



## Reliance Communications Limited

ICRA has revised the long term rating from LAA+ (pronounced as L double A plus) to LAA (pronounced as L double A) assigned to the Rs. 5,000 crore Non-Convertible Debenture (NCD) Programme and Rs. 28,116 crore Long-Term Fund Based/Non-Fund Based Limits of Reliance Communications Limited (RCOM)<sup>†</sup>. The long term rating continues to remain under watch with negative implications. This apart, ICRA also has an outstanding rating of A1+ (pronounced as A one plus) against the Rs. 7,314 crore Short-Term Fund-Based/Non-Fund Based Limits and Rs. 2,000 crore Commercial Paper Programme of RCOM.

While placing the long term rating of the company on watch with negative implications in March 2011, ICRA had noted that the key rating sensitivities are the proposed equity raising plans, reduction in debt levels and improvement in its operating profitability leading to improvements in its credit metrics. The company's management has maintained that the equity raising plans are in progress and any such infusion would be used to deleverage the company. The rating action takes into consideration the delay in the proposed equity infusion and continuing regulatory uncertainties, which in ICRA's opinion, may impact the company's ability to deleverage its balance sheet. However, while the debt levels of the company continue to remain high, the repayment obligation in the short term has eased considerably with the company availing of a long term facility aggregating to USD 1.93 Billion from the China Development Bank which includes USD 1.33 billion for refinancing short term loans falling due. This has resulted in a favourable change in the maturity profile of the debt outstanding. While the company is making concerted efforts to infuse equity in order to improve its capital structure, its ability to do so continues to remain the key rating sensitivity.

The rating continues to derive strength from RCOM's established position as a leading and integrated service provider with its presence spanning wireless services, wire-line services, enterprise connectivity solutions, domestic and international long distance segments (voice and data services), and direct-to-home (DTH) pay television services; the operational strengths it derives from its pan-India network; and its large customer base (around 136 million wireless subscribers as on end-March 2011). Also, despite intense competitive pressures, the company has been able to maintain its Rate per minute (RPM) and reported increase in net subscribers additions which is likely to improve its profitability going forward. Moreover, the ratings also factor in significant operational and cost synergies available to RCOM because of infrastructure and resource sharing between CDMA and GSM networks and its established pan-India marketing and distribution setup.

### Company Profile

Reliance Communications Limited, founded by the late Shri Dhirubhai H. Ambani (1932-2002), is the flagship of the Reliance Anil Dhirubhai Ambani Group. RCOM is among India's largest integrated telecommunications service providers. The company ranks among the Top 10 telecom companies (in terms of subscriber base) in the world. RCOM's corporate clientele includes over 2,100 Indian and multinational corporations, and over 800 global, regional and domestic carriers.

RCOM has established a pan-India, next generation, integrated (wireless and wire-line), convergent (voice, data and video) digital network that is capable of supporting services spanning the entire communications value chain, covering over 24,000 towns and 600,000 villages. RCOM also owns and operates next generation IP enabled connectivity infrastructure, comprising over 277,000 km of fibre optic cable systems in India, USA, Europe, West Asia, Middle East and the Asia-Pacific region.

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<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications  
\* Nation-wide



## KEY FINANCIALS (CONSOLIDATED<sup>†</sup>)

	2007-08	2008-09	2009-10	2010-11
Operating Income	18,871	22,604	21,923	22,430
OPBDIT	7,871	8,961	7,611	8,404
PAT (before minority interest)	6,793	6,249	4,777	1,506
Equity Capital	1,032	1,032	1,032	
Net Worth (including minority interest)	31,457	42,935	44,019	
OPBDIT/ Operating Income (%)	41.7%	39.6%	34.7%	37.5%
PAT/ Operating Income (%)	36.0%	27.6%	21.8%	6.7%
PBIT/ (Total Debt + Net Worth +Deferred Tax Liability - Capital Work in Process) (%)	19.2%	10.5%	10.9%	
OPBDIT/ Interest & Finance Charges (Times)	7.37	7.12	4.90	7.84
Net Cash Accruals / Total Debt (%)	36%	25%	28%	
Total Debt/ Net Worth (Times)	0.82	0.91	0.68	

**Note: Amount in Rs. Crore**

*OPBDIT - Operating Profit before Depreciation, Interest & Tax*

*PAT - Profit after Tax*

*PBIT - Profit before Interest & Tax*

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<sup>†</sup> Consolidated numbers of RCOM have been considered for analysis.

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