

April 8, 2013

## RELIANCE COMMUNICATIONS LTD.

BSE Code: 532712

NSE Code: RCOM

Reuters Code:

RLCM.NS

Bloomberg Code: RCOM:IN

Reliance Communications Ltd (RCOM), the flagship company of Anil Dhirubhai Ambani led Reliance Group was founded in 2004. RCOM is engaged in providing telecommunications services. RCOM operates in four business segments, namely, Wireless, Global and Enterprise Business Unit (GEBU), Telecom Infrastructure and Home Segment.

### Investor's Rationale

**Top-line remained flat, up by 1.3% YoY due to marginal growth on segment front**

RCOM registered a marginal growth of 1.3% YoY in its consolidated net sales at ₹48.0 bn in Q3FY'13, as against ₹47.4 bn in the same quarter previous year. The growth was mainly attributable to rise in revenue from the company's GEBU and wireless business segments by 4.3% and 1.5% YoY to ₹24.5 bn and ₹45.2 bn, respectively.

**Bottom-line fell massively by 43.5% YoY on account of rise in financial cost**

The company posted a 43.5% YoY decline in net profit to ₹1.1 bn in Q3FY'13 on the back of rise in interest expenses by 58.8% YoY to ₹6.1 bn, followed by a decline in other income by 28.6% YoY to ₹1.7 bn. Moreover, decline in profit from its wireless business by 7.8% YoY to ₹6.6 bn further added to the already deteriorated bottom-line. As a result, NPM fell hugely by 170 bps to 2.0% against 3.7% in Q3FY'12.

**EBITDA margin expanded by 30bps**

RCOM's EBITDA rose marginally by 7.6% YoY to ₹14.9 bn as the company witnessed a rise in access charges as well as other expenses (as a percentage of sales) by 203bps and 174bps YoY to 14.8% and 49.1% from 12.8% and 47.3%, respectively. Consequently, EBITDA margin grew slightly by 30bps YoY to 29.0% from 28.7%.

**Key Performance Indicators (KPIs)**

The wireless subscribers fell by 12.0% QoQ to 118.5 mn in Q3FY'13 as a result, ARPU grew by 17.0% QoQ to ₹119 per subscriber and MoU per customer/month grew by 15.0% to 271 minutes per subscribers in the same period. The RPM increased by marginal 2.0% QoQ to ₹0.44 per minute in Q3FY'13. Further, total customer grew by 6.0% QoQ in Q3FY'13 to 27.6 mn, whereas the 3G customers grew by 27.0% QoQ to 6.1 mn for the same period. The total data traffic grew by 29.0% to 22,512 MBs and Data Usage per customer grew by 21.0% QoQ to 232 MBs for the same period.

### Market Data

|                            |                                     |
|----------------------------|-------------------------------------|
| CMP (₹)                    | 63.0                                |
| Target Price               | 70                                  |
| Stop Loss                  | 59                                  |
| Duration                   | Short-term                          |
| 52-week High-Low (₹)       | 91.9/46.6                           |
| Rise from 52WL (%)         | 35.3                                |
| Correction from 52WH (%)   | (31.4)                              |
| Beta                       | 2.7                                 |
| 1 year Average Volume (mn) | 11.0                                |
| Stock Return (%)           | 3M- (22.1)<br>6M- 2.0<br>1Y- (25.1) |
| Market Cap (₹bn)           | 129.7                               |
| Enterprise Value (₹bn)     | 487.5                               |

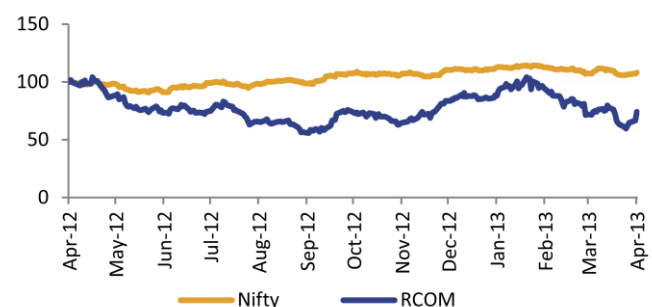
### Shareholding Pattern

|               | Dec'12 | Sep'12 | Chg |
|---------------|--------|--------|-----|
| Promoters (%) | 67.9   | 67.9   | -   |
| FII (%)       | 7.7    | 7.3    | 0.4 |
| DII (%)       | 9.4    | 9.3    | 0.1 |

### Quarterly Performance (Consolidated)

| (₹bn)      | Q3 FY'13 | Q3 FY'12 | Q2 FY'12 | YoY Change(%) | QoQ Change(%) |
|------------|----------|----------|----------|---------------|---------------|
| Revenue    | 48.0     | 47.4     | 46.3     | 1.3           | 3.5           |
| Op. exp    | 36.5     | 34.4     | 35.6     | 6.0           | 2.4           |
| EBITDA     | 14.9     | 13.8     | 14.7     | 7.6           | 1.4           |
| OPM (%)    | 29.0     | 28.7     | 29.2     | 30bps         | (19bps)       |
| Net profit | 1.1      | 1.9      | 1.0      | (43.5)        | 2.9           |
| NPM (%)    | 2.0      | 3.7      | 2.0      | (170bps)      | 2bps          |
| EPS (₹)    | 0.5      | 0.9      | 0.5      | (41.4)        | 2.0           |

### One Year Price Chart





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