

# **RELIANCE** Communications

Anil Dhirubhai Ambani Group

**Annual Report**  
**2007-08**  
**(Abridged)**

## Profile

Reliance Communications Limited (RCOM) is the flagship company of the Reliance Anil Dhirubhai Ambani Group, India's second largest business house.

RCOM is India's largest integrated and fully converged communications service provider in the private sector, and has been rated among "Asia's Top 5 Most Valuable Telecom Companies".

RCOM has a retail customer base of over 48 million as on 30<sup>th</sup> April, 2008 including over 1.5 million individual overseas retail customers. The corporate clientele includes 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 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 20,000 towns and 450,000 villages, and growing.

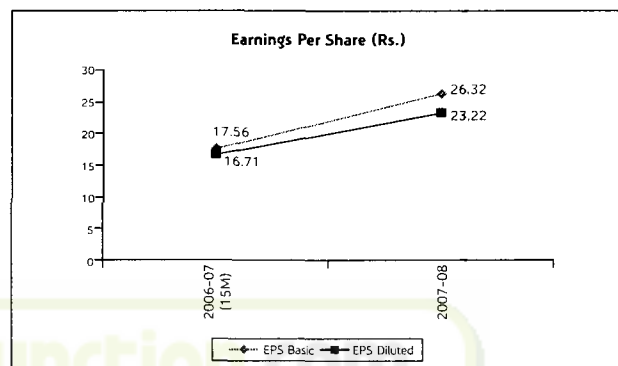
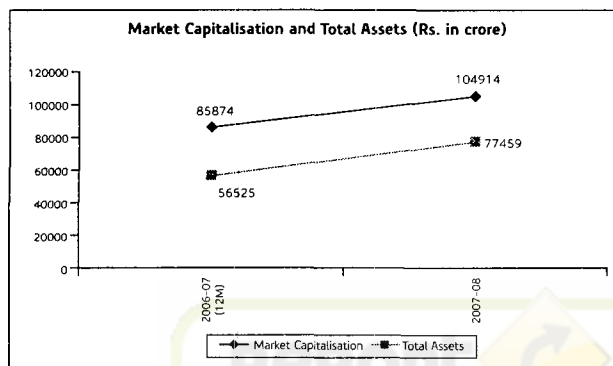
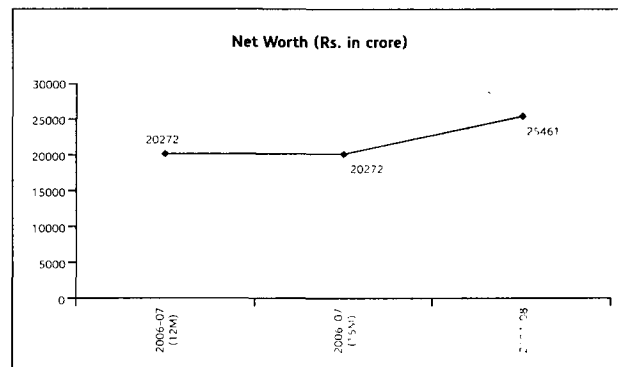
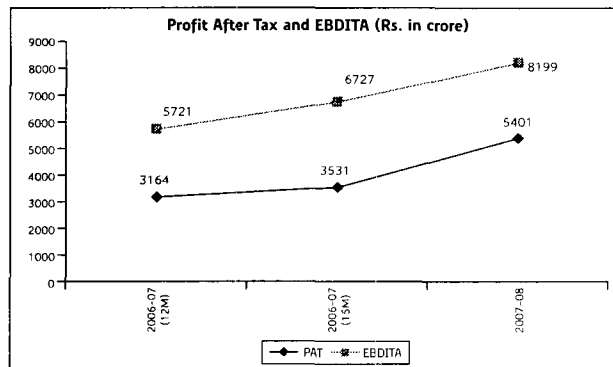
RCOM owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 175,000 kilometers of fibre optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.

## 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



Based on consolidated financials

## Business Mix

## Wireless

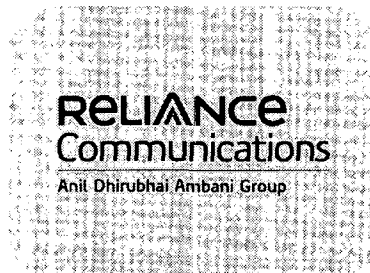
- Mobile (CDMA & GSM)
- VAS (Mobile World)
- Wireless Data
- Fixed Wireless
- Public Access Business

## Tower

- Multi tenancy towers (4x)
- Pan-India coverage
- Backhaul
- Support systems

## Globalcom

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



## Enterprise

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

## Home

- DTH
- IPTV

## Other businesses

## Tech Services

- Leveraging Internal IT Development Capabilities

## BPO

- Expertise in Telecom BFSI, Utilities & Media

## Retail

- Reliance World
- Reliance Mobile Store

## Reliance Communications Limited

### Letter to Shareowners



**"Growth has no limit. I keep revising my vision. Only when you dream it, you can do it."**

**- Dhirubhai H. Ambani**

#### **My dear fellow Shareowners,**

It gives me great pleasure to share with you the highlights of your Company's performance during the year 2007-08.

This has been yet another outstanding year for us, marked by impressive financial achievements, new launches, global acquisitions / consolidation, and accelerated network roll out, which has transformed your Company into a Global Telecom Operator.

This transformation is the outcome of the vision and business strategy of our Group, the Reliance Anil Dhirubhai Ambani Group, and India's second largest business house, to seek a larger canvas to innovate, perform and deliver superior returns to our stakeholders. It redefines our relentless quest towards value creation and reaffirms our Group's mission of building enduring assets for the nation.

*In a very short period of time, we have succeeded in firmly establishing our strong leadership position in becoming India's largest fully converged and integrated communications service provider in the private sector with over 48 million individual, enterprise, and carrier customers in India and across the world.*

We are set to create new benchmarks in Telecom Operations, Enterprise Solutions, Networking backbone infrastructure which will help in infrastructure development of India. Our new growth path will take full advantage of the core competencies we possess in building and managing world class integrated convergent infrastructure assets.

Our visionary founder Shri Dhirubhai H Ambani firmly believed that India's social and economic independence would fructify only if we create a nation wide web of core infrastructure facilities. He firmly believed that this would enable every Indian citizen to take full advantage of the humongous opportunities that exist in our country.

Our transformation into a Global Telecom and Infrastructure provider is guided by his vision. To formalise this metamorphosis, the Company has restructured the Global initiatives including portfolio of global communications business services, Global Voice, Managed Network, Carrier Ethernet, and Fiber Capacity Businesses into a single division named as Reliance Globalcom.

Our breakthrough strategy in all initiatives focuses on results. Our goal is to build a valued Company for all our stakeholders and a bright future for our country.

Reliance Communications has emerged as one of India's leading and fastest growing companies in the telecommunication sector, with group revenues of Rs 19,068 crore (US\$ 4,765 million), gross fixed assets of Rs 46,339 crore (US\$ 11,578.90 million) and market capitalisation of nearly Rs 1,19,662 crore (US\$ 29,901 million) as on 30<sup>th</sup> April, 2008.

#### **Performance Review**

You will be happy to note that your Company has consolidated and improved its financial and operational performance during the year.

The salient features on a consolidated basis for the financial year ended 31<sup>st</sup> March, 2008 and comparison with period of 12 month ended on 31<sup>st</sup> March, 2007 are:

- Net Profit After Tax of Rs. 5,401 crore (US\$ 1,350 million) as against Rs 3,164 crore (US\$ 734 million) higher by 70.70%;
- Total Revenue of Rs. 19,068 crore (US\$ 4,765 million) as against Rs 14,468 crore (US\$ 3,357 million) higher by 31.80%;
- Earnings before Interest, Depreciation/Amortisation and other items of Rs. 8,199 crore (US\$ 2,049 million) as against Rs 5,721 crore (US\$ 1,327 million) higher by 43.30%;
- Return on Net Worth for the year is 26.75% reflecting improved resource utilisation;
- Earnings per Share of Rs. 26.32 (basic) and Rs. 23.22 (diluted);
- Net Worth of Rs. 25,461 crore (US\$ 6362 million) – among the top three companies in India;

Your company enjoys the highest-credit-quality ratings of 'LAAA' for long term debt and 'A1+' for short term debt assigned respectively by ICRA – a resounding re-affirmation of our unwavering and long-standing commitment to financial prudence and conservatism.

Our robust financial numbers have enabled us to recommend an increased dividend of 15%.

#### **Platform for Growth**

We are focused on delivering cutting-edge products and services which are compelling in terms of service as well as features and functionality. As an emphasis on success in consumer technologies, we are also working to define the next era of consumer deliverables.

#### **Voice**

We are the one of the leading Company to provide benefit of dual technology covering GSM and CDMA services in India. Our CDMA wireless service operates across the country, while the GSM wireless service operates in 8 licensed service areas (Circles) of Eastern and Central India. Our Nationwide GSM launch, slated for the end of 2008, will propel us to a new growth orbit and fundamentally transform the dynamics of the Indian telecom market both in terms of price as well as the choice of technology.

## Reliance Communications Limited

### Letter to Shareowners

#### Global

We are continuously investing in growth initiatives for businesses and customers that leverage the power of these emerging technologies in new ways across the world.

#### Broadband

Our scalable Network leased lines supporting Single to Multiple links provide good potential for Wide Area Network (WAN) bandwidth requirements, which are growing at rates exceeding 30% per year.

We have the largest hosting facility in India with 6 Data Centers aggregating to 2,50,000 sq.ft and cater to more than 60% of content hosted in India. Web hosting and surfing has become an important activity of every enterprise. Our competitive pricing, scalable managed network services and hosting suites makes us the most preferred choice in the Industry.

#### Value added

Our dynamic Telecom Services bundled with global reach Enterprise Business Solutions such as Virtual Private Network, Bandwidth Aggregation, Hosting services, Managed Network Services and Voice solutions; touch every enterprise constituent across the industries. Reliance Business Solutions carve an edge for the Company. An Edge created through innovation, operational excellence, cost leadership, effective communication and delightful customer experience.

#### Customer Support

Our retail presence of about 2,000 exclusive Reliance World and RCOM outlets on pan India basis, serves as the smart front office interface for sales and service to our customers. Our customer service is further supported by 24 X 7 ISO certified contact centre facility capable to handle over 15 languages. Our International Contact Centre solutions provide virtual business presence across the Globe.

#### Future Growth Drivers

While India is now widely acknowledged as the world's fastest growing telecom market, it still enjoys only around 20 per cent tele-density (wireline plus wireless), with nearly 70 per cent of households unable to access any wireline telecom service. The prospects for growth remain as robust as ever. To ride this enormous boom and retain our strong competitive advantage, we have launched a whole new range of products and services – from feature-rich low-end handsets to aggressive and innovative tariff plans. These path-breaking initiatives will not only broaden our subscriber base but also offer our millions of customer's real choice in both CDMA and GSM networks.

#### New Initiatives

##### Entertainment

Our DTH and IPTV services, slated for launch later this year, will begin our journey towards entertainment segment, which will use the power of our network technology in its roll out. This will create new opportunities for us to deliver end-to-end experiences consolidating our unique position in the industry.

##### Tower Infrastructure

Our pioneering efforts to tie up with other operators to co-lease space for passive infrastructure on our towers have met with a huge positive response. Even as we formalise these arrangements, we have also taken the lead in setting up and managing infrastructure sites, and in providing mobile services in specified rural and remote areas of the country.

##### Technology and Intelligence Repository

We have recently launched Reliance Tech, an arm to garner and build technical knowledge repository, which will serve as a strong platform for providing innovative solutions to high end industry segments.

#### Cost effective measures

To improve our competitiveness and become even more cost effective, we are exploring the joint venture route in managing our network services.

#### Growth strategy

We are well-positioned to build on our strength with convergent telecom businesses of greater sizes. We will also continue to pursue new opportunities in high-performance convergent unified communications, enterprise solutions and business intelligence.

#### Corporate Governance

We have adopted the Reliance Anil Dhirubhai Ambani Group Corporate Governance Policies and Code of Conduct which has prescribed systems, processes and principles conforming to the international standards, aimed at promoting the interests of all our stakeholders.

#### Social Commitments

The Company continued to contribute actively to community welfare activities and took up several initiatives and measures related to education and healthcare.

#### Our Commitment

Our founder, the legendary Dhirubhai H. 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.

We will think bigger. Indeed not just bigger but better, creating ever greater value for all our stakeholders.



**Anil D. Ambani**

Chairman

30<sup>th</sup> April, 2008

## Reliance Communications Limited

### Board of Directors

Shri Anil D. Ambani - Chairman  
 Prof. J. Ramachandran  
 Shri S. P. Talwar  
 Shri Deepak Shourie  
 Shri A. K. Purwar

### Company Secretary & Manager

Shri Hasit Shukla

### Auditors

M/s. Chaturvedi & Shah  
 M/s. BSR & Co.

### Registered Office

H Block, 1<sup>st</sup> Floor  
 Dhirubhai Ambani Knowledge City  
 Navi Mumbai 400 710  
 Maharashtra, India

### Registrar & Transfer Agent

**Karvy Computershare Private Limited**  
 Plot No. 17-24, Vittal Rao Nagar  
 Madhapur, Hyderabad 500 081  
 Andhra Pradesh, India  
 Website : [www.karvy.com](http://www.karvy.com)

### Investor Helpdesk

Toll free no. (India) : 1800 4250 999  
 Telephone no.: +91 40 2342 0815 - 25  
 Fax : +91 40 2342 0859  
 Email : [rcom@karvy.com](mailto:rcom@karvy.com)

Post your request:

<http://kcpl.karvy.com/adag>

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**4th Annual General Meeting on Tuesday, 30<sup>th</sup> September, 2008 at 11.00 a.m.  
 at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020**

The Annual Report can be accessed at [www.rcm.co.in](http://www.rcm.co.in)



## Reliance Communications Limited

### Notice

Notice is hereby given that the fourth Annual General Meeting of the Members of **Reliance Communications Limited** will be held on Tuesday, the 30<sup>th</sup> day of September 2008 at 11.00 a.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, to transact the following business:

#### Ordinary Business

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2008, Profit and Loss Account 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 Prof. J. Ramachandran, 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 and M/s. BSR & Co, Chartered Accountants, 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 may be fixed by the Board of Directors."

#### Special Business

5. 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 Section 257 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof for the time being in force) Shri A. K. Purwar, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 48 of the Articles of Association of the Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."

**By Order of the Board of Directors**

**Hasit Shukla**  
**Company Secretary**

Registered Office:

H Block, 1<sup>st</sup> Floor  
Dhirubhai Ambani Knowledge City  
Navi Mumbai 400 710

30<sup>th</sup> April, 2008

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### Notes

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 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 representatives to attend and vote at the Meeting.
3. Members/proxies should fill-in the attendance slip for attending 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 Client ID and DP ID numbers 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. Members are requested to bring their Attendance Slip alongwith their copy of the annual report to 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.

7. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.
8.
  - a. The Company has already notified closure of Register of Members and Transfer Books thereof from Tuesday, the 23<sup>rd</sup> September, 2008 to Tuesday, the 30<sup>th</sup> September, 2008 (both days inclusive) for determining the names of members eligible for dividend, if approved, on equity shares for the year ended 31<sup>st</sup> March, 2008. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
  - 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 centers / branches of the said bank. The members are therefore, advised to encash dividend warrants within the initial validity period.

## Reliance Communications Limited

### Notes

9. 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
  - 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.
10. Appointment and Re-appointment of Directors: At the ensuing Annual General Meeting, Shri A. K. Purwar seeks appointment as Director and Prof. J. Ramachandran retire by rotation and being eligible, offers himself for reappointment. The details pertaining to Shri A. K. Purwar and Prof. J. Ramachandran as required to be provided pursuant to Clause 49 of the listing agreement are furnished in the Corporate Governance Report forming part of this Annual Report.
11. Members are advised to refer to the section titled "Investor Information" provided in this Annual Report.
12. The certificate from the Auditors of the Company in terms of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 for the Company's ESOS plans will be available for inspection at the Meeting.
13. Pursuant to Circular No. SEBI/CFD/DIL/LA/2/2007/26/4 dated 26<sup>th</sup> April, 2007, issued by the Securities and Exchange Board of India, the statement containing the salient features of Balance sheet, profit and loss account and auditors report (Abridged Financial Statements), is sent to the members, along with the 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.

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### Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 to the accompanying Notice dated 30<sup>th</sup> April, 2008.

#### Item No. 5

The Board of Directors of the Company ("The Board"), at its meeting held on 17<sup>th</sup> July, 2007 had, pursuant to the provisions of Section 260 of the Companies Act, 1956 ("the Act") and Article 48 of the Articles of Association of the Company, appointed Shri A. K. Purwar as an Additional Director of the Company.

In terms of the provisions of Section 260 of the Act, Shri A. K. Purwar will hold the Office up to the date of this Annual General Meeting.

The Company has received notice in writing from a member under provisions of Section 257 of the Act along with deposit of Rs. 500 proposing the candidature of Shri A. K. Purwar, as a Director liable to retire by rotation.

Brief resume of Shri A. K. Purwar, nature of his expertise, names of companies in which he holds directorships, number of shares held in the Company and memberships/chairmanships of Board Committees, as stipulated under Clause 49 of the listing agreement executed with the Stock Exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

The Board accordingly recommends the Ordinary Resolution set out at item No. 5 of the accompanying Notice for the approval of the Members.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution except Shri A. K. Purwar who may be deemed to be concerned or interested in the resolution relating to his appointment.

**By Order of the Board of Directors**

**Hasit Shukla**  
Company Secretary

Registered Office:

H Block, 1<sup>st</sup> Floor  
Dhirubhai Ambani Knowledge City  
Navi Mumbai 400 710

30<sup>th</sup> April, 2008



## Reliance Communications Limited

## Directors' Report

Dear Shareowners,

Your Directors have pleasure in presenting the fourth Annual Report and the audited accounts for the financial year ended 31<sup>st</sup> March, 2008.

## Financial Results

The performance of the Company for the financial year ended 31<sup>st</sup> March, 2008 is summarised below:

Particulars	Financial Year ended 31 <sup>st</sup> March, 2008		Fifteen Months ended 31 <sup>st</sup> March, 2007*	
	(Rs. in crore)	US\$ in million**	(Rs. in crore)	US\$ in million**
Total income	13,426.65	3,354.99	11,761.91	2,728.98
Gross profit before depreciation, amortisation and exceptional items	4,447.75	1,111.38	4,280.87	993.24
Less:				
a. Depreciation and amortisation	1,843.66	460.68	1,836.12	426.01
b. Exceptional items and other adjustments	—	—	23.90	5.55
Profit before tax	2,604.09	650.70	2,420.85	561.68
Less: Provision for:				
Current tax	2.10	0.52	0.27	0.06
Fringe benefit tax	15.54	3.89	11.73	2.72
Profit after tax	2,586.45	646.29	2,408.85	558.90
Add : Balance brought forward from previous year	2,294.90	573.44	5.65	1.31
Profit available for appropriation	4,881.35	1,219.73	2,414.50	560.21
<b>Appropriations:</b>				
Proposed dividend on equity shares	154.80	38.68	102.23	23.72
Tax on dividend	26.31	6.57	17.37	4.03
Transfer to General Reserve	400.00	99.95	—	—
Balance carried to balance sheet	4,300.24	1,074.53	2,294.90	532.46

\* The previous financial year of the Company was for a period of fifteen months, hence the figures are not comparable.

\*\* Exchange Rate Rs. 40.02 = US\$ 1 as on 31<sup>st</sup> March, 2008 (Rs.43.10= US\$1 as on 31<sup>st</sup> March, 2007).

## Financial Performance

During the year under review, your Company has earned total revenue of Rs.13,426.65 crore (12 months period) against Rs.11,761.91 crore (15 months period) in the previous year. The Company earned net profit of Rs.2,586.45 crore compared to Rs. 2,408.85 crore in previous year. Shareholders equity (Networth) increased to Rs.24,840.03 crore from Rs.20,525.54 crore in the previous year.

## Dividend

Your Directors have recommended a dividend of Re. 0.75 (15%) per equity share each of Rs. 5 for the financial year ended 31<sup>st</sup> March, 2008, which, if approved at the ensuing Annual General Meeting, will be paid to (i) all those equity shareholders whose names appear in the Register of Members as on 23<sup>rd</sup> September, 2008 and (ii) to those whose names as beneficial owners, are furnished by the National Securities Depository Limited and Central Depository Services (India) Limited for the purpose.

The dividend pay out as proposed is in accordance with the

Company's policy to pay sustainable dividend linked to long term performance, keeping in view the capital needs for the Company's growth plans and the intent to optimal financing of such plans through internal accruals.

## 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 the Annual Report.

The Company has 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.

## Business Operations

The Company operates on a pan-India basis and offers the full value chain of wireless, wireline, national long distance, international, voice, data, video and internet based communications services under various business units organised into three strategic

## Reliance Communications Limited

### Directors' Report

customer-facing business units; Wireless, Global and Broadband. These strategic business units are supported by fully integrated network operation system and by the largest retail distribution and customer services facilities. The Company also owns through its subsidiary, a global submarine cable network infrastructure and managed Ethernet and application delivery services.

During the year under review, the Department of Telecommunications (DOT), Government of India, had made necessary amendments to Unified Access Service Licenses (UASL) of the Company to enable the Company to offer GSM services in addition to existing CDMA services and made allotment of start up spectrum to the Company for providing GSM services in 14 Service Area. The DOT had also made necessary amendments to Unified Access Service Licenses (UASL) of Reliance Telecom Limited (RTL), wholly owned subsidiary of the Company, to enable RTL to offer CDMA services in Assam and North East Service Area in addition to existing GSM services and made allotment of start up spectrum to RTL for providing CDMA services in Assam and North East Service Area. Accordingly the Company together with RTL will, in due course, offer nation wide GSM and CDMA services.

### Amalgamation and Arrangement

#### a. Scheme of Arrangement for transfer of Passive Infrastructure

In terms of the Scheme of Arrangement amongst the Company, Reliance Telecom Limited (RTL) and Reliance Infratel Limited (RITL) (formerly known as Reliance Telecom Infrastructure Limited), subsidiaries of the Company and their respective shareholders and creditors, as sanctioned by the Hon'ble High Court of Judicature at Bombay vide order dated 16<sup>th</sup> March, 2007, the passive infrastructure of the Company and RTL was demerged and vested into RITL, with effect from 10<sup>th</sup> April, 2007.

#### b. Reorganisation of subsidiaries

During the year, the group structure involving various subsidiaries of the Company was reorganised in terms of the various Schemes under Sections 391 to 394 of the Companies Act, 1956 (the Act), as sanctioned by the Hon'ble High Courts of applicable jurisdictions. Consequently, Reliance Infainvestments Limited and Synergy Entrepreneur Solutions Private Limited (SESPL) amalgamated with Reliance Communications Infrastructure Limited with effect from 23<sup>rd</sup> July, 2007 and 1<sup>st</sup> September, 2007 respectively and Reliable Internet Services Limited amalgamated with Reliance Telecom Limited with effect from 29<sup>th</sup> September, 2007. FLAG Telecom USA Limited was merged with Yipes Holdings Inc. w.e.f. 17<sup>th</sup> December, 2007.

### Issue of shares upon FCCB Conversion and resultant increased paid-up share capital

- a. During the year under review, the Company had received conversion notices for 2,03,051 (40.61%) bonds out of 5,00,000 Zero Coupon Foreign Currency Convertible Bonds of US\$ 1,000 each aggregating to US\$ 500 million. The Company had allotted 1,87,44,801 equity shares of Rs. 5 each to the holders of the bonds opted for conversion.
- b. During the year under review, the Company had also received

conversion notice for 100 (1.00%) bonds out of 10,000 Zero Coupon Foreign Currency Convertible Bonds of US\$ 1,00,000 each aggregating to US\$ 1,000 million. The Company had allotted 6,67,090 equity shares of Rs. 5 each to the holder of the bonds opted for conversion.

Due to allotment of 1,94,11,891 equity shares of Rs. 5 each on conversion of FCCBs, the equity capital of the Company increased by Rs.9.71 crore and Share Premium Account increased by Rs.935.43 crore. The present paid-up equity share capital of the Company is 206,40,26,881 equity shares of Rs. 5 each aggregating to Rs. 1,032.01 crore.

### Subsidiary Companies

During the year under review, Reliance Tech Services Private Limited, Reliance Big TV Limited, Yipes Holdings Inc, Reliance Globalcom Services Inc, Yipes Systems Inc, YTV Inc, Anupam Globalsoft (U) Limited, Lagerwood Investments Limited and Reliance Telecom Infrastructure (Cyprus) Holdings Limited became the subsidiaries of the Company.

Flag Projects Pte Limited, Alsign Holdings Pte. Limited and Actaram Capital Pte. Limited which became subsidiaries during the year under review, subsequently ceased to be subsidiaries. Reliance Telephones Limited and Gateway Net Trading Pte. Limited also ceased to be subsidiaries of the Company.

In terms of the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the subsisting subsidiaries have not been attached with the Balance Sheet of the Company. However, these documents will be made available upon request by any member of the Company interested in obtaining the same. As directed by the Central Government, the financial data of the subsidiaries have been furnished under 'Details of Subsidiaries', which forms part of the Annual Report. The annual accounts of the Company including that of subsidiaries will be kept for inspection by any member. Further, pursuant to Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company include financial information of its subsidiaries.

### Employee Stock Option Scheme

Your Company has offered the Employee Stock Option Scheme (ESOS / Scheme) aimed to attract, retain and motivate the Employees. Pursuant to the approval of the Shareholders under Section 81(1A) of the Companies Act, 1956 passed by way of postal ballot, the Company has administered and implemented ESOS in terms of the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Guidelines). On 9<sup>th</sup> March, 2008 the ESOS Compensation Committee had approved to grant upto 1,75,00,000 Options exercisable into equal number of fully paid up equity shares of the Company to eligible employees of the Company, subsidiaries and holding company in accordance with the Scheme. The actual number of options granted to the eligible employees including non-executive independent director of the Company and its subsidiary was 1,49,91,185. No employee or Director has been granted options in excess of 1% of the issued equity share capital of the Company.