the weighted average number of shares that could have been issued on the conversion of all dilutive potential equity shares where the results would be anti - dilutive. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.
- (v) Employee Stock Option Scheme**
In respect of stock Options granted pursuant to the Company's Employee Stock Options Scheme, the intrinsic value of the Options (excess of market price of the share over the exercise price of the Option) is treated as discount and accounted as employee compensation cost over the vesting period. Employee compensation cost recognised earlier on grant of Options is reversed in the period when the Options are surrendered by any employee.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.01

Share Capital

Authorised

3,00,00,00,000 Equity Shares of ₹ 5 each 1,500 1,500
(3,00,00,00,000)

1,500 1,500

Issued, Subscribed and Paid up

2,06,40,26,881 Equity Shares of ₹ 5 each fully paid up 1,032 1,032
(2,06,40,26,881)

1,032 1,032

(1) Shares held by Holding/ Ultimate Holding Company and/ or their Subsidiaries/ Associates

	No of Shares	No of Shares
(a) Reliance Innoventures Private Limited, Holding Company	1,23,79,001	1,15,29,001
(b) AAA Communication Private Limited, Subsidiary of Holding Company	72,31,10,172	72,31,10,172
(c) AAA Industries Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000
(d) ADA Enterprises and Ventures Private Limited, Subsidiary of Holding Company	30,00,00,000	30,00,00,000

(2) Details of Shareholders holding more than 5% shares in the Company

	No of Shares	%	No of Shares	%
(a) AAA Communication Private Limited	72,31,10,172	35.03	72,31,10,172	35.03
(b) AAA Industries Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(c) ADA Enterprises and Ventures Private Limited	30,00,00,000	14.53	30,00,00,000	14.53
(d) Life Insurance Corporation of India	14,96,03,497	7.25	14,96,03,497	7.25

(3) The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholder.

During the year ended March 31, 2012, the amount of per share dividend recognized as distributable to equity shareholders is ₹ 0.25 (March 31, 2011: ₹ 0.50). The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

(4) The Company, during the past years, undertook various Schemes including restructuring of ownership structure of telecom business so as to align the interest of the shareholders. Accordingly, pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved by the Hon'ble High Court of respective Judicature, the Company, during the respective years, recorded all necessary accounting effects, alongwith requisite disclosure in the notes to accounts, the cumulative effects of the Schemes of the Equity Share Capital of the Company due to allotment of equity shares as fully paid up without payment being received in cash have been disclosed herein below.

	Number of Shares
(a) Pursuant to demerger of Telecom Undertaking of Reliance Industries Limited into the Company	1,22,31,30,422
(b) Pursuant to the Scheme of Amalgamation and Arrangement involving Group Company	82,14,84,568
	2,04,46,14,990

(5) The Company is no longer required to issue 8.91 crore equity shares of ₹ 5 each as required on conversion of Foreign Currency Convertible Bonds (FCCBs) due to its redemption (Refer Note 2.29).

(6) Reconciliation of shares outstanding at the beginning and at the end of the reporting period.

	March 31, 2012		March 31, 2011	
	Number	(₹ in Crore)	Number	(₹ in Crore)
Equity Shares				
At the beginning of the Year	2,06,40,26,881	1,032	2,06,40,26,881	1,032
Add/Less: Changes during the year	-	-	-	-
At the end of the Year	2,06,40,26,881	1,032	2,06,40,26,881	1,032

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	(₹ in Crore)	
	As at March 31, 2012	As at March 31, 2011
Note : 2.02		
Reserve and Surplus		
Statutory Reserve Fund		
As per last Balance Sheet* (₹ 6,13,000 Previous year ₹ 6,13,000)	-	-
Add: Transferred from Statement of Profit and Loss (Previous year ₹ 81,300)	-	-
Capital Reserve		
As per last Balance Sheet (₹ 5,00,000 Previous year ₹ 5,00,000)	-	-
Debenture Redemption Reserve		
As per last Balance Sheet	82	82
Add: Transferred from Surplus/ (Deficit) in the Statement of Profit and Loss	91	-
Exchange Fluctuation Reserve	173	82
Securities Premium Account	543	(102)
As per last Balance Sheet	8,581	8,882
Less: Withholding tax paid on Redemption of FCCBs	177	-
Less: Premium paid on Redemption of FCCBs (Refer Note 2.29)	357	301
General Reserve	8,047	8,581
As per last Balance Sheet	18,175	22,341
Less:		
Transferred to Surplus/ (Deficit) in the Statement of Profit and Loss (Refer Note 2.41)	-	216
Transferred to Statement of Profit and Loss (Refer Note 2.40)	1,107	159
As per the Scheme of Amalgamation and Arrangement (Refer Note 2.31(v))	-	7
As per the Scheme of Amalgamation and Arrangement (Refer Note 2.31(vi))	-	891
As per the Scheme of Amalgamation and Arrangement (Refer Note 2.31(viii))	-	950
Transferred to Statement of Profit and Loss (Refer Note 2.04)	651	-
Transferred to Statement of Profit and Loss (Refer Note 2.40)	1,573	-
Transferred to Statement of Profit and Loss (Refer Note 2.31 (iii))	113	630
Transferred to Statement of Profit and Loss (Refer Note 2.40)	70	77
Transferred to Statement of Profit and Loss (Refer Note 2.31(iii))	1,257	1,291
Add : Minority Interest	14	55
Reserve for Business Restructuring	13,418	18,175
Surplus/ (Deficit) in the Statement of Profit and Loss	1,287	1,287
As per last Balance Sheet	11,444	9,967
Add: Profit during the year	928	1,345
Add: Adjustment (Refer Note 2.41)	-	36
Less: Transferred to Statutory Reserve Fund ₹ Nil (Previous year ₹ 81,300)	-	-
Less: Transferred to Debenture Redemption Reserve	91	-
Less/ (Add) : Transferred to/ (from) General Reserve (Refer Note 2.41)	-	(216)
Less: Proposed Dividend on equity shares	52	103
Less: Tax on Proposed Dividend	8	17
Balance Carried forward	12,221	11,444
	35,689	39,467

* Created pursuant to Reserve Bank of India (Amendment) Act, 1997 in respect of Reliance Communications Investment and Leasing Limited (RCILL), a subsidiary of Reliance Communications Infrastructure Limited. RCILL has become Non Banking Finance Company (NBFC) with effect from April 1, 2008. RCILL has already surrendered its certificate of registration to RBI on March 9, 2012 as it no longer operates its NBFC Business.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2012	As at March 31, 2011
(₹ in Crore)		
Note : 2.03		
Long Term Borrowings		
Debentures		
Secured		
3,000 (3,000), 11.20 % Redeemable, Non-Convertible Debentures of ₹ 1 crore each.	3,000	3,000
5,000 (Nil), 11.60 % Redeemable, Non-Convertible Debentures of ₹ 10 lac each.	500	-
1,500 (Nil), 11.25 % Redeemable, Non-Convertible Debentures of ₹ 1 crore each.	1,500	-
Term Loans from Banks		
Secured		
Foreign Currency Loans	24,626	16,293
Rupee Term Loans	20	16,313
	29,646	19,313

2.03.1 Debentures and Term Loans

The Company, on February 7, 2012, allotted, 1,500, 11.25% and 5,000, 11.60% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each and ₹ 10,00,000 each respectively, aggregating to ₹ 2,000 crore. Redemption of NCDs of ₹ 1,500 crore shall be in four annual equal installments starting at the end of fourth year from the date of allotment thereof and NCDs of ₹ 500 crore shall be at the end of 5th year from the date of allotment thereof. During the earlier year, the Company, on March 2, 2009, allotted, 3,000, 11.20% Secured Redeemable, Non Convertible Debentures ("NCDs") of the face value of ₹ 1,00,00,000 each, aggregating to ₹ 3,000 crore to be redeemed at the end of 10th year from the date of allotment thereof.

11.20% Secured Redeemable, Non Convertible Debentures and 11.60% Secured Redeemable, Non Convertible Debentures along with foreign currency loans and rupee loans ("The said loans") have been secured by first pari passu charge on the whole of the movable plant and machinery, of the Company including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), Capital Work in Progress (pertaining to movable fixed assets) both present and future including all the rights, title, interest, benefits, claims and demands in respect of all insurance contracts relating thereto of the RCOM Group ("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) in favour of the Security Trustee for the benefit of the NCDs Holders and the Lenders of the said Secured Loans. The said loans also include ₹ 9,342 crore guaranteed. The Company, for the benefit of the Lenders of foreign currency loans and rupee term loans, has, apart from the above, also assigned 20 Telecom Licenses for services under Unified Access Services (UAS), National Long Distance (NLD) and International Long Distance (ILD) by execution of Tripartite Agreements with Department of Telecommunications (DoT) and IDBI Bank, being the agent acting on behalf of the Lenders. Similarly, Reliance Telecom Limited, a subsidiary of the company has apart from the above also for the benefit of its lenders of foreign currency loans and rupee loan assigned 8 Telecom Licenses for services under UAS.

Assignment of aforesaid Telecom Licenses of the Company for 11.60%, 5,000 Secured Redeemable, Non Convertible Debentures aggregating to ₹ 500 crore and secured foreign currency loans aggregating to ₹ 4,707 crore raised during the year is pending to be executed. Security on the above assets of the Borrower Group on first pari passu charge basis including assignment of Telecom Licenses of the Company for 1,500, 11.25% Secured Redeemable, Non Convertible Debentures aggregating to ₹ 1,500 crore is also pending for execution. Secured foreign currency loans and rupee loans shall be additionally secured by way of a pledge over the shares held by the Company in its subsidiaries; RTL and RCIL, which is pending to be created on first pari passu basis for necessary consent from the existing Secured Lenders.

Reliance Globalcom B.V. (RGBV), the Netherlands, a Subsidiary of the Company, during the previous year, availed facility of USD 500 million against pledge of shares of material subsidiaries of Reliance Globalcom Limited, Bermuda, a subsidiary of RGBV.

2.03.2 Repayment Schedule of Long Term Loans

(a) Debentures		₹ in Crore			
Rate of Interest		Repayment Schedule			
		2015-16	2016-17	2017-18	2018-19
(i)	11.20%	-	-	-	3,000
(ii)	11.60%	-	500	-	-
(iii)	11.25%	375	375	375	375

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(b) Foreign Currency Loans

₹ in Crore

Rate of Interest	Repayment Schedule									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	
(i) 0.56%	53	54	54	54	54	57	62	20	6	
(ii) 0.90%	1	1	1	1	1	1	2	1	-	
(iii) 2.77%	13	33	47	47	147	161	127	94	-	
(iv) 2.71%	-	-	-	-	1	1	1	1	-	
(v) 1.23%	848	-	-	-	-	-	-	-	-	
(vi) 3.50%	-	-	254	-	-	-	-	-	-	
(vii) 3.19%	-	-	1,272	-	-	-	-	-	-	
(viii) 3.49%	-	-	254	-	-	-	-	-	-	
(ix) 0.79%	848	-	-	-	-	-	-	-	-	
(x) 0.81%	170	-	-	-	-	-	-	-	-	
(xi) 1.33%	-	527	351	-	-	-	-	-	-	
(xii) 1.35%	-	308	154	-	-	-	-	-	-	
(xiii) 2.55%	267	515	916	916	534	267	-	-	-	
(xiv) 3.72%	135	406	541	609	1,218	1,218	1,218	1,286	-	
(xv) 2.84%	-	432	432	432	-	-	-	-	-	
(xvi) 2.67%	1	2	3	3	9	10	8	6	-	
(xvii) 2.46%	-	-	32	16	-	-	-	-	-	
(xviii) 5.50%	282	471	282	847	1,177	1,506	-	-	-	
(xix) 4.95%	848	848	848	-	-	-	-	-	-	

(c) Rupee Loan

₹ in Crore

Rate of Interest	Repayment Schedule
	2015-16
13.00%	20

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.04

Deferred Tax Assets and Liabilities

The Deferred Tax Liabilities relating to other subsidiaries of the Company comprise of the following.

(i) Deferred Tax Liabilities				
Lease Rent Equalisation	1,389		1,047	
Related to timing difference on depreciation on fixed assets	274	1,663	-	1,047
(ii) Deferred Tax Assets				
Related to carried forward loss	645		317	
Disallowances, if any, under the Income Tax Act, 1961	-		5	
Related to timing difference on depreciation on fixed assets	-	645	358	680
Net Deferred Tax Liabilities		1,018		367

The Deferred Tax Assets of the Company comprise of the following.

(i) Deferred Tax Assets				
Related to carried forward loss	1,690		2,191	
Disallowances, if any, under the Income Tax Act, 1961	4,818		3,515	
Lease Rent Equalisation	4,280	10,788	3,151	8,857
(ii) Deferred Tax Liabilities				
Related to timing difference on depreciation on fixed assets	3,428		3,019	
Interest Capitalised	221		87	
Impairment/ Loss on sale of capital assets	2,592	6,241	2,592	5,698
Net Deferred Tax Assets *		4,547		3,159

* In absence of virtual certainty of realisability of deferred tax assets, the Company on a conservative basis has restricted deferred tax asset to Nil.

Deferred Tax Liability of ₹ 651 crore has been provided by Reliance Infratel Limited (RITL) during the year and adjusted by withdrawing an equivalent amount from General Reserve pursuant to the Scheme of Amalgamation between RITL and Reliance Global IDC Limited (RGIDCL), a Wholly Owned Subsidiary of RITL into RITL sanctioned by the Hon'ble High Court of Bombay vide order dated May 6, 2011, leaving no impact on profit for the year.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.05

Other Long Term Liabilities

Advance from Customers	98	5
Liability for leased assets	267	242
Unearned Income	852	924
	<u>1,217</u>	<u>1,171</u>

Note : 2.06

Long Term Provisions

Provision for Employee Benefit	63	3
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Others

Assets Retirement Obligations	761	244
	<u>824</u>	<u>247</u>

Note : 2.07

Short Term Borrowings (Unsecured unless stated otherwise)

Other Loans and Advances

From Banks

Cash Credit (Secured)	300	-
Foreign Currency Loans	1,385	1,678
Rupee Loans (Secured)	2,900	-
Rupee Loans	-	8,850
Commercial Papers	945	146

From Others	9	5,539	8	10,682
		<u>5,539</u>		<u>10,682</u>

Cash Credit and Rupee Loans from Banks

The Company and its subsidiaries had during the earlier year, also availed Short Term Borrowings ("Secured Short Term Borrowings") which have been secured by way of second pari passu charge on plant and machinery, including (without limitations) tower assets and optic fiber cables, if any (whether attached or otherwise), capital work in progress (pertaining to movable fixed assets), both present and future, of the Borrower Group; comprising of the Company and its subsidiaries namely; RTL, RITL and RCIL in favour of the Security Trustee for the benefit of Secured Short Term Lenders.

Working capital (Cash Credit) facilities shall be secured by first pari passu charge over current assets comprising of Stock and receivables of the Company in favour of the working capital lenders, which is pending to be created.

Note : 2.08

Trade Payables

Due to Micro and Small Enterprises	156	168
Others	2,162	1,721
	<u>2,318</u>	<u>1,889</u>

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
Disclosure under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) which came into force from October 2, 2006, certain disclosures are required to be made relating to MSE. On the basis of the information and records available with the Company, the following disclosures are made for the amounts due to the Micro and Small Enterprises.

(₹ in Crore)

	As at March 31, 2012	As at March 31, 2011
(i) Principal amount due to any supplier as at the year end	156	168
(ii) Interest due on the principal amount unpaid at the year end to any supplier	38	25
(iii) Amount of Interest paid by the Company in terms of Section 16 of the MSMED, alongwith the amount of the payment made to the supplier beyond the appointed day during the accounting year	-	-
(iv) Payment made to the enterprises beyond appointed date under Section 16 of MSMED	252	67
(v) Amount of Interest due and payable for the period of delay in making payment, which has been paid but beyond the appointed day during the year but without adding the interest specified under MSMED	7	2
(vi) Amount of interest accrued and remaining unpaid at the end of each accounting year	46	27
(vii) Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of MSMED	15	16

Note : 2.09

Other Current liabilities (Unsecured unless stated otherwise)

Current Maturities of Long Term Debts

Foreign Currency Convertible Bonds (FCCBs) (Refer Note 2.29)	-	6,696	
Foreign Currency Loan (Secured) (Refer Note 2.03.1)	<u>3,118</u>	<u>3,118</u>	<u>2,380</u>
Others			
Interest accrued but not due on loans	119	74	
Unclaimed Dividend	9	7	
Employees Stock Options	5	10	
Capital Creditors	1,829	2,729	
Liability for Leased Asset	2	1	
Other Payables	5,574	3,557	
Advance from Customers and Income Received in Advance	<u>1,225</u>	<u>1,165</u>	<u>7,543</u>
	<u>11,881</u>		<u>16,619</u>

Note : 2.10
Short Term Provisions
(a) Provision for Employee Benefit

Retirement Benefits	53	126
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(b) Others

Disputed and Other Claims (Refer Note 2.35)	1,362	1,408
Business Restructuring (Refer Note 2.31)	1,137	1,239
Income Tax (net of advanced tax)	52	216
Fringe Benefit Tax (net of taxes paid)	1	2
Wealth Tax (net of taxes paid)	1	1
Proposed Dividend on equity shares	52	103
Tax on Proposed Dividend	<u>8</u>	<u>17</u>
	<u>2,613</u>	<u>2,986</u>
	<u>2,666</u>	<u>3,112</u>

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note 2.11 Fixed Assets as at March 31, 2012

Description	Gross Block				Depreciation			Net Block	
	As at April 1, 2011	Additions / Adjustments	Deductions / Adjustment including on Account of CTR	As at March 31, 2012	As at April 1, 2011	Transfer from General Reserves / Provision for Business Restructuring	Depreciation for the year	As at March 31, 2012	As at March 31, 2011
Tangible Assets									
Leasehold Land	25	-	-	25	2	-	-	23	23
Leasehold Improvement	163	-	8	171	116	-	11	36	47
Freehold Land	479	6	-	485	6	-	-	479	473
Buildings	2,389	3	4	2,396	547	66	58	1,725	1,842
Plant and Machinery	57,510	7,563	285	65,358	20,755	1,407	1,540	41,163	36,755
Office Equipment	132	-	1	133	70	-	12	55	62
Furniture and Fixtures	189	-	1	190	116	-	14	60	73
Vehicles	74	-	-	74	62	-	2	10	12
Sub Total	60,961	7,572	299	68,832	21,674	1,473	1,637	43,551	39,287
Previous Year	57,831	3,265	(203)	60,893	16,073	2,008	3,744	39,247	41,758
Intangible Assets									
Entry fee for Telecom Licence	18,810	9,237	-	28,047	3,866	-	1,795	22,386	14,944
Indefeasible Right of Connectivity	1,398	65	205	1,668	1,345	-	65	81	53
Software	364	50	24	438	220	-	47	165	144
Brand Licence	354	-	-	354	128	-	32	194	226
Movie Rights	7	-	(7)	-	7	-	-	-	-
Licence and Knowhow	197	-	26	223	100	-	32	75	97
Sub Total	21,130	9,352	248	30,730	5,666	-	1,971	22,901	15,464
Previous Year	20,834	431	(67)	21,198	2,994	-	2,760	15,504	17,840
Grand Total	82,091	16,924	547	99,562	27,340	1,473	3,608	66,452	54,751
Previous Year	78,665	3,696	(270)	82,091	19,067	2,008	6,504	54,751	59,598
Capital Work- in - Progress								5,026	16,600

Notes:

- 2.11.1 (a) Freehold Land includes ₹ 55,808 (Previous year ₹ 55,808) acquired from Karnataka Industrial Areas Development Board (a Government of Karnataka Undertaking). Transfer of ownership is under process.
 (b) Freehold Land includes ₹ 1 crore (Previous year ₹ 1 crore) towards land acquired, the transfer of ownership is under process.
- 2.11.2 Buildings include:
 (a) ₹ 250 (Previous year ₹ 250) towards cost of Shares in Co-operative Society (held by Reliance Telecom Limited).
 (b) ₹ 2,00,000 (Previous year ₹ 2,00,000) towards cost of Shares acquired in a Company (held by Reliance Communications Infrastructure Limited).
- 2.11.3 Plant and Machinery includes Electrical equipments of ₹ 3 crore (Previous year ₹ 3 crore), which are under custody and control of Maharashtra State Electricity Distribution Company Limited.
- 2.11.4 Plant and Machinery includes Asset Retirement Obligations (ARO) Gross Block ₹ 761 crore (Previous year ₹ 244 crore), Accumulated Depreciation ₹ 195 crore (Previous year ₹ 138 crore) and Net Block ₹ 566 (Previous year ₹ 106 crore).
- 2.11.5 (a) Gross Block includes ₹ 3,585 crore being the amount added on revaluation as on January 1, 2006.
 (b) Gross Block for the previous years include ₹ 1,963 crore, being an amount added on fair valuation as on April 10, 2007.
- 2.11.6 During the year, addition to Plant & Machinery and Telecom License includes ₹ 1,586 crore and ₹ 163 crore respectively (Previous year ₹ Nil) on account of Foreign Exchange loss. (Refer Note 2.30)
- 2.11.7 Capital Work in Progress includes:
 (a) ₹ 361 crore (Previous year ₹ 600 crore) on account of project development expenditure.
 (b) ₹ 57 (Previous year ₹ 223 crore) on account of materials at site.
 (c) Net Provision for impairment of ₹ 370 crore (Previous year ₹ Nil)
 (d) ₹ Nil (Previous year ₹ 8,585 crore) relating to 3G Spectrum Fee paid to Department of Telecommunication (DoT)
- 2.11.8 Transfer of title of certain land and buildings received from Reliance Industries Limited pursuant to the Schemes of Arrangements is under process.
- 2.11.9 Deductions / Adjustments include exchange fluctuation on account of currency translation of foreign Subsidiaries.
- 2.11.10 Refer Note 2.03.1 and 2.07 for Security in favour of the Lenders.

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

		As at March 31, 2012	(₹ in Crore) As at March 31, 2011
Note : 2.12			
Non Current Investments			
Trade Investment (Valued at cost unless stated otherwise)			
In Equity Shares of Companies			
Quoted, fully paidup			
39,342 Groupon INC-Class A Common Stock of USD 0.0001 (39,342) each	12		11
5,95,074 Sequans Communications SA of Euro 0.02 each (5,95,074)	18	30	16
			27
Other Investments			
Unquoted, fully paidup			
6,50,25,000 Warf Telecom International Private Limited - ₹ 1 each (6,50,25,000) Less : Share of Loss of Associates	22 (12)		22 (13)
	10		9
4,000 Ordinary Share in eWave China of No Par Value (4,000)	23		19
1,600 Macronet Private Limited - ₹ 10 each (1,600) (₹ 16,000 Previous year ₹ 16,000)	-		-
1,601 Macronet Mercantile Private Limited - ₹ 10 each (1,601) (₹ 16,010 Previous year ₹ 16,010)	-		-
13,000 Mumbai Metro Transport Private Limited - ₹ 10 each (13,000) (₹ 1,28,788 Previous year ₹ 1,30,000)	-		-
5,000 International Convention Centre Construction Private (5,000) Limited of ₹ 10 each (₹ 50,000 Previous year ₹ 50,000)	-		-
100 Nodia Global SEZ Private Limited of ₹ 10 each (100) (₹ 1,000 Previous year ₹ 1,000)	-	33	-
			28
In Preference Shares of Companies			
Unquoted, fully Paidup			
10,00,000 9% Redeemable Preference Shares of Reliance BPO (10,00,000) Private Limited of ₹ 10 each	5		5
20,45,455 Series D Preferred Stock of Stoke Inc. of USD 2.2 each (20,45,455)	25		21
5,85,993 Series A Preferred Stock of Scalable Display Technologies (5,85,993) Inc. of USD 1.62 each	5		4
14,63,415 Series C Preferred Stock of Stoke Inc. of USD 2.05 (14,63,415) each	15		13
84,74,576 Series B Preferred Stock of E Band Communications (84,74,576) Corporation of USD 0.354 each	15	65	15
			58
In Partnership Firm			
Unquoted, fully paid up			
Tip Top Typography	5		5
Less: Share of Loss in the Partnership Firm ₹ 1,22,674 (Previous year ₹ 2,21,218)	-		-
Reliance Capital Infrastructure		5	5
In Government Bonds			
Unquoted fully paid up			
6 Year National Savings Certificates (₹ 2,49,500 Previous year ₹ 1,92,500) (Lodged with Sales Tax Department)	-		-
5 1/2 years Kisan Vikas Patra (₹ 5,000 Previous year ₹ 5,000) (Lodged with Chennai Metropolitan Development Authority)	-	-	-
		133	118

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	As at March 31, 2012	(₹ in Crore) As at March 31, 2011
Aggregate Amount of Investments		
Unquoted	103	91
Quoted	30	27
	<u>133</u>	<u>118</u>

Partners Capital Account Details

A Tip Top Typography

Name of the Partners and share in profits

	Capital (in ₹)	Share (%)	Capital (in ₹)	Share (%)
Reliance Land Private Limited	31,67,810	34%	30,42,889	34%
Swan Sorority Finance Private Limited	(9,26,326)	33%	(8,03,652)	33%
Reliance Webstore Limited	5,17,88,550	33%	5,19,11,224	33%
Total Capital of the Firm	5,40,30,034	100%	5,41,50,461	100%

Note : 2.13

Long Term Loans and Advances

(Unsecured, Considered good – unless stated otherwise)

Capital Advance	898	1,070
Security Deposit	65	23
MAT Credit Entitlement	54	34
Advance Income Tax	718	378
Unamortised Arranger's Fee	245	131
Other Long Term Advances	389	389
Prepaid Expenses	113	34
Bank Deposit with maturity for more than 12 months	-	-
₹ 31,41,206 (Previous year ₹ 25,76,045)	<u>2,482</u>	<u>2,059</u>

Note : 2.14

Other Non Current Assets

(Unsecured, Considered good – unless stated otherwise)

Deposits	230	-
Others	388	-
	<u>618</u>	<u>-</u>

Note : 2.15

Current Investment (valued at lower of cost and market value)

In Units of Mutual Funds

Quoted

34,000 6.83% GOI Bonds – 2039 of ₹ 100 each fully paid up	-	-
(34,000) (₹ 27,26,726 Previous year ₹ 28,33,853)		

Unquoted

12,12,461 BlackRock US Dollar Liquidity First Fund – Institutional Share Class of USD 1 each	6	3
(6,88,191)		
15,721 BlackRock US Dollar Liquid Investment Fund of USD 1 each	513	449
(15,721)		
	<u>519</u>	<u>452</u>
Aggregate Amount of Investments		
Unquoted	519	452
Quoted (₹ 30,52,000 Previous year ₹ 30,52,000)	-	-
	<u>519</u>	<u>452</u>

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.16
Inventories

Stores and Spares *	427	405
Stock in Trade (Communications Devices and Accessories)	139	112
	<u>566</u>	<u>517</u>

* ₹ Nil (Previous year ₹ 6,74,145) is determined based on the First in First out method of inventory valuation and the balance is based on Weighted Average method

Note : 2.17
Trade Receivables (Unsecured)
Due for More than Six months from the date they are due for payment

Considered Good	1,842	1,338
Considered Doubtful	1,038	636
	<u>2,880</u>	<u>1,974</u>
Less: Provision for doubtful receivables/ Bad debts written off	1,038	636
	<u>1,842</u>	<u>1,338</u>

Others

Considered Good	1,742	2,415
Considered Doubtful	161	69
	<u>1,903</u>	<u>2,484</u>
Less: Provision for doubtful receivables	161	69
	<u>1,742</u>	<u>2,415</u>
	<u>3,584</u>	<u>3,753</u>

Note : 2.18
Cash and Bank Balances

Cash on hand (₹ 2,05,851 Previous year ₹ 1,20,505)	-	-
Cheques on hand	87	82
Balance with Banks	327	4,626
Earmarked Balances – Unpaid Dividend	9	7
Balances held as Margin Money	120	147
Balances held due to Repatriation Restrictions	7	4
	<u>550</u>	<u>4,866</u>

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

As at
March 31, 2012

As at
March 31, 2011

Note : 2.19

Short Term Loans and Advances

(Unsecured, Considered good – unless stated otherwise)

Other Loans and Advances

Considered good	4,959		4,640	
Considered doubtful	133		75	
	5,092		4,715	
Less: Provision for doubtful advance	133	4,959	75	4,640
Balance with Customs, Central Excise Authorities etc. (Previous year ₹ 13,12,801)		29		-
		4,988		4,640

Note : 2.20

Other Current Assets

Deposits *	1,733		1,694	
Interest accrued on Investments (₹ 16,05,894)	-		4	
Unbilled Revenue	280		231	
Others	325		291	
	2,338		2,220	

* Deposit includes ₹ 1,527 crore (Previous year ₹ 1,186) paid against disputed claim (Refer Note 2.35).

For the year ended
March 31, 2012

For the year ended
March 31, 2011

Note : 2.21

Revenue from Operations

Sale of Services (Refer Note below)	21,172		24,556	
Less: Service Tax	2,456	18,716	2,467	22,089
Other Operating Income (*includes realisation from telecom terminals and accessories etc.)		961		342
		19,677		22,431

Accounting for Indefeasible Right of Use

- (a) During the previous year, the Company reassessed its policy for accounting of income from exclusive and indefeasible right of use (IRU) granted for network capacity to the customers to be recognised upfront as licencing income on the basis of activation of circuits instead of on straight line basis over an assured period of IRU contract as this would better reflect the associated benefit patterns derived by the Company. This view has been taken considering the fact that the Company collects the entire amount upfront and does not have any further obligations under the exclusive IRU arrangements and amounts are non refundable in nature. The Company continues to be responsible for the operation and maintenance of the network assets over which the services are delivered and this cost is separately recovered as a fixed percentage of the contract value. Consequent to above, applying principles of matching cost, the Company charges additional depreciation on corresponding fixed assets in current year as IRU services are delivered by the network assets of the Company.
- (b) Accordingly, during the previous year, based on experts' opinions, income from exclusive IRUs was recognised as license income, in compliance with Accounting Standard (AS) 9 "Revenue Recognition". As a result, revenue and amortisation for the previous year were higher by ₹ 2,545 crore and ₹ 2,564 crore respectively and Profit after Tax was lower by ₹ 47 crore.

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

**For the year ended
March 31, 2012**

 For the year ended
March 31, 2011

Note : 2.22
Other Income

Net Gain on Sale of Investments	23	57
Profit on Disposal of Fixed Assets	7	331
Interest Income	40	61
Dividend Income ₹ Nil (Previous year ₹ 3,15,172)	-	-
Miscellaneous Income	635	289
	705	738

Note : 2.23
Access Charges, Licence Fees and Network Expenses

Access Charges	2,477	2,648
License Fees	1,132	1,157
Rent, Rates and Taxes	826	506
Network Repairs and Maintenance	1,430	1,331
Stores and Spares Consumed	93	132
Power Fuel and Utilities	1,662	1,579
Cost of Service Contents and Applications	412	399
Other Network Operating Expenses	1,620	1,524
	9,652	9,276

Note : 2.24
Employee Benefits Expenses

Salaries (including managerial remuneration)	1148	1325
Contribution to Provident, Gratuity and Superannuation Fund	53	61
Employee Welfare and Other Amenities	87	90
Write back of compensation under Employee Stock Option Scheme	(5)	(7)
	1283	1469

Note : 2.25
Finance Costs

Interest and Other Charges on Term Loans	859	459
Interest on Other Loans	618	443
Other Financial Cost	153	231
	1,630	1,133

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

(₹ in Crore)

For the year ended
March 31, 2012

For the year ended
March 31, 2011

Note : 2.26

Sales and General Administration Expenses

Selling Expenses

Commission	596		705	
Selling and Marketing	655		656	
Advertisement	127		184	
Customer Acquisition and Customer Care	170		235	
Cost of Sale of Telecom Terminals and Accessories	441	1,989	324	2,104

Provision for Doubtful Debts, Loans and Advances

61 169

General Administration Expenses

Insurance	18		13	
Rent, Rates & Taxes	184		170	
Repairs and Maintenance				
- Machinery	17		14	
- Building	13		19	
- Others	34		22	
Travelling	58		71	
Professional Fees	136		136	
Foreign Exchange (Gain)/ Loss (Net)	10		(35)	
Loss on Sale/ Discarding of Assets (₹ 3,10,533 Previous year ₹ 8,23,992)	-		-	
Hire Charges	304		342	
Other General and Administrative Expenses	123		241	
Wealth Tax (Previous year ₹ 47,50,000)	1	898	-	993

Payment to Auditors

9 9

2,957 3,275

Note : 2.27

Previous Year

The consolidated financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act 1956, the consolidated financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year's figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year's figures does not impact recognition and measurement principles followed for preparation of financial statements. Amount in financial statements are presented in Rupees in crore, except as otherwise stated.

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
Note : 2.28
Consolidation

(a) The following subsidiary companies are included in the Consolidated Financial Statements.

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
1	Reliance WiMax Limited	India	100.00%
2	Reliance Digital Home Services Limited	India	100.00%
3	Reliance Webstore Limited	India	100.00%
4	Reliance Infocomm Infrastructure Private Limited	India	100.00%
5	Campion Properties Limited	India	100.00%
6	Reliance Big TV Limited	India	100.00%
7	Reliance Tech Services Private Limited	India	89.00%
8	Reliance Telecom Limited	India	100.00%
9	Reliance Communications Infrastructure Limited	India	100.00%
10	Reliance Communications Investment and Leasing Limited	India	100.00%
11	Reliance Infratel Limited	India	89.71%
12	Reliance Mobile Commerce Limited	India	100.00%
13	Reliance Globalcom B.V.	The Netherlands	100.00%
14	Reliance Communications (UK) Limited	United Kingdom	100.00%
15	Reliance Communications (Hong Kong) Limited	Hong Kong	100.00%
16	Reliance Communications (Singapore) Pte. Limited	Singapore	100.00%
17	Reliance Communications (New Zealand) Pte. Limited	New Zealand	100.00%
18	Reliance Communications (Australia) Pty. Limited	Australia	100.00%
19	Anupam Global Soft (U) Limited	Uganda	90.00%
20	Gateway Net Trading Pte. Limited	Singapore	100.00%
21	Reliance Globalcom Limited	Bermuda	99.94%
22	FLAG Telecom Singapore Pte. Limited	Singapore	99.94%
23	FLAG Atlantic UK Limited	United Kingdom	99.94%
24	Reliance FLAG Atlantic France SAS	France	99.94%
25	FLAG Telecom Taiwan Limited	Taiwan	59.96%
26	Reliance FLAG Pacific Holdings Limited	Bermuda	100.00%
27	FLAG Telecom Group Services Limited	Bermuda	99.94%
28	FLAG Telecom Deutschland GmbH	Germany	99.94%
29	FLAG Telecom Hellas AE	Greece	99.94%
30	FLAG Telecom Asia Limited	Hong Kong	99.94%
31	FLAG Telecom Netherland B.V.	The Netherlands	99.94%
32	Reliance Globalcom (UK) Limited	United Kingdom	99.94%
33	Yipes Holdings Inc.	USA	99.94%
34	Reliance Globalcom Services Inc.	USA	99.94%
35	YTV Inc.	USA	99.94%
36	Reliance Infocom Inc.	USA	99.94%
37	Reliance Communications Inc.	USA	99.94%
38	Reliance Communications International Inc.	USA	99.94%
39	Reliance Communications Canada Inc.	USA	99.94%
40	Bonn Investment Inc.	USA	99.94%
41	FLAG Telecom Development Limited	Bermuda	99.94%
42	FLAG Telecom Development Services Company LLC	Egypt	99.94%
43	FLAG Telecom Network Services Limited	Ireland	99.94%
44	Reliance FLAG Telecom Ireland Limited	Ireland	99.94%
45	FLAG Telecom Japan Limited	Japan	99.94%

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Sr. No.	Name of the Subsidiary Company	Country of Incorporation	Proportion of ownership interest
46	FLAG Telecom Ireland Network Limited	Ireland	99.94%
47	FLAG Telecom Network USA Limited	USA	99.94%
48	FLAG Telecom Espana Network SAU	Spain	99.94%
49	Reliance Vanco Group Ltd.	United Kingdom	99.94%
50	Euronet Spain SA	Spain	99.94%
51	Net Direct SA (Proprietary) Ltd. (Under liquidation)	South Africa	99.94%
52	Vanco (Shanghai) Co. Ltd.	China	99.94%
53	Vanco (Asia Pacific) Pte. Ltd.	Singapore	99.94%
54	Vanco Australasia Pty. Ltd.	Australia	99.94%
55	Vanco EpE	Greece	99.94%
56	Vanco Sp Zoo	Poland	99.94%
57	Vanco GmbH	Germany	99.94%
58	Vanco Japan KK	Japan	99.94%
59	Vanco NV	Belgium	99.94%
60	Vanco SAS	France	99.94%
61	Vanco South America Ltda	Brazil	99.94%
62	Vanco Srl	Italy	99.94%
63	Vanco Sweden AB	Sweden	99.94%
64	Vanco Switzerland AG	Switzerland	99.94%
65	Vanco Deutschland GmbH	Germany	99.94%
66	Vanco BV	The Netherlands	99.94%
67	Vanco Benelux BV	The Netherlands	99.94%
68	Vanco UK Ltd.	United Kingdom	99.94%
69	Vanco International Ltd.	United Kingdom	99.94%
70	Vanco Row Limited	United Kingdom	99.94%
71	Vanco Global Ltd.	United Kingdom	99.94%
72	VNO Direct Ltd.	United Kingdom	99.94%
73	Vanco US LLC	USA	99.94%
74	Vanco Solutions Inc.	USA	99.94%
75	Reliance WiMax World BVI	British Virgin Islands	69.23%
76	Reliance WiMax World B.V.	The Netherlands	69.23%
77	Reliance WiMax World Limited	United Kingdom	69.23%
78	Reliance WiMax World LLC	USA	69.23%
79	Reliance WiMax Congo Brazzaville B.V.	The Netherlands	35.31%
80	Interconnect Brazzaville S. A.	Republic of Congo	35.31%
81	Reliance WiMax Guinea B.V.	The Netherlands	41.54%
82	Access Guinea SARL	Guinea	41.54%
83	Reliance WiMax Sierra Leone B. V.	The Netherlands	51.92%
84	Equatorial Communications Limited	Sierra Leone	51.92%
85	Reliance WiMax Cameroon B. V.	The Netherlands	35.31%
86	Equatorial Communications SARL	Cameroon	35.31%
87	Reliance WiMax D.R.C. B.V.	The Netherlands	69.23%
88	Reliance WiMax Gambia B.V.	The Netherlands	69.23%
89	Reliance WiMax Mauritius B.V.	The Netherlands	69.23%
90	Reliance WiMax Mozambique B.V.	The Netherlands	69.23%
91	Reliance WiMax Niger B.V.	The Netherlands	69.23%
92	Reliance WiMax Zambia B.V.	The Netherlands	69.23%
93	Access Bissau LDA	Guinea Bissau	41.54%

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

- (b) The Company also consolidates the following companies as it exercises control over ownership and/ or composition of Board of Directors.

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership interest
1	Seoul Telenet Inc.	Korea	48.97%
2	FLAG Holdings (Taiwan) Limited	Taiwan	49.97%
3	Reliance Telecom Infrastructure (Cyprus) Holdings Limited	Cyprus	0.00%
4	Lagerwood Investments Limited	Cyprus	0.00%

- (c) The associate companies considered in the Consolidated Financial Statements are :

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership interest
1	Warf Telecom International Private Limited	Maldives	20.00%
2	Mumbai Metro Transport Private Limited	India	26.00%

- (d) The following joint venture company also forms part of Consolidated Financial Statements.

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership interest
1	Alcatel-Lucent Managed Solutions India Private Limited	India	33.00%

- (e) The following subsidiary companies/ companies controlled/ companies consolidated ceased to remain subsidiaries/ controlled/ consolidated during the year.

Sr. No.	Name of the Company
1	Vanco Euronet Sro, Czech Republic has been liquidated and ceased to be subsidiary w.e.f. March 3, 2012
2	Vanco Net Direct Limited, Ireland has been struck off and ceased to be subsidiary w.e.f. April 8, 2011
3	WANcom GmbH, Switzerland has been merged with Vanco Switzerland AG w.e.f. May 30, 2011
4	Netizen Rajasthan Limited has been merged with Reliance Infratel Limited w.e.f. March 1, 2012

Note : 2.29
Foreign Currency Convertible Bonds (FCCBs)

- (i) The Company issued FCCBs in two tranches; 5,00,000 FCCBs for 5 Years, 4.65%, USD 500 million issued on May 9, 2006 and 10,000 FCCBs for 5 Years, 4.95%, USD 1000 million issued on February 28, 2007. Pursuant to the exercise of an Option by the FCCB holders and in accordance with the terms and conditions thereof, the Company, during the earlier years, allotted 1,87,44,801 fully paid equity shares of ₹ 5 each at a pre determined premium of ₹ 475.68 per share against 2,03,051 FCCBs and 6,67,090 fully paid equity shares of ₹ 5 each at a pre determined premium of ₹ 656.23 per share against 100 FCCBs respectively.
- (ii) During the earlier years, the Company bought back and cancelled 647 nos. of 5 Year, 4.95%, FCCBs of the face value of USD 1,00,000 each, as per approval of the Reserve Bank of India, at a discount to the face value, resulting in a saving of ₹ 101 crore then accounted.
- (iii) In accordance with the terms of issue of respective FCCBs, the Company, on due date, redeemed all outstanding 2,96,949 FCCBs aggregating USD 296.95 million on May 9, 2011 and balance outstanding 9,253 FCCBs aggregating USD 925.30 million on February 27, 2012. As a result, the Company is not required to allot 8.91 crore equity shares of ₹ 5 each arising out of conversion of the said FCCBs. Premium of USD 76.73 million and USD 256.22 million respectively, for the entire tenor, paid on redemption of the respective FCCBs has been charged to Securities Premium Account. This includes an amount of USD 1.79 million and USD 51.78 million respectively pertaining to the year ended March 31, 2012.

Note : 2.30
Foreign Currency Monetary Items; long term

In view of the Option allowed pursuant to the notification dated December 29, 2011 issued by the Ministry of Corporate Affairs (MCA), Government of India, for the year ended on March 31, 2012, the Company has added ₹ 1,749 crore, including ₹ 163 crore regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates, of exchange differences on long term borrowing relating to acquisition of depreciable capital assets to the cost of capitalised assets. Further, the Company has accumulated foreign currency variations of ₹ 470 crore arising on other long term foreign currency monetary items in "Foreign Currency Monetary Item Translation Difference Account", out of which, ₹ 45 crore has been amortised during the year, leaving balance to be amortised over the balance period of loans.

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.31

Schemes of Amalgamation and Arrangement of earlier years

The Company, during the past years, undertook various Schemes including restructuring of ownership structure of telecom business so as to align the interest of the shareholders. Accordingly, pursuant to the Schemes of Amalgamation and Arrangement ("the Schemes") under Sections 391 to 394 of the Companies Act, 1956 approved by the Hon'ble High Court of respective judicature, the Company, during the respective years, recorded all necessary accounting effects, along with requisite disclosure in the notes to the accounts, in accordance with the provisions of the said Schemes. Reserves, pursuant to the said Schemes, include;

- (i) ₹ 8,581 crore being Securities Premium Account, which was part of the Securities Premium of erstwhile Reliance Infocomm Limited (RIC), the transferor company.
- (ii) ₹ 12,345 crore, being part of General Reserve, on fair valuation of assets and liabilities of the Company in accordance with the Scheme of Amalgamation, amalgamating Reliance Gateway Net Limited (RGNL) into the Company.
- (iii) Additional depreciation arising on fair value of the assets has been adjusted from General Reserve and from Provision for Business Restructuring.
- (iv) ₹ 1,287 crore, being the balance was transferred to Reserve for Business Restructuring in accordance with the Scheme of Arrangement for demerger of passive infrastructure assets to Reliance Infratel Limited (RITL).
- (v) ₹ 7 crore being Goodwill arising on consolidation pursuant to the Scheme of Amalgamation between subsidiaries has been debited during the previous year to General Reserve.
- (vi) ₹ 891 crore, being prepaid expenses adjusted during the previous year against Securities Premium Account in accordance with the Scheme of Amalgamation between RITL and Reliance Global IDC Limited (RGIDCL), a Wholly Owned Subsidiary of RITL into RITL and as required for Consolidation, the same was adjusted against General Reserve.
- (vii) Additional depreciation of subsidiaries consequent upon revaluation of assets carried out has been adjusted to General Reserve.
- (viii) ₹ 950 crore an amount recoverable which was written off by Reliance Communications Infrastructure Limited (RCIL) during the earlier year, was charged off, as permitted under the Scheme of Amalgamation of Matrix Innovations Limited (MIL), a Wholly Owned Subsidiary of RCIL into RCIL, to General Reserve.
- (ix) Pursuant to the said Scheme of Amalgamation (Refer Note (ii) above), on account of the fair valuation during the year ended on March 31, 2009, additions (or) adjustments to the fixed assets included increase in Freehold Land by ₹ 225 crore, Buildings by ₹ 130 crore and Telecom Licenses by ₹ 14,145 crore.
- (x) Pursuant to the demerger, the Company computed goodwill of ₹ 2,659 crore arising on consolidation using the step up method based on date of original investment by Reliance Industries Limited (RIL) prior to demerger instead of considering the date of demerger as the date of investment in absence of specific guidance in Accounting Standard (AS) 21 "Consolidated Financial Statements" in a demerged scenario.
- (xi) Also refer note 2.40 "Exceptional Items".

Note : 2.32

Scheme of Amalgamation and Arrangement

Pursuant to the Scheme of Amalgamation ("the Scheme") under Section 391 to 394 of the Companies Act, 1956 sanctioned by the Hon'ble High Court of Bombay vide Order dated April 20, 2012, with an Appointed Date being March 1, 2012, Netizen Rajasthan Limited ("NRL" or 'the Transferor Company'), a Wholly Owned Subsidiary of Reliance Infratel Limited ("RITL" or 'the Transferee Company'), a subsidiary of the Company, has been amalgamated into RITL and ceased to be subsidiary of the Company.

Upon the Scheme becoming effective, all the assets and liabilities as appearing in the books of NRL as on the Appointed Date have been recorded in the books of RITL at their respective book values and inter-company balances have been cancelled. Investment of ₹ 1,000 crore by the RITL in the shares of NRL has been written off by RITL to its Statement of Profit and Loss and adjusted by withdrawing an equivalent amount from General Reserve. Excess of assets over liabilities of ₹ 1,793 crore has been credited to Capital Reserve by RITL.

Note : 2.33

Depreciation, Impairment and Amortisation and Change in Method of Depreciation

Pursuant to an approval by the Ministry of Corporate Affairs (MCA) under Section 205 (2) (d) of the Companies Act, 1956, Reliance Infratel Limited (RITL), a Subsidiary of the Company has provided depreciation on Telecom Towers at 2.72% under Straight Line Method (SLM) over the useful life of asset. As a result, depreciation charge in Consolidated Accounts for the year ended March 31, 2012 is lower by ₹ 173 crore and profit is higher by the said amount.

Reliance Telecom Limited, a Wholly Owned Subsidiary of the Company has aligned policy of depreciation with the Company and accordingly, provided depreciation based on SLM. As a result, in Consolidated Accounts, excess depreciation of ₹ 306 crore accounted during the previous period up to September 30, 2011 has been reversed during the year ended March 31, 2012. As a result, depreciation charge is lower and profit is higher by the said amount for year ended March 31, 2012.

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
Note : 2.34
Project Development Expenditure

Details of Project Development Expenditure (Included under Capital Work in Progress):

(₹ in Crore)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Opening Balance	600	178
Add: Expenditure incurred during the year	267	325
Interest on Term Loans	297	355
	564	680
	1,164	858
Less: Capitalized during the year	803	253
Sale of scrap	-	5
	803	258
Closing Balance	361	600

Note : 2.35
Provisions

Provisions include, provision for disputed claims for verification of customer ₹ 9 crore (Previous year ₹ 9 crore), others of ₹ 1,353 crore (Previous year ₹ 1,399 crore) and reversal of disputed liabilities of ₹ 46 crore (Previous year ₹ 102 crore), provisions for Asset Retirement Obligation (ARO) made by the Company's subsidiary in respect of undersea cables and equipments of ₹ 761 crore (Previous year ₹ 244 crore).

The aforesaid provisions shall be utilised on settlement of the claims, if any, there against.

Note : 2.36
Contingent Liabilities and Capital Commitment (as represented by the Management)

(₹ in Crore)

	As at March 31, 2012	As at March 31, 2011
(i) Estimated amount of contracts remaining to be executed on capital accounts (net of advances) and not provided for	657	1,420
(ii) Disputed Liabilities not provided for		
- Sales Tax and VAT	35	131
- Custom, Excise and Service Tax	12	12
- Entry Tax and Octroi	62	43
- Income Tax	16	-
- Other Litigations	97	128
- Interest on ADC on FWP/ T	342	160
(iii) Claims against the Company not acknowledged as debt	137	87
(iv) Guarantees given including on behalf of other companies for business purpose	51	423
(v) Bonds executed in favour of the Government Authorities	-	57

(vi) Consequent to the investigations by an investigative agency (CBI) in relation to the entire telecom sector in India, certain preliminary charges have been framed by a Trial Court in October, 2011 against Reliance Telecom Limited (RTL), a Wholly Owned Subsidiary of the Company, and three of the executives of the Group. The charges so framed are preliminary in nature based on investigations only, and the persons named are presumed to be innocent, till their alleged guilt is established after a fair trial.

As legally advised, the persons so named deny all charges, and a writ petition for quashing the charges framed have been filed in October, 2011 in the Hon'ble High Court of Delhi, which is pending for hearing. These preliminary charges have no impact on the business, operations, and/ or licenses of RTL and of the Company and, even more so, are not connected in any manner to any other listed group companies.

(vii) License Fees

The Hon'ble Supreme Court, vide its judgment dated October 11, 2011, has set aside the Order of Telecom Disputes Settlement and Appellate Tribunal (TDSAT) dated August 30, 2007 and allowed two months' time to the licencees to raise their disputes before the Hon'ble TDSAT w.r.t. the demands already raised by Department of Telecommunications (DoT). The Hon'ble Supreme Court, in the meanwhile, also restrained DoT from enforcing its demands already raised. By Order dated December 15, 2011, the

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Hon'ble TDSAT granted all licensees/ operators the liberty to file additional affidavits thereby bringing on record the material facts including the subsequent events with respect to the petitions already pending before the Hon'ble TDSAT, which have been revived pursuant to the aforesaid judgement of the Hon'ble Supreme Court. On April 12, 2012, all the petitions (both old and new of all the operators including of the Company) were heard and an interim order of protection, earlier passed was extended to the new AGR petitions. The matter is pending for further hearing/ orders scheduled before the Hon'ble TDSAT on July 2, 2012.

(viii) Access Deficit Charges (ADC)

The Hon'ble TDSAT and the Hon'ble Supreme Court, vide their judgments dated January 17, 2006 and April 30, 2008 respectively upheld the circular of Bharat Sanchar Nigam Limited (BSNL) dated January 14, 2005 whereby and whereunder the Company's fixed wireless phone (FWP) service was declared as limited mobile service. The period of claim, which was raised before the Hon'ble Supreme Court, was from November 14, 2004 to August 26, 2005. As directed by the Hon'ble Supreme Court, on April 30, 2008, the Company moved before the Hon'ble TDSAT for quantification of ADC for aforesaid period. The Hon'ble TDSAT vide its judgement dated April 17, 2012 confirmed the liability of the Company for the said period and for subsequent periods. The Company already has an adequate provision of ₹ 540 crore in the books for the liability which has been determined to be payable. Further course of action including the financial impact, if any, for the balance amount, which is under dispute shall be determined on completion of reconciliation with BSNL.

(ix) Special Audit

Pursuant to the Telecom License Agreement, DoT directed audits of various Telecom companies including of the Company. The Special Auditors appointed by DoT were required to verify records of the Company and some of its subsidiaries for the years ended March 31, 2007 and March 31, 2008 relating to license fees and revenue share. The Company and its subsidiary have received show cause notices dated January 31, 2012 based on report of the Special Audit directed by DoT relating to alleged shortfall of license fees and revenue share of ₹ 306 crore and interest thereon as applicable. The Company has submitted its reply to DoT towards show cause notice. The Company is confident that based on advice and, inter alia, on current understanding of the regulation by the industry and judicial pronouncements directly applicable to the issues raised in the special audit report, there shall not be any liability in this regard and hence, no provision is required in the accounts of the Company.

Note : 2.37

Leases

(a) Finance Lease; as a lessee

- (i) The details of gross investments and minimum lease rentals outstanding as at March 31, 2012 in respect of Fixed Assets acquired on or after April 1, 2001.

(Amount in ₹)

Due	Gross Investment		Unearned Finance Income		Present Value of Minimum Lease Payments	
	For the year ended March 31,		For the year ended March 31,		For the year ended March 31,	
	2012	2011	2012	2011	2012	2011
Within one year	4,55,631	8,32,438	20,957	1,46,723	4,34,674	6,85,715
Later than one year and not later than five years	-	4,55,631	-	-	-	4,55,631
Later than five years	-	-	-	-	-	-
Total	4,55,631	12,88,069	20,957	1,46,723	4,34,674	11,41,346

- (ii) General description of the significant leasing arrangements is as mentioned below.

- The lease agreement is valid for a fixed non cancellable period from the date of commencement of lease rentals.
- Upon termination of the lease agreement, the Company shall return the assets to the lessor.
- In the event, the claim of lessor for depreciation is disallowed partly or fully in their tax assessment, the lease rentals will increase to the extent of depreciation disallowed to the lessor.

(b) Operating Lease

(₹ in Crore)

	For the year ended March 31, 2012	For the year ended March 31, 2011
Estimated future minimum payments under non cancellable operating leases.		
(i) Not later than one year	1	1
(ii) Later than one year and not later than five years	2	2
(iii) Later than five years	165	166

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
Note : 2.38
Particulars of Derivative Instruments

Particulars of Derivative Instruments hedging	For the year ended March 31, 2012			For the year ended March 31, 2011		
	No. of Instruments	Value		No. of Instruments	Value	
		(US \$ Crore)	(₹ in Crore)		(US \$ Crore)	(₹ in Crore)
Principal Only Swap	2	4	178	2	4	156
Interest Rate Swaps FC	14	44	2,228	19	64	2,845
Interest Rate Swaps INR	14	8	425	27	21	925
Options FC	3	31	1,570	7	34	1,532

No derivative instruments are for speculation purpose.

In respect of Foreign Currency Swap and Interest Rate Swap transactions, which are linked with LIBOR rates and exchange rate during the binding period of contract, the gains/ losses, if any, are recognised on the settlement day or the reporting day, whichever is earlier, at the rate prevailing on respective day.

Foreign Currency exposures that are not hedged by derivative instruments or otherwise are US \$ 547 crore (Previous year US \$ 615 crore), equivalent to ₹ 27,819 crore (Previous year ₹ 27,428 crore), and Euro 76,822 (Previous year Euro 5,71,212), equivalent to ₹ 1 crore (Previous year ₹ 4 crore)

The unamortised premium of Buyers' Line of Credit to be recognised is ₹ 3 crore (Previous year ₹ 1 crore) for one or more subsequent accounting periods.

Note : 2.39
Earnings per Share (EPS)

For the year ended March 31, 2012 For the year ended March 31, 2011

Basic and Diluted EPS before Exceptional Items

(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	928	1,334
(b) Weighted average number of equity shares (used as denominator for calculating Basic EPS)	2,064,026,881	2,064,026,881
(c) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	928	1,334
(d) Weighted average number of equity shares (used as denominator for calculating Diluted EPS)	2,104,046,936	2,153,165,814
(e) Basic Earnings per Share of ₹ 5 each (₹)	4.50	6.46
(f) Diluted Earnings per Share of ₹ 5 each (₹)	4.41	6.19

Basic and Diluted EPS after Exceptional Items

(a) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Basic EPS)	928	1,346
(b) Weighted average number of equity shares (used as denominator for calculating Basic EPS)	2,064,026,881	2,064,026,881
(c) Profit attributable to Equity Shareholders (₹ in crore) (used as numerator for calculating Diluted EPS)	928	1,346
(d) Weighted average number of equity shares (used as denominator for calculating Diluted EPS)	2,104,046,936	2,153,165,814
(e) Basic Earnings per Share of ₹ 5 each (₹)	4.50	6.52
(f) Diluted Earnings per Share of ₹ 5 each (₹)	4.41	6.25

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.40

Exceptional Items

- (a) Pursuant to the direction of the Hon'ble High Court of Judicature at Mumbai and Option exercised by the Boards of the respective Companies, in accordance with and as per the arrangements approved by the Hon'ble High Court under different Schemes of Arrangement binding on the Company and three of its subsidiaries, namely, Reliance Communications Infrastructure Limited, Reliance Infratel Limited and Reliance Telecom Limited, expenses and/or losses, identified by the Boards of the respective companies as being exceptional or otherwise subject to the Accounting treatment prescribed in the Schemes of Arrangement sanctioned by the Hon'ble High Court and comprising of ₹ 1,107 crore (Previous year ₹ 159 crore) of debts due including, in particular, debts due from telecom operators whose licences are under cancellation pursuant to the directions of the Hon'ble Supreme Court in its order dated February 2, 2012 in the matter of Centre for Public Interest Litigation and others vs. Union of India and others and subsidy claimed from the Government, ₹ 268 crore unrealised net losses, ₹ 951 crore regarded as an adjustment to interest cost on account of restating long term monetary items expressed in foreign currency at year end prevailing rates, as also ₹ 353 crore of net realised losses on settlement of items recovered and/or discharged in foreign currency, in accordance with Para 46 A inserted into Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates" in context of unprecedented volatility in exchange rates during the year, ₹ 70 crore (Previous year ₹ 77 crore) fuel cost considered to be incremental and arising from the non availability of contracted or expected power have been met by withdrawal from corresponding General Reserves, leaving no impact on profit for the year ended March 31, 2012. Such withdrawals have been included/ reflected in the Statement of Profit and Loss. Previous year's figures where not applicable herein are not mentioned.

While the Company has been legally advised that such inclusion in the Statement of Profit and Loss is in accordance with Revised Schedule VI of the Companies Act, 1956 the Company is also seeking clarification from ICAI that such inclusion in the Statement of Profit and Loss is not contrary to Revised Schedule VI.

Exceptional Items ₹ Nil (Previous year ₹ 5 crore) pertains to Employee Restructuring Cost reversal by Reliance Vanco Group Limited.

- (b) Had such write off of expenses, losses and deferred tax (refer note no. 2.04) not been met from General Reserve, the consolidated financial statements would have reflected a loss after tax of ₹ 2,472 crore and the consequential effect of this on consolidated profit after tax would have been of ₹ 3,401 crore.

Note : 2.41

General Reserve

The Company has, from the year ended on March 31, 2008 onwards, combined the balances of General Reserve I, II and III and disclosed as General Reserve in Consolidated Accounts. General Reserve I and II were arising pursuant to the Schemes of demerger of 'Telecommunication Undertaking' of RIL into the Company and the Scheme of Amalgamation and Arrangement of Group Companies respectively in earlier years. General Reserve III includes the reserve arising pursuant to the Schemes of Amalgamation with erstwhile RGNL.

The Company, during the previous year, transferred ₹ 216 crore pursuant to Section 205A (3) of the Companies Act, 1956 and the Companies (Declaration of Dividend out of Reserves) Rules, 1975 and paid dividend out of the accumulated profits of the previous years.

Adjustment of ₹ 36 crore in opening profit of previous year represents accounting effect arising upon audit of its certain subsidiaries Reliance Communications (Singapore) Pte. Limited and Gateway Net Trading Pte. Limited for the year ended March 31, 2009.

Note : 2.42

1 Related Parties

As per the Accounting Standard ("AS") 18 of "Related Party Disclosures" as referred to in Accounting Standard Rules, the disclosure of transactions with the related parties as defined therein are given below.

A List of related party

Name of the Related Party	Relationship
(i) Reliance Innoventures Private Limited	Holding Company
(ii) AAA Communication Private Limited	Subsidiary of Holding Company
(iii) Reliance Capital Limited	Fellow subsidiary
(iv) Reliance General Insurance Company Limited	Fellow subsidiary
(v) Shri Anil D. Ambani	Person having control during the year
(vi) Shri Hasit Shukla	Key Managerial Personnel – Upto May 31, 2011
(vii) Shri Prakash Shenoy	Key Managerial Personnel – w.e.f. June 1, 2011

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
B Transactions during the year with related parties

(Figures in bracket represent Previous year)

(₹ in Crore)

	Fellow Subsidiaries	Others	Total
1 Reliance Capital Limited			
(i) Advances			
Opening Balance as on April 1, 2011	-	-	-
₹ 29,60,936 (Previous year ₹ Nil)	(-)	-	(-)
Add : Advances made during the year	-	-	-
₹ 1,28,172 (Previous year ₹ 29,60,936)	(-)	-	(-)
Less : Repayment during the year	-	-	-
	(-)	-	(-)
Closing Balance as on March 31, 2012	-	-	-
₹ 30,89,108 (Previous year ₹ 29,60,936)	(-)	-	(-)
(ii) Sundry Debtors	2	-	2
	(2)	-	(2)
(iii) Income			
Service Income	-	-	-
₹ 4,48,788 (Previous year ₹ 4,31,472)	(-)	-	(-)
2 Reliance General Insurance Company Limited			
(i) Advances			
Balance as on April 1, 2011	1	-	1
	(1)	-	(1)
Add: Advances made during the year	3	-	3
	(3)	-	(3)
Less: Repayment during the year	4	-	4
	(3)	-	(3)
Balance as on March 31, 2012	-	-	-
	(1)	-	(1)
(ii) Sundry Debtors	3	-	3
	(2)	-	(2)
(iii) Sundry Creditors	1	-	1
	(-)	-	(-)
(iv) Income			
Service Income	-	-	-
₹ Nil (Previous year ₹ 32,050)	(-)	-	(-)
(v) General and Administrative Expenses	2	-	2
	(-)	-	(-)
3 Person having control during the year			
Shri Anil D. Ambani - Sitting fees	-	-	-
₹ 2,60,000 (Previous year ₹ 2,00,000)	-	(-)	(-)
4 Key Managerial Personnel			
Managerial Remuneration			
Shri Hasit Shukla ₹ 6,58,398 [excluding ₹ 11,37,167, being paid in excess under the Act, shown as recoverable (Previous year ₹ 24,00,000)]	-	-	-
Shri Prakash Shenoy ₹ 21,56,178 (Previous year ₹ Nil)	-	-	-
	-	(-)	(-)

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Note : 2.43

Employee Stock Option Scheme

The Company operates two Employee Stock Option Plans; ESOS Plan 2008 and ESOS Plan 2009, which cover eligible employees of the Company and its Subsidiaries. ESOS Plans are administered through an ESOS Trust. The Vesting of the Options is on the expiry of one year from the date of Grant as per Plan under the respective ESOS(s). In respect of Options granted, the accounting value of Options (based on market price of the share on the date of the grant of the Option) is accounted as deferred employee compensation, which is amortised on a straight line basis over the Vesting Period. Each Option entitles the holder thereof to apply for and be allotted/ transferred one equity share of the Company of ₹ 5 each upon payment of the Exercise Price during the Exercise Period. The maximum Exercise Period is 10 years from the date of Grant of Options.

The Company has established a Trust for the implementation and management of ESOS for the benefit of its present and future employees. Advance of ₹ 389 crore (Previous year ₹ 389 crore) has been granted to the Trust. ₹ 391 crore (Previous year ₹ 391 crore) has been utilised by the Trust for purchasing 2.13 crore (Previous year 2.13 crore) equity shares during the period upto March 31, 2012.

Amounts earlier charged in respect of surrendered Options under ESOS Plan 2008 amounting to ₹ 5 crore (previous year ₹ 7 crore) was reversed and reflected under employees cost in Statement of Profit and Loss. No amount is chargeable in respect of Options granted under ESOS Plan 2009.

Particulars	Employees Stock Option Plans			
	ESOS Plan 2008		ESOS Plan 2009	
	Number of Options	Weighted average exercise price [₹]	Number of Options	Weighted average exercise price [₹]
Number of Options Outstanding at the beginning of the year	8,75,253	396	63,34,253	206
Number of Options granted	Nil	-	Nil	-
Total number of Options surrendered	-	-	2,44,000	-
Number of Options vested during the year	8,75,253	396	63,34,253	206
Total number of Options exercised	Nil	-	Nil	-
Total number of Options forfeited/ lapsed	3,06,059	298	24,22,039	206
Number of Options outstanding at the end of the year	5,69,194	448	39,12,214	206

If the entity would have estimated fair value computed on the basis of Black-Scholes pricing model, the compensation cost for the year ended March 31, 2012 for ESOS Plan 2008 and ESOS Plan 2009 would have been ₹ 5 crore and ₹ 12 crore respectively. The key assumptions used to estimate the fair value of Options are given below.

Particulars	ESOS Plan 2008	ESOS Plan 2009
Risk-free interest rate	8.05%	8.05%
Expected life	6 years	7 years
Expected volatility	52.04%	52.04%
Expected dividend yield	0.02%	0.07%
Price of the underlying share in market at the time of grant of Option	₹ 541	₹ 174

Note : 2.44

Export Commitments

The Company and its subsidiaries have obtained licenses/ authorisations under the Export Promotion Capital Goods (EPCG) Scheme for importing capital goods at a concessional rate of customs duty against submission of bonds. Under the terms of the respective licenses/ authorisations, the Company and its subsidiaries are required to export goods of FOB value equivalent to or more than, eight times the amount of duty saved in respect of such licenses/ authorisations, where export obligation has been refixed by the Order of Director General Foreign Trade, Ministry of Commerce and Industry, Government of India, as applicable. Balance export obligations outstanding as on March 31, 2012 in case of the Company and its subsidiaries namely; RCIL and RITL under the aforesaid licenses/ authorisations is ₹ 334 crore, ₹ 619 crore and ₹ 2,030 crore respectively (Previous year ₹ 334 crore, ₹ 632 crore and ₹ 7,126 crore respectively).

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
Note : 2.45
Joint Venture

Reliance Communications Infrastructure Limited (RCIL), a Subsidiary of the Company has entered into a joint venture (JV) with 33% interest. The detail of the said JV are as under.

Name of the Joint Venture	:	Alcatel-Lucent Managed Solutions India Private Limited
Name of the Other Venturer	:	Alcatel-Lucent India Limited
Percentage of Interest of RCIL	:	33%
Percentage of Interest of other venturers	:	67%
Aggregate amount related to interest in JV		(₹ in Crore)

	As at March 31, 2012	As at March 31, 2011
- Assets	271	207
- Liabilities	196	128
- Income	314	270
- Expenses	279	215

Note : 2.46
Employee Benefits

Gratuity: In accordance with the applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan) for all its employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on respective employees last drawn salary and for the years of employment with the Company.

The following table set out the status of the Gratuity Plan as required under Accounting Standard ("AS") 15 (Revised) "Employee Benefits" (Revised).

	Gratuity		Leave Encashment	
Particulars	As at March 31, 2012	March 31, 2011	As at March 31, 2012	March 31, 2011
(i) Reconciliation of opening and closing balances of the present value of the defined benefit obligation				
Obligation at beginning of the year	38	35	87	95
Service cost	7	8	2	3
Interest cost	3	3	6	6
Actuarial (gain)/ loss	(4)	-	(2)	18
Benefits paid	(10)	(8)	(28)	(35)
Obligation at year end	34	38	65	87
Defined benefit obligation liability as at the balance sheet is wholly funded by the Company				
(ii) Change in plan assets				
Plan assets at beginning of the year, at fair value	32	36	-	-
Expected return on plan assets	3	3	-	-
Actuarial (gain)/ loss	(2)	-	-	-
Contributions	8	1	28	35
Benefits	(10)	(8)	(28)	(35)
Plan assets at year end, at fair value	31	32	-	-

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

Particulars	(₹ in Crore)			
	Gratuity		Leave Encashment	
	As at		As at	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
(iii) Reconciliation of present value of the obligation and the fair value of the plan assets				
Fair value of plan assets at the end of the year	31	32	-	-
Present value of the defined benefit obligations at the end of the year	34	38	67	87
Liability recognised in the Balance Sheet	3	6	67	87
(iv) Cost for the year				
Service Cost	7	8	2	3
Interest Cost	3	3	6	6
Expected return on plan assets	(3)	(3)	-	-
Actuarial (gain)/ loss	(2)	1	(2)	18
Net Gratuity Cost	5	9	6	28
(v) Experience adjustment				
On Plan Liabilities (Gain)/Loss	3	3	N.A	N.A
On Plan Assets Gain / (Loss)	(1)	(1)	N.A	N.A
(vi) Investment details of plan assets				
100% of the plan assets are invested in balanced Fund Instruments				
(vii) Actual return on plan assets	2	2	-	-
(viii) Assumptions				
Interest rate	8.50%	8.20%	8.50%	8.20%
Estimated return on plan assets	8.50%	8.20%	8.50%	8.20%
Salary Growth rate	6.00%	6.50%	6.00%	6.50%

The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

(ix) Particulars of the amounts for the year and previous years

	Gratuity for the year ended March 31,				
	2012	2011	2010	2009	2008
Present Value of benefit obligation	35	38	35	36	27
Fair value of plan assets	31	32	36	26	26
Excess of (obligation over plan assets)/ plan assets over obligation	4	6	(1)	10	1

The expected contribution is based on the same assumptions used to measure the company's gratuity obligations as of March 31, 2012.

Provident Fund : The guidance on Implementing ("AS") 15 "Employee Benefits" (revised 2005) issued by the ICAI states that the benefits involving employer established Provident Fund, which require interest shortfalls to be recompensed are to be considered as/ in defined benefit plans. The employee and employer each make monthly contribution to the plan equal to 12% of the covered employee's salary. Contributions are made to the trust established by the Company. During the year ended March 31, 2012, the Actuarial Society of India issued the final guidance for measurement of provident fund liabilities. As at March 31, 2012, Fair value of plan assets is ₹ 311 crore, the present value of defined benefit obligation is ₹ 313 crore. Accordingly, based on such actuarial valuation, the Company has charged ₹ 2 crore (Previous year ₹ Nil), being shortfall in interest, during the year. For the year ended March 31, 2012, the Company has contributed ₹ 23 crore (Previous year ₹ 26 crore) towards Provident Fund. The Employee Benefits as disclosed herein pertain to the Company and its significant subsidiaries.

The assumptions made for the above are Discount rate of 8.50%, average remaining tenure of Investment Portfolio is 7 years and guaranteed rate of return is 8.25%.

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss
Note : 2.47
Consolidated Segment Information:

The Company has reorganised its business operations during the year and combined Global and Enterprise Business as a single operating unit. In order to represent the business operation on the lines of reorganisation, a combined Global Enterprise Business Unit (GEBU) segment is disclosed.

The Company has restructured/ identified three reportable segments viz. Wireless, GEBU, and Others, taking into account the nature of services provided, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the Company with following additional policies for segment reporting.

- (a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "Unallocable".
- (b) Segment assets and liabilities represent the assets and liabilities in respective segments. Tax related assets and other assets and liabilities that cannot be allocated to a segment on reasonable basis have been disclosed as "Unallocable".

(i) Primary Segment Information

(₹ in Crore)

Particulars	Wireless	GEBU	Others	Unallocable	Eliminations	Total
Segment Revenue						
External Revenue	13,562	6,080	740	-	-	20,382
	14,847	7,313	1,009	-	-	23,169
Inter Segment Revenue	4,134	3,338	360	-	(7,832)	-
	2,800	4,315	460	-	(7,575)	-
Net Revenue	17,696	9,418	1,100	-	(7,832)	20,382
	17,647	11,628	1,469	-	(7,575)	23,169
Segment Result before Exceptional and non recurring items, interest & taxes	2,431	1,093	(1,012)	-	-	2,512
	3,159	494	(1,008)	-	-	2,645
Less: Finance Expense	-	-	-	1,630	-	1,630
	-	-	-	1,133	-	1,133
Segment Result before Exceptional and non recurring items, taxes	2,431	1,093	(1,012)	(1,630)	-	882
	3,159	494	(1,008)	(1,133)	-	1,512
Recurring items	-	-	-	-	-	-
	-	-	-	(5)	-	(5)
Less: Provision for Taxation	-	-	-	(106)	-	(106)
	-	-	-	12	-	12
Segment Result after Tax	2,431	1,093	(1,012)	(1,524)	-	988
	3,159	494	(1,008)	(1,140)	-	1,505
Other Information						
Segment Assets	69,059	19,243	4,604	25,382	(26,882)	91,406
	65,315	17,307	4,573	31,742	(25,336)	93,601
Segment Liabilities	12,707	9,030	856	5,033	(11,840)	15,786
	11,649	6,671	595	4,474	(9,428)	13,961
Other Corporate Assets	-	-	-	1,284	-	1,284
	-	-	-	1,122	-	1,122
Other Corporate Liabilities	-	-	-	39,323	-	39,323
	-	-	-	39,438	-	39,438

Reliance Communications Limited

Notes to the Consolidated Balance Sheet and Consolidated Statement of Profit and Loss

	(₹ in Crore)					
Particulars	Wireless	GEBU	Others	Unallocable	Eliminations	Total
Capital Expenditure	2,735	2,996	117	-	-	5,848
	9,190	475	295	-	-	9,960
Depreciation	2,303	1,199	476	-	-	3,978
	2,037	3,982	485	-	-	6,504

(c) The reportable Segments are further described below:

- The Wireless segment includes wireless operations of the Company, Reliance Communications Infrastructure Limited, Reliance Telecom Limited, Reliance Infratel Limited, Alcatel-Lucent Managed Solutions India Private Limited and the retail operations of Reliance Communications UK Limited, Reliance Communications International Inc., Reliance Communications Canada Inc., Reliance Communications (Australia) Pty. Limited, Reliance Communications (New Zealand) Pte. Limited.
- The GEBU segment includes Broadband operations, National Long Distance and International Long Distance operations, of the Company and the wholesale operations of its subsidiaries viz. Reliance Globalcom BV and its subsidiaries. Reliance Communications Infrastructure Limited and Reliance WiMax Limited.
- The businesses, which were not reportable segments during the year, have been grouped under the "Others" segment. This mainly comprises of the customer care activities of Reliance Webstore Limited, Facility Usage activities of Reliance Infocomm Infrastructure Private Limited and DTH activities of Reliance Communications Infrastructure Limited and Reliance Big TV Limited.

(ii) Secondary Segment Information

The secondary segment relates to geographical segments viz. Operations within India and outside India.

	(₹ in Crore)		
	Within India	Outside India	Total
1. Segment Revenue – External Turnover	15,171	5,211	20,382
	15,312	7,857	23,169
2. Segment Assets	76,098	15,308	91,406
	80,366	13,235	93,601
3. Segment Liability	11,847	3,939	15,786
	10,743	3,218	13,961
4. Segment – Capital expenditure	4,611	1,237	5,848
	9,488	472	9,960

The reportable secondary segments are further described below.

- The "Within India" segment includes the operations of the Company and its subsidiaries in India.
- The "Outside India" segment includes the operations of the Company's subsidiaries viz. Reliance Globalcom BV and its subsidiaries.

As per our Report of even date

For **Chaturvedi & Shah**
Chartered Accountants
Firm Reg. No.: 101720W

C. D. Lala
Partner
Membership No.: 035671

Mumbai
May 26, 2012

For **B S R & Co.**
Chartered Accountants
Firm Reg. No.: 101248W

Bhaves Dhupelia
Partner
Membership No.: 042070

For and on behalf of the Board
Chairman

Directors

Company Secretary and Manager

Anil D. Ambani

J. Ramachandran
S. P. Talwar
Deepak Shourie
A. K. Purwar

Prakash Shenoy

Financial Information of Subsidiary Companies

(₹ in lakh unless otherwise stated)

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed Dividend
1	Reliance Communications Infrastructure Limited	India	20,102.00	2,04,041.38	9,74,022.53	9,74,022.53	501.00	5,52,748.69	(58,133.96)	(10,904.00)	(47,229.96)	-
2	Reliance Infratel Limited	India	2,83,314.19	5,55,361.23	22,32,000.04	22,32,000.04	-	7,58,748.00	68,132.34	-	68,132.34	-
3	Reliance Wimax Limited	India	168.71	10,399.13	10,580.13	10,580.13	-	-	(103.20)	-	(103.20)	-
4	Reliance Communications Investment and Leasing Limited	India	210.00	66.36	321.75	321.75	-	30.39	14.57	3.35	11.22	-
5	Reliance Digital Home Services Limited	India	5.00	(2.70)	4.27	4.27	-	0.27	(0.87)	-	(0.87)	-
6	Gateway Net Trading Pte. Limited	Singapore	13,278.88	(17,140.08)	4,398.39	4,398.39	480.83	0.15	(64.60)	-	(64.60)	-
7	Unit of Currency - USD	India	2,61,01,000.00	(3,36,90,576.00)	86,45,478.00	86,45,478.00	9,45,118.00	303.00	(1,26,971.00)	-	(1,26,971.00)	-
8	Campan Properties Limited	India	356.36	(2,804.80)	13,171.41	13,171.41	-	414.72	3.68	-	3.68	-
9	Reliance Webstore Limited	India	5.00	248.71	50,059.72	50,059.72	517.89	27,914.23	5.86	1.15	4.71	-
10	Reliance Infocomm Infrastructure Private Limited	India	500.00	(162.35)	91,255.82	91,255.82	0.51	17,378.07	43.46	35.03	8.42	-
11	Reliance Telecom Limited	India	8,000.00	1,512.01	8,01,333.00	8,01,333.00	-	264,394.00	14,029.00	-	14,029.00	-
12	Reliance Big TV Limited	India	1,000.00	(50,263.70)	33,601.17	33,601.17	0.34	36,558.98	(16,799.88)	-	(16,799.88)	-
13	Reliance Tech Services Private Limited	India	1.82	(46.99)	14,807.67	14,807.67	0.23	28,668.32	40.45	14.60	25.85	-
14	Reliance Mobile Commerce Limited	India	200.00	13.06	220.83	220.83	-	18.89	18.66	6.12	12.54	-
15	Reliance Globalcom BV	The Netherlands	1,132.66	2,29,438.35	4,88,995.47	4,88,995.47	60,341.26	28.21	(10,288.37)	-	(10,288.37)	-
16	Unit of Currency - USD	USA	22,26,368.00	45,098,472.00	96,11,70,456.00	96,11,70,456.00	11,86,06,891.00	55,443.00	(2,02,22,849.00)	-	(2,02,22,849.00)	-
17	Reliance Infocomm Inc.	USA	457.88	(737.73)	3,090.88	3,090.88	-	7.02	1.85	(0.49)	2.34	-
18	Unit of Currency - USD	USA	9,00,000.00	(14,50,082.37)	60,75,442.08	60,75,442.08	-	13,794.64	3,631.15	(962.26)	4,593.41	-
19	Reliance Communications Inc.	USA	2,543.75	2,753.70	60,198.79	60,198.79	-	1,69,028.06	5,725.87	1,092.64	4,633.23	-
20	Unit of Currency - USD	USA	50,000,000.00	54,12,677.62	11,83,26,850.92	11,83,26,850.92	-	33,224,188.08	1,12,54,785.15	21,47,693.53	91,07,091.62	-
21	Reliance Communications International Inc.	USA	5.09	4,560.48	12,873.77	12,873.77	-	14,179.31	336.50	23.56	312.94	-
22	Unit of Currency - USD	USA	10,000.00	89,64,094.41	2,53,04,713.32	2,53,04,713.32	-	2,78,70,869.95	6,61,422.37	46,300.00	6,15,122.37	-
23	Reliance Communications Canada Inc.	USA	5.09	(73.29)	479.01	479.01	-	673.90	21.51	1.64	19.87	-
24	Unit of Currency - USD	USA	10,000.00	(1,44,066.83)	9,41,533.59	9,41,533.59	-	13,24,619.00	42,277.25	3,225.00	39,052.25	-
25	Bonn Investment Inc.	USA	5.09	(596.63)	3,710.44	3,710.44	-	10.18	(118.72)	(5.41)	(113.31)	-
26	Unit of Currency - USD	USA	10,000.00	(11,72,746.76)	72,93,252.58	72,93,252.58	-	20,000.00	(2,33,352.39)	(10,630.13)	(2,22,722.26)	-
27	Reliance Communications (U.K.) Limited	United Kingdom	11.19	3,753.10	16,733.61	16,733.61	-	63,192.09	(319.09)	-	(319.09)	-
28	Unit of Currency - GBP	United Kingdom	13,740.29	46,07,437.17	2,05,42,748.06	2,05,42,748.06	-	7,75,76,757.51	(3,91,719.61)	-	(3,91,719.61)	-
29	Reliance Communications (Hong Kong) Limited	Hong Kong	0.00	1,050.81	3,718.44	3,718.44	-	19,657.51	1,567.09	-	1,567.09	-
30	Unit of Currency - USD	Hong Kong	0.13	20,65,476.80	73,08,971.12	73,08,971.12	-	38,63,883.00	30,80,277.11	-	30,80,277.11	-
31	Reliance Communications (Australia) Pty. Limited	Australia	0.00	164.33	353.41	353.41	-	116.82	33.82	-	33.82	-
32	Unit of Currency - AUD	Australia	1.00	3,05,164.52	6,56,287.33	6,56,287.33	-	2,16,939.56	62,808.03	-	62,808.03	-
33	Reliance Communications (New Zealand) Pre. Limited	New Zealand	0.00	(50.66)	1,000	1,000	-	2.66	0.84	-	0.84	-
34	Unit of Currency - NZD	New Zealand	1.00	(1,19,192.80)	23,529.06	23,529.06	-	6,260.52	1,972.81	-	1,972.81	-
35	Reliance Communications (Singapore) Pre. Limited	Singapore	36.86	1,27,569.86	1,27,808.42	1,27,808.42	-	21.04	8.53	-	8.53	-
36	Unit of Currency - USD	Singapore	72,450.00	25,075,156.70	25,12,204,870.00	25,12,204,870.00	-	41,353.00	16,766.00	-	16,766.00	-
37	Anupam Globalsoft (U) Limited	Uganda	614.62	(381.16)	2,135.52	2,135.52	-	1.48	1.48	-	1.48	-
38	Unit of Currency - Ushs	Uganda	3,00,000,000.00	(1,87,76,33,116.40)	10,51,98,22,569.44	10,51,98,22,569.44	-	29,066.69	72,84,625.91	-	72,84,625.91	-
39	Reliance Globalcom Limited, Bermuda	Bermuda	1,38,206.92	79,910.78	8,30,050.94	8,30,050.94	-	1,18,248.91	54,370.02	41.59	54,328.42	-
40	Unit of Currency - USD	Bermuda	27,16,59,797.00	14,81,00,995.33	1,61,91,25,446.98	1,61,91,25,446.98	-	23,24,91,243.50	9,09,31,287.78	81,752.60	9,08,49,535.18	-
41	Unit of Currency - USD	Hong Kong	5.12	310.49	5,180.78	5,180.78	-	6,395.34	981.22	-	936.91	-
42	Unit of Currency - USD	Hong Kong	10,063.87	6,10,296.72	1,01,83,344.89	1,01,83,344.89	-	125,70,691.87	19,28,694.32	87,096.91	18,41,597.41	-
43	Unit of Currency - USD	Hong Kong	46.50	(40,498.90)	4,351.91	4,351.91	-	1,504.16	(3,532.98)	0.85	(3,533.83)	-
44	Unit of Currency - USD	Japan	91,405.17	(7,96,04,720.72)	85,54,121.38	85,54,121.38	-	29,55,687.35	(69,44,436.72)	1,674.41	(69,46,111.13)	-
45	Unit of Currency - USD	Singapore	14.50	(6,142.36)	502.00	502.00	-	248.54	(708.83)	-	(708.83)	-
46	Unit of Currency - USD	Singapore	28,504.68	(1,20,73,426.88)	9,86,735.46	9,86,735.46	-	4,88,524.04	(13,93,275.01)	-	(13,93,275.01)	-

Reliance Communications Limited

Financial Information of Subsidiary Companies

(₹ in lakh unless otherwise stated)

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed Dividend
30	Seoul Telenet Inc. Unit of Currency - USD	Korea	1,132.58	(7,815.42)	2,070.54	2,070.54	-	1,421.48	(300.33)	-	(300.33)	-
31	FLAG Holdings (Taiwan) Limited Unit of Currency - USD	Taiwan	22,65,518.80	(1,53,62,009.37)	40,69,853.26	40,69,853.26	-	27,94,061.17	(5,90,333.17)	-	(5,90,333.17)	-
32	Unit of Currency - USD	Taiwan	2,738.09	(251.14)	5,120.51	5,120.51	-	0.03	(1,347)	22.31	(35.78)	-
33	Unit of Currency - USD	Taiwan	53,81,987.56	(4,93,637.14)	1,00,64,879.48	1,00,64,879.48	-	62.54	(26,47,329)	43,852.15	(70,325.44)	-
34	Unit of Currency - USD	United Kingdom	6,376.03	(2,114.97)	14,735.36	14,735.36	-	2,876.89	(3,562.21)	41.00	(3,603.21)	-
35	Unit of Currency - USD	United Kingdom	1,25,32,745.19	(41,57,181.14)	2,89,63,860.03	2,89,63,860.03	-	56,54,818.14	(70,01,880.74)	80,590.15	(70,82,470.89)	-
36	Unit of Currency - USD	United Kingdom	0.00	(125.58)	2,505.07	2,505.07	-	4,250.63	(78.35)	-	(78.35)	-
37	Unit of Currency - USD	United Kingdom	3.00	(2,46,847.00)	49,23,976.54	49,23,976.54	-	83,55,047.78	(1,54,01,200)	-	(1,54,01,200)	-
38	Unit of Currency - USD	United Kingdom	11.62	(150.22)	5.01	5.01	-	8.75	(69.97)	0.38	(70.34)	-
39	Unit of Currency - USD	United Kingdom	22,835.00	(2,95,274.43)	9,839.72	9,839.72	-	17,202.47	(1,37,528.26)	740.32	(1,38,268.58)	-
40	Unit of Currency - USD	United Kingdom	0.01	(402.89)	0.24	0.24	-	-	(385.35)	-	(385.35)	-
41	Unit of Currency - USD	United Kingdom	18.00	(9,17,788.53)	1,517.26	1,517.26	-	-	(14,336.10)	-	(14,336.10)	-
42	Unit of Currency - USD	United Kingdom	0.01	32,394.49	91,453.55	91,453.55	-	55,239.79	(1,825.81)	-	(1,825.81)	-
43	Unit of Currency - USD	United Kingdom	18.00	6,36,74,664.74	17,97,61,269.19	17,97,61,269.19	-	10,85,79,442.93	(35,88,816.85)	(35,55,420.01)	(33,396.84)	-
44	Unit of Currency - USD	United Kingdom	0.01	(5,829.25)	1,945.61	1,945.61	-	34,360.75	30,583.28	(0.18)	30,583.46	-
45	Unit of Currency - USD	United Kingdom	18.00	(1,14,57,618.74)	38,78,053.83	38,78,053.83	-	6,75,43,360.06	6,01,14,933.00	(358.98)	6,01,15,291.98	-
46	Unit of Currency - USD	United Kingdom	0.00	(61,045.43)	4,421.41	4,421.41	-	3,867.66	(3,89,958.43)	-	(3,89,958.43)	-
47	Unit of Currency - USD	United Kingdom	2.00	(11,99,91,007.98)	86,90,724.58	86,90,724.58	-	76,02,274.16	(3,89,958.43)	-	(3,89,958.43)	-
48	Unit of Currency - USD	United Kingdom	18.86	(50,479.18)	2,39,476.00	2,39,476.00	-	60,042.70	20,561.09	-	20,431.35	-
49	Unit of Currency - USD	United Kingdom	37,080.00	(14,22,49,414.86)	47,07,14,505.79	47,07,14,505.79	-	7,79,09,023.23	(26,12,523.59)	2,55,003.19	(28,67,526.78)	-
50	Unit of Currency - USD	United Kingdom	7.77	(162.66)	23.81	23.81	-	8.68	(196.3)	-	(28.31)	-
51	Unit of Currency - USD	United Kingdom	15,282.00	(3,19,728.85)	46,800.89	46,800.89	-	-	(38,593.37)	17,058.60	(55,651.97)	-
52	Unit of Currency - USD	United Kingdom	25.94	(149.80)	27.85	27.85	-	-	(9.57)	-	(9.57)	-
53	Unit of Currency - USD	United Kingdom	50,996.00	(2,94,445.53)	54,734.29	54,734.29	-	-	(18,802.57)	-	(18,802.57)	-
54	Unit of Currency - USD	United Kingdom	27.16	(5,402.09)	106.86	106.86	-	287.42	(377.79)	-	(377.79)	-
55	Unit of Currency - USD	United Kingdom	53,389.00	(1,06,18,367.98)	2,10,046.73	2,10,046.73	-	5,64,947.00	(7,42,580.37)	-	(7,42,580.37)	-
56	Unit of Currency - USD	United Kingdom	6.72	(75.69)	27.92	27.92	-	164.75	15.30	-	15.30	-
57	Unit of Currency - USD	United Kingdom	13,201.00	(1,48,769.02)	54,875.58	54,875.58	-	3,23,383.03	30,082.03	-	30,082.03	-
58	Unit of Currency - USD	United Kingdom	123.24	93,061.46	1,75,895.83	1,75,895.83	-	(5.29)	(2,998.79)	-	(2,998.79)	-
59	Unit of Currency - USD	United Kingdom	2,42,250.00	18,29,21,787.08	34,57,41,180.05	34,57,41,180.05	-	(10,390.65)	(58,94,434.27)	-	(58,94,434.27)	-
60	Unit of Currency - USD	United Kingdom	0.00	(32,844.39)	5,855.98	5,855.98	-	5,650.01	(1,477.52)	9.55	(1,487.08)	-
61	Unit of Currency - USD	United Kingdom	1.00	(6,45,58,990.88)	1,15,10,522.04	1,15,10,522.04	-	1,11,05,679.16	(29,04,225.24)	18,774.51	(29,22,999.75)	-
62	Unit of Currency - USD	United Kingdom	6.11	3,405.48	2,90,788.50	2,90,788.50	-	2,691.49	2,662.45	-	2,662.45	-
63	Unit of Currency - USD	United Kingdom	12,000.00	66,93,809.98	57,15,74,446.22	57,15,74,446.22	-	52,90,395.00	52,33,324.80	-	52,33,324.80	-
64	Unit of Currency - USD	United Kingdom	6.11	3,07,099.27	4,23,376.49	4,23,376.49	-	5,493.90	(22.79)	-	(22.79)	-
65	Unit of Currency - USD	United Kingdom	12,000.00	60,36,34,932.97	85,34,60,627.35	85,34,60,627.35	-	68,13,079.61	(44,801.70)	-	(44,801.70)	-
66	Unit of Currency - USD	United Kingdom	1.60,737.82	(13.23)	1,60,751.05	1,60,751.05	-	-	(4.07)	-	(4.07)	-
67	Unit of Currency - USD	United Kingdom	31,59,46,574.78	(26,000.00)	31,59,72,574.78	31,59,72,574.78	-	36,230.35	(8,000.00)	-	(8,000.00)	-
68	Unit of Currency - USD	United Kingdom	1,49,545.32	(29,794.42)	1,55,289.63	1,55,289.63	-	97.63	(6,962.83)	-	(7,060.46)	-
69	Unit of Currency - USD	United Kingdom	29,39,46,575.00	(5,85,63,967.00)	30,52,37,593.00	30,52,37,593.00	-	7,12,14,439.00	(1,36,86,143.00)	1,91,906.00	(1,38,78,049.00)	-
70	Unit of Currency - USD	United Kingdom	0.00	-	0.00	0.00	-	-	-	-	-	-
71	Unit of Currency - USD	United Kingdom	1.00	-	1.00	1.00	-	-	-	-	-	-
72	Unit of Currency - USD	United Kingdom	252.58	50,910.51	96,647.53	96,647.53	-	-	(4,041.79)	-	(4,041.79)	-
73	Unit of Currency - GBP	United Kingdom	3,10,072.00	6,24,99,475.00	11,86,47,802.00	11,86,47,802.00	-	-	(49,61,837.00)	-	(49,61,837.00)	-
74	Unit of Currency - GBP	United Kingdom	29.89	(34,399.86)	11,268.04	11,268.04	-	41,423.07	(525.61)	(9.23)	(516.37)	-
75	Unit of Currency - GBP	United Kingdom	36,690.00	(4,22,30,444.00)	1,38,33,028.00	1,38,33,028.00	-	5,08,52,366.00	(6,45,252.00)	(11,334.00)	(6,33,918.00)	-
76	Unit of Currency - GBP	United Kingdom	810.89	(560.25)	1,974.61	1,974.61	-	5,926.99	(332.29)	(23.01)	(309.28)	-
77	Unit of Currency - GBP	United Kingdom	9,95,471.00	(6,87,787.00)	24,24,093.00	24,24,093.00	-	72,76,171.00	(4,07,931.00)	(28,252.00)	(3,79,680.00)	-

Financial Information of Subsidiary Companies

(₹ in lakh unless otherwise stated)

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed Dividend
54	Vanco Sweden AB Unit of Currency - GBP	Sweden	38.40 47,145.00	274.35 3,36,801.00	574.60 7,05,403.00	574.60 7,05,403.00	-	1,095.62 13,45,017.00	(228.76) (2,80,830.00)	(57.49) (70,581.00)	(171.26) (2,10,249.00)	-
55	Vanco GmbH Unit of Currency - GBP	Germany	607.44 7,45,708.00	(12,452.05) (1,52,86,556.00)	4,060.92 49,85,329.00	4,060.92 49,85,329.00	-	21,008.47 2,57,90,707.00	362.21 4,44,657.00	(371.79) (4,56,424.00)	734.00 9,01,081.00	-
56	Vanco Deutschland GmbH Unit of Currency - GBP	Germany	1697 20,833.00	(5,183.24) (63,61,128.00)	438.27 5,38,038.00	438.27 5,38,038.00	-	4,558.79 55,96,521.00	(1,80,695.00) (1,80,695.00)	- (1,80,695.00)	(147.19) (1,80,695.00)	-
57	Vanco SRL (Italy) Unit of Currency - GBP	Italy	67.20 82,500.00	(1,321.98) (16,22,905.00)	6,101.15 74,89,976.00	6,101.15 74,89,976.00	-	5,386.11 66,12,170.00	1,673.30 20,54,204.00	6.08 7,462.00	1,667.22 20,46,742.00	-
58	Vanco BV (Holland) Unit of Currency - GBP	The Netherlands	13.58 16,667.00	(3,940.16) (48,37,076.00)	2,638.59 32,39,228.00	2,638.59 32,39,228.00	-	9,718.67 1,19,30,970.00	(108.33) (1,32,994.00)	0.76 934.00	(109.10) (1,33,929.00)	-
59	Euronet Spain SA Unit of Currency - GBP	Spain	84.85 1,04,167.00	434.59 5,33,513.00	848.57 10,41,738.00	848.57 10,41,738.00	-	3,222.94 39,56,594.00	510.94 6,27,246.00	0.36 440.00	510.58 6,26,805.00	-
60	Vanco SAS (France) Unit of Currency - GBP	France	203.64 2,50,000.00	(28,789.07) (3,53,42,446.00)	4,346.73 53,36,190.00	4,346.73 53,36,190.00	-	19,531.71 2,39,77,789.00	(1,467.44) (18,01,480.00)	- (1,467.44)	(1,467.44) (18,01,480.00)	-
61	Vanco Sp Zoo Unit of Currency - GBP	Poland	16.35 20,067.00	11.31 13,883.00	276.56 3,39,513.00	276.56 3,39,513.00	-	336.36 4,12,927.00	314.71 3,86,347.00	(0.00) (1.00)	314.71 3,86,349.00	-
62	Vanco EPE Unit of Currency - GBP	Greece	24.44 30,000.00	(12.84) (15,762.00)	37.19 45,660.00	37.19 45,660.00	-	18.92 23,229.00	(10.48) (12,866.00)	- (12,866.00)	(10.48) (12,866.00)	-
63	Vanco Australasia Pty Limited Unit of Currency - GBP	Australia	1,637.18 20,09,855.00	(4,573.79) (56,14,939.00)	2,277.17 27,95,534.00	2,277.17 27,95,534.00	-	10,256.34 1,25,91,027.00	517.07 6,34,771.00	4.38 5,381.00	512.69 6,29,390.00	-
64	Vanco NV Unit of Currency - GBP	Belgium	381.15 4,67,917.00	(5,507.13) (67,60,746.00)	148.13 1,81,846.00	148.13 1,81,846.00	-	2,036.57 25,00,158.00	(114.24) (1,40,239.00)	- (1,40,239.00)	(114.24) (1,40,239.00)	-
65	Vanco Japan KK Unit of Currency - GBP	Japan	557.5 68,437.00	36.79 45,166.00	132.97 1,63,237.00	132.97 1,63,237.00	-	247.12 3,03,373.00	993 12,196.00	(12.35) (15,159.00)	22.28 27,355.00	-
66	Vanco South America Ltda Unit of Currency - GBP	Brazil	223.92 2,74,886.00	(32.46) (39,850.00)	917.77 11,26,685.00	917.77 11,26,685.00	-	491.30 6,03,131.00	6.34 7,781.00	46.01 56,485.00	(39.67) (48,705.00)	-
67	Net Direct SA (Proprietary) Limited Unit of Currency - GBP	South Africa	0.01 800	(382.92) (4,70,084.00)	238.30 2,92,542.00	238.30 2,92,542.00	-	- -	- -	- -	- -	-
68	Vanco (Shanghai) Co. Ltd. Unit of Currency - GBP	China	90.89 1,11,583.00	(44.08) (54,119.00)	37.70 46,276.00	37.70 46,276.00	-	81.35 99,864.00	4.31 5,296.00	(2.28) (2,804.00)	6.60 8,100.00	-
69	Vanco Solutions Inc. Unit of Currency - GBP	USA	25.49 31,287.00	(901.60) (11,06,840.00)	246.46 3,02,562.00	246.46 3,02,562.00	-	3,046.53 37,40,029.00	(457.77) (5,61,969.00)	31.88 39,140.00	(489.65) (6,01,109.00)	-
70	Vanco US LLC Unit of Currency - GBP	USA	1,070.40 13,14,060.00	(13,722.38) (1,68,46,064.00)	3,808.49 46,75,436.00	3,808.49 46,75,436.00	-	20,353.38 2,49,86,504.00	211.92 2,60,155.00	122.24 1,50,062.00	89.68 1,10,093.00	-
71	Vanco International Limited Unit of Currency - GBP	United Kingdom	82.54 1,01,325.00	51.65 63,413.00	3,224.17 39,58,097.00	3,224.17 39,58,097.00	-	7,681.89 94,30,549.00	741.81 9,10,677.00	- -	741.81 9,10,677.00	-
72	Vanco Switzerland A.G. Unit of Currency - GBP	Switzerland	56.39 69,228.00	36.10 44,323.00	213.21 2,61,747.00	213.21 2,61,747.00	-	365.82 4,49,089.00	(75.76) (93,004.00)	15.05 18,470.00	(90.80) (1,11,474.00)	-
73	Vanco Benelux BV Unit of Currency - GBP	The Netherlands	12.32 15,126.00	340.17 4,17,608.00	403.39 4,95,219.00	403.39 4,95,219.00	-	149.86 1,83,972.00	60.77 74,599.00	(0.17) (206.00)	60.93 74,805.00	-
74	Vanco Global Limited Unit of Currency - GBP	United Kingdom	220.04 2,70,126.00	(1,987.95) (24,40,480.00)	1,234.24 15,15,200.00	1,234.24 15,15,200.00	-	4,728.16 58,04,456.00	241.17 2,96,074.00	- -	241.17 2,96,074.00	-
75	Vanco ROW Limited Unit of Currency - GBP	United Kingdom	0.00 2.00	730.92 8,97,300.00	1,135.72 13,94,246.00	1,135.72 13,94,246.00	-	3,684.16 45,22,796.00	115.73 1,42,074.00	- -	115.73 1,42,074.00	-

Reliance Communications Limited

Financial Information of Subsidiary Companies

(₹ in lakh unless otherwise stated)

Sl. No.	Particulars	Country	Capital	Reserves	Total Assets	Total Liabilities	Investment (except in case of investment in subsidiaries)	Total Income	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed Dividend
76	VNO Direct Limited	United Kingdom	423.58	(3,137.02)	-	-	-	-	(6.53)	-	(6.53)	-
77	Unit of Currency - GBP Reliance Wimax World BVI	British Virgin Island	5,20,000.00 40,700.51	(38,51,113.00) (12,217.02)	-	-	-	-	(8,020.00)	-	(8,020.00)	-
78	Unit of Currency - USD Reliance Wimax World B.V.	The Netherlands	8,00,01,000.00 12.22	(2,40,13,808.00) (1,124.99)	34,257.50 6,73,36,611.00	34,257.50 6,73,36,611.00	2,238.50 44,00,000.00	-	-	-	-	-
79	Unit of Currency - EUR Reliance Wimax World Limited	United Kingdom	18,000.00 0.08	(16,57,615.00) 6.06	1,728.98 25,47,570.00	1,728.98 25,47,570.00	-	-	-	-	-	-
80	Unit of Currency - GBP Reliance Wimax World LLC	USA	100.00	7,441.00	11.09	11.09	-	-	-	-	-	-
81	Unit of Currency - USD Reliance Wimax Congo-Brazzaville BV	The Netherlands	-	-	13,618.00	13,618.00	-	-	-	-	-	-
82	Unit of Currency - EUR Reliance Wimax Guinea BV	The Netherlands	126.40 1,86,242.00	(20.58) (30,318.09)	134.32 1,97,907.00	134.32 1,97,907.00	-	-	-	-	-	-
83	Unit of Currency - EUR Access Guinea SARL	The Netherlands	454.18 6,69,204.00	(20.96) (30,884.00)	724.69 10,67,799.00	724.69 10,67,799.00	-	-	-	-	-	-
84	Unit of Currency - GNF Interconnect Brazzaville S.A.	Guinea	0.36	(480.42)	141.05	141.05	-	-	-	-	-	-
85	Unit of Currency - CFA Reliance Wimax Sierra Leone B.V.	Republic of Congo	50,00,000.00 22.68	(6,67,25,49,767.00) (133.94)	1,95,90,45,356.00 12.64	1,95,90,45,356.00 12.64	-	-	-	-	-	-
86	Unit of Currency - EUR Equatorial Communications Limited	The Netherlands	2,20,00,000.00 212.43	(12,99,08,958.00) (23.62)	1,22,59,399.00 192.71	1,22,59,399.00 192.71	-	-	-	-	-	-
87	Unit of Currency - SLL Reliance Wimax Cameroon B.V.	Sierra Leone	3,13,002.00 0.00	(34,797.00) (16.93)	2,83,955.00 135.25	2,83,955.00 135.25	-	-	-	-	-	-
88	Unit of Currency - EUR Equatorial Communications SARL	The Netherlands	1,000.00 13.57	(14,34,81,672.00) (21.77)	1,14,62,15,080.00 0.19	1,14,62,15,080.00 0.19	-	-	-	-	-	-
89	Unit of Currency - CFA Lagerwood Investments Limited	Cameroon	20,000.00 51.55	(32,075.00) (181.04)	279.00	279.00	-	-	-	-	-	-
90	Unit of Currency - USD Reliance Telecom Infrastructure Holdings Limited	Cyprus	5,00,00,000.00 2,350.00	(17,55,96,484.00) (1,303.12)	-	-	-	-	-	-	-	-
91	Unit of Currency - USD Reliance Wimax World DRC B.V.	Cyprus	1,20	(11.40)	107.59	107.59	-	-	-	-	-	-
92	Unit of Currency - EUR Reliance Wimax Gambia B.V.	The Netherlands	2,350.00 12.22	(22,406.00) (16.88)	2,11,472.00 5.29	2,11,472.00 5.29	-	-	-	-	-	-
93	Unit of Currency - EUR Reliance Wimax Mauritius B.V.	The Netherlands	2,350.00 12.22	(25,61,421.00) (15.11)	4,407.96 5.86	4,407.96 5.86	-	-	-	-	-	-
94	Unit of Currency - EUR Reliance Wimax Mozambique B.V.	The Netherlands	2,350.00 12.22	(28,069.67) (15.11)	86,64,293.00 5.32	86,64,293.00 5.32	-	-	-	-	-	-
95	Unit of Currency - EUR Reliance Wimax Niger B.V.	The Netherlands	18,000.00 14.25	(22,271.00) (17.28)	8,630.33 0.00	8,630.33 0.00	-	-	-	-	-	-
96	Unit of Currency - EUR Reliance Wimax Zambia B.V.	The Netherlands	18,000.00 12.22	(22,271.00) (13.63)	7,835.00 0.08	7,835.00 0.08	-	-	-	-	-	-
97	Unit of Currency - EUR Access Bissau LDA	Guinea Bissau	18,000.00 1.03	(20,083.88) (242.91)	112.00 0.82	112.00 0.82	-	-	-	-	-	-
	Unit of Currency - CFA		10,00,000.00	(23,56,03,791.00)	8,00,000.00	8,00,000.00	-	-	-	-	-	-

Note

- The Financial year of the Subsidiaries is for 12 months from April 1, 2011 to March 31, 2012
- Exchange Rate as of March 31, 2012 1 USD = ₹ 50.875 1 Euro = ₹ 67.868 1 GBP = ₹ 81.458 1 AUD = ₹ 53.85 1 NZD = ₹ 42.499 1 USdt = ₹ 0.020 1 CFA = ₹ 0.103 1 GNF = ₹ 0.01 1 SLL = ₹ 0.012

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