

RELIANCE

Communications

Annual Report 2015-16



Padma Vibhushan
Shri 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.

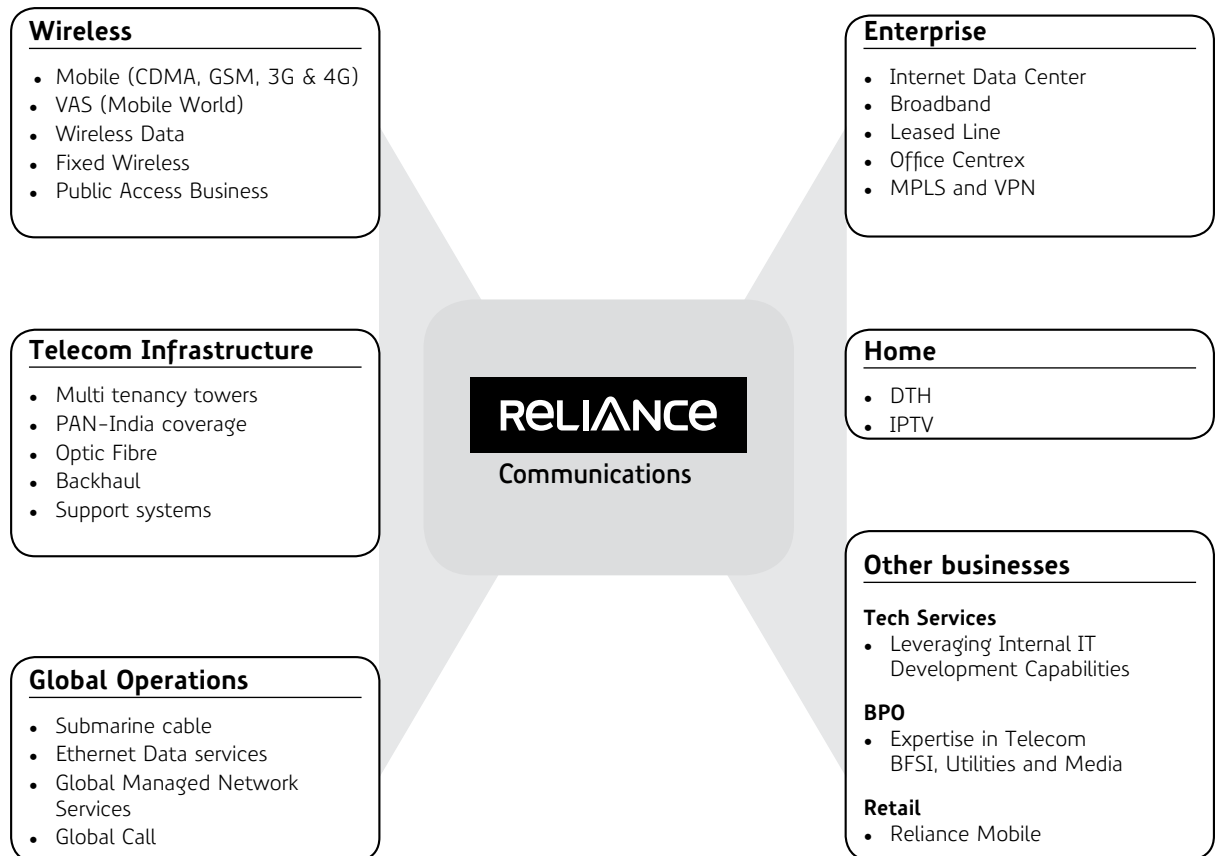
Reliance Communications is India's foremost and truly integrated telecommunications service provider. The Company has a customer base of over 111 million including over 2.6 million individual overseas retail customers. Reliance Communications corporate clientele includes over 39,000 Indian and multinational corporations including small and medium enterprises and over 290 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 21,000 cities and towns and over 400,000 villages. Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 280,000 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.

This Report is printed on environment friendly paper.



Board of Directors	Contents	Page No.
Shri Anil Dhirubhai Ambani – Chairman Prof. J. Ramachandran Shri Deepak Shourie Shri A. K. Purwar Shri R. N. Bhardwaj Smt. Manjari Kacker	Letter to Shareowners.....	6
	Notice of Annual General Meeting.....	8
	Directors' Report	13
	Management Discussion and Analysis	32
	Corporate Governance Report	48
	Auditors' Certificate on Corporate Governance	59
	Investor Information.....	60
	Independent Auditors' Report on Standalone Financial Statement.....	65
	Balance Sheet.....	70
	Statement of Profit and Loss.....	71
	Cash Flow Statement.....	72
	Notes to the Financial Statement.....	73
	Independent Auditors' Report on Consolidated Financial Statement.....	101
	Consolidated Balance Sheet.....	104
	Consolidated Statement of Profit and Loss.....	105
	Consolidated Cash Flow Statement.....	106
	Notes to the Consolidated Financial Statement.....	107
	Statement containing salient features of the financial statement of subsidiaries/ associate companies /joint ventures	140
	Attendance Slip and Proxy Form	147
Company Secretary and Manager		
Shri Prakash Shenoy		
Auditors		
M/s. Chaturvedi & Shah M/s. B S R & Co. LLP		
Registered Office		
H Block, 1 st Floor Dhirubhai Ambani Knowledge City Navi Mumbai 400 710 CIN: L45309MH2004PLC147531 Tel.: +91 22 3038 6286 Fax: +91 22 3037 6622 E-mail: Rcom.Investors@relianceada.com Website: www.rcom.co.in		
Registrar and Transfer Agent		
Karvy Computershare Private Limited Karvy Selenium Tower – B, Plot No. 31 & 32 Survey No. 116/22, 115/24, 115/25 Financial District, Nanakramguda Hyderabad 500 032 Website: www.karvy.com		
Investor Helpdesk		
Toll free no (India) : 1800 4250 999 Tel. : +91 40 6716 1500 Fax : +91 40 6716 1791 E-mail : rcom@karvy.com		

12th Annual General Meeting on Tuesday, September 27, 2016 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

Letter to Shareowners



My dear fellow Shareowners,

It is a matter of great pride that the Indian economy has achieved the distinction of becoming the fastest growing economy of this scale in the world, with a GDP growth rate of 7.6 per cent in the year 2015-16. This remarkable achievement has been possible owing to the implementation of development oriented policies by the Government of India under the stellar leadership of our Hon'ble Prime Minister, Shri Narendra Modi. The continuing growth momentum will generate higher disposable incomes for hundreds of millions of Indian consumers, raising their living standards.

The upbeat economic environment in the country, together with the Hon'ble Prime Minister's emphasis on Digital India is expected to lead to a very positive outlook for the telecommunications sector. Currently, India is the second-largest telecommunications market in terms of subscriber base, and the sector is expected to witness further growth owing to increasing rural penetration and accelerating penetration of high-speed data services through multiple 'smart' devices.

Over all tele-density in India is at 81 per cent, but there is a remarkable gap between urban and rural tele-density (148 per cent and 50 per cent respectively). We expect to see both - overall tele-density to reach much higher levels over the next few years, and the urban-rural imbalance to also be increasingly corrected.

On the global telecom front, there is a clear strategic shift towards 4G or LTE networks and data business by telecom operators. As on March 2016, over 1.1 billion subscribers across 162 countries, had access to high speed 4G data services and this is expected to grow exponentially as the 4G ecosystem matures. Around 500 operators have launched 4G services in various TDD/FDD bands so far and more launches are in the offing with coverage getting extended to about 200 countries.

The device ecosystem too continues to grow substantially with over 5,000 4G devices now being made available across various price points with interoperability across various 4G bands. Post 4G launch, Key Performance Indicators such as data usage and ARPU have improved significantly for all operators.

Your Company is implementing a well-planned 4G strategy that will provide world class services to our valued customers on the sub 1-GHz (850 MHz) frequency band - the optimal spectrum for delivery of such services. Our strategy includes inter alia the rollout of our services leveraging the path breaking spectrum trading and sharing arrangements that we are implementing with Reliance Jio. We expect to see significant growth in our data business with the proliferation of our 4G/LTE services, and this will be the primary driver of our wireless business in the future.

Operating Segments

RCOM is India's foremost integrated communications service provider in the private sector with over 100 million individual, enterprise, and carrier customers. We operate across the entire gamut of wireless, wireline, long distance, voice, data, video and internet communication services on a pan-India basis. We also have an extensive international presence through the provision of long distance voice, data, internet services and submarine cable network infrastructure globally. Our business is organized into two strategic segments - the India Operations and the Global Operations.

- India Operations

In India, RCOM mainly provides wireless telecom services to the consumer segment. We also provide voice, long distance services and broadband access to enterprise customers. In addition, our business includes managed internet data centers and direct to home business as well.

Apart from nationwide 2G services, we operate 3G services in all the 13 circles where we own 3G spectrum and in another 5 circles through ICR arrangements, thus increasing our 3G coverage to 18 circles. Our enterprise clientele includes over 39,000 Indian and multinational corporations including SMEs and over 900 prominent enterprises in India. We also offer Direct-To-Home (DTH) digital TV services branded as Reliance Big TV.

- Global Operations

During the year we launched our new India Network, based upon a 100G-enabled backbone seamlessly integrated with GCX's Global Subsea Network that directly interconnects 29 data centers in the 7 major cities. We also completed extension of our Cloud X Fusion ecosystem enabling direct connectivity between Reliance's global MPLS network and the world's leading cloud platforms.

- Performance review

The key financial highlights for the year under review on a consolidated basis are:

- Total revenue of ₹ 22,113 crore (US\$ 3,338 million)
- Total EBITDA of ₹ 7,419 crore (US\$ 1,120 million)
- Net profit after tax ₹ 703 crore (US\$106 million)
- Total assets of ₹ 1,02,066 crore (US\$15,405 million)

Letter to Shareowners

Shareholders equity was ₹ 36,866 crore (US\$5,564 million), while net debt (excluding cash and cash equivalents) was ₹ 41,802 crore (US\$ 6,309 million), giving a net debt to equity ratio of 1.13 times. The net debt figure has been adversely impacted by the significant depreciation of the Indian rupee to the US Dollar over the past few years.

Strategic Initiatives

Your Company is actively pursuing an asset light strategy with focused execution of various consolidation and asset monetization initiatives.

RCOM is the first operator to announce a consolidation transaction in the Indian telecom sector, by merging the wireless business of Sistema Shyam Teleservices Limited into RCOM. This acquisition gives RCOM access to valuable spectrum in 800 / 850 MHz band which can be utilized to offer 4G services in 8 key circles. We expect to complete the regulatory process for this transaction very soon, post which the integration process would be initiated.

RCOM is also engaged in exclusive discussions with Maxis Communications Berhad and Sindya Securities and Investments Private Limited, the shareholders of Aircel Limited, for a potential combination of wireless businesses of both the companies, to reap the benefits of cost and revenue synergies, leading to enhanced revenue market share.

We have also entered into strategic spectrum trading and sharing agreements with Reliance Jio to enable RCOM to launch world class 4G services nationwide, with optimal capex and opex relative to all other telecom operators in India.

On the telecom infrastructure front, we are progressing our plans for monetization of our telecom towers and related assets.

Corporate Governance

RCOM has always maintained the highest 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 Commitments

The Company has embedded Corporate Social Responsibility into the DNA of its organization and has been taking up several initiatives like SPARSH, PRAYAG and VIDYA to name a few in the field of education, employability, economic empowerment to support inclusive growth and equitable development towards the larger goal of nation building.

Our Commitment

We are excited about the growth outlook of the Indian telecom sector and the opportunities for your Company, despite the high levels of competitive intensity presently being observed in the industry. Our founder, the legendary Shri 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 and creating ever greater value for all our stakeholders as we embark on our next stage of growth.



Anil Dhirubhai Ambani
Chairman

Reliance Communications Limited

Notice

Notice is hereby given that the 12th Annual General Meeting of the Members of **Reliance Communications Limited** will be held on Tuesday, September 27, 2016 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:
 - a) the audited financial statement of the Company for the financial year ended March 31, 2016 and the reports of the Board of Directors and Auditors thereon, and
 - b) the audited consolidated financial statement of the Company for the financial year ended March 31, 2016 and the report of the Auditors thereon.
2. To appoint a Director in place of Smt. Manjari Kacker (DIN 06945359), who retires by rotation under the provisions of the Companies Act, 2013 and being eligible, offers herself for re-appointment.
3. To appoint Auditors and to fix their remuneration and in this regard, to consider and, if thought fit, to pass the following resolutions as **Ordinary Resolutions**:
 - (a) "RESOLVED THAT M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No. 101248W/W-100022), 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."
 - (b) "RESOLVED THAT M/s. Pathak H.D. & Associates, Chartered Accountants (Firm Registration No. 107783W), 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 17th Annual General Meeting of the Company, on such remuneration as shall be fixed by the Board of Directors."

Special Business:

4. Private Placement of Non-Convertible Debentures and/ or other Debt Securities.

To consider and, if thought fit, to pass the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 42, 71 and all other applicable provisions, if any, of the Companies Act, 2013 (the "Act") read with the Rules made thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and the provisions of the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (SEBI) (Issue and Listing of Debt Securities) Regulations, 2008, as amended, and other applicable SEBI regulations and guidelines, and subject to such other applicable laws, rules and regulations and guidelines, approval of the Members of the Company be and is hereby accorded to the

Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution) for making offer(s) or invitation(s) to subscribe Secured / Unsecured / Redeemable Non-Convertible Debentures (NCDs) including but not limited to subordinated debentures, bond, and/or other debt securities, etc., on a private placement basis, in one or more tranches, within the overall borrowing limits of the Company, as may be approved by the Members from time to time.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board/Committee be and is hereby authorised to determine the terms of issue including the class of investors to whom NCDs are to be issued, time of issue, securities to be offered, the number of NCDs, tranches, issue price, tenor, interest rate, premium / discount, listing and to do all such acts and things and deal with all such matters and take all such steps as may be necessary and to sign execute and amend any deeds / documents / undertakings / agreements / papers / writings, as may be required in this regard."

5. Payment of remuneration to Cost Auditors for the financial year ending March 31, 2017.

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions, if any, of the Companies Act, 2013 read with the Rules made there under (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force)(the Act"), M/s. V. J. Talati & Co., Cost Accountants (Firm Registration Number 00213), appointed as the Cost Auditors of the Company for auditing the cost accounting records of the Company for the financial year ending March 31, 2017, be paid remuneration of ₹ 2.50 lac (Rupees two lac fifty thousand only) excluding service tax and out of pocket expenses, if any.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and things and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

6. Re-appointment of a Manager.

To consider and if thought fit, to pass, the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT in accordance with the provisions of Sections 196, 197, 198, 203 and all other applicable provisions, if any, read with Schedule V to the Companies Act, 2013, (including any statutory modifications or re-enactment(s) thereof, for the time being in force) (the Act), and subject to all such sanctions, as may be necessary, the approval of the Company be and is hereby accorded to the re-appointment of Shri Prakash Shenoy as the Manager of the Company for a period of 5 (five) years with effect from June 1, 2016 on the terms and conditions including remuneration set out in the Agreement to be entered into between the Company and Shri Prakash Shenoy, a draft whereof was placed before the meeting which Agreement is hereby specifically sanctioned with liberty to the Board

Notice

of Directors (hereinafter referred to as "Board" which term shall be deemed to include the "Nomination and Remuneration Committee" of the Board) to alter and vary the terms and conditions including remuneration and/or Agreement at any time as may be agreed to between the Board and Shri Prakash Shenoy, so as not to exceed the limits specified in Schedule V to the Act.

RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year during the currency of tenure of Shri Prakash Shenoy, as Manager, the remuneration and perquisites set out as in the agreement be paid or granted to him as minimum remuneration and perquisites, provided that the total remuneration by way of salary, perquisites and other allowances shall not exceed the applicable ceiling limit in terms of Schedule V to the Act.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds, matters and things and take all such steps as may be necessary, proper or expedient to give effect to this 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
CIN:L45309MH2004PLC147531
Website: www.rcom.co.in

May 30, 2016

Notes:

1. Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the special business to be transacted at the Annual General Meeting (the "Meeting") is annexed hereto.
2. **A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote on a poll, instead of herself / himself and the proxy need not be a member of the Company. The instrument appointing the Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before commencement of the Meeting. A Proxy form is sent herewith.**
3. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten per cent of the total share capital of the Company carrying voting rights. However, a member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.
4. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified true copy of their board resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.
5. Members / Proxies are requested to bring their duly filled attendance slip sent herewith along with their copy of the annual report to the Meeting.
6. 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.
7. Members who hold share(s) in electronic form are requested to write their DP ID and Client ID numbers and those who hold share(s) 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.
8. Clause 49 of the Listing Agreement with the Stock Exchanges for the period April 1, 2015 to November 30, 2015 and relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the period December 1, 2015 to March 31, 2016 are referred to as "Listing Regulations" in this Annual Report.
9. 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 Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 with respect to the Company's ESOS Plans will be available for inspection at the Meeting.
10. The Company's Register of Members and Share Transfer Books will remain closed from Saturday, September 17, 2016 to Tuesday, September 27, 2016 (both days inclusive) for the purpose of Annual General Meeting.
11. 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 held in electronic form.
12. Members holding shares in physical form are requested to advise any change of address or bank mandates immediately to the Company / Registrar and Transfer Agent, Karvy Computershare Private Limited.
13. The corresponding provisions of the Companies Act, 2013 with reference to Section 205A(5) and Section 205C of the Companies Act, 1956 is not yet notified. The Company has transferred, the unpaid or unclaimed dividend for the financial years 2006-07 and 2007-08 to the Investor Education and Protection Fund (IEPF) established by the Central Government. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts of dividend lying

Notice

with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 30, 2015 (date of last Annual General Meeting) on the website of the Company (www.rcom.co.in), as also on the Ministry of Corporate Affairs' website.

14. Non-Resident Indian members are requested to inform Karvy Computershare Private Limited immediately on:

- the change in the residential status on return to India for permanent settlement; and
- the particulars of the bank account(s) maintained in India with complete name, branch, account type, account number and address of the bank, if not furnished earlier.

15. Re-appointment of a Director:

At the ensuing Meeting, Smt. Manjari Kacker, Director of the Company retires by rotation under the provision of the Companies Act, 2013 and being eligible, offers herself for re-appointment. The details pertaining to Smt. Manjari Kacker pursuant to the requirements of Regulation 36(3) of the Listing Regulations are furnished in the Corporate Governance Report forming part of this Annual Report.

16. Members are advised to refer the section titled "Investor Information" provided in this Annual Report.

17. Members are requested to fill in and submit online 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.

18. The Statement containing the salient features of the balance sheet, the statement of profit and loss and auditors' report on the Abridged Financial Statement, is sent to the members, along with the Abridged Consolidated Financial Statement. Any member interested in obtaining a copy of the full Annual Report, may write to the Registrar and Transfer Agent of the Company.

19. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company / Registrar and Transfer Agent.

20. Members can avail the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail this facility may send their nomination in the prescribed Form SH 13 duly

filled in to Karvy Computershare Private Limited, Karvy Selenium Tower – B, Plot No. 31 & 32, Survey No. 116/22, 115/24, 115/25, Financial District, Nanakramguda, Hyderabad 500 032, or call on Tel: +91 40 6716 1500; Fax No. +91 40 6716 1791 Toll Free No. 1800 4250 999, E-mail: rcom@karvy.com. The prescribed form in this regard may also be obtained from Karvy Computershare Private Limited at the address mentioned above. Members holding shares in electronic form are requested to contact their Depository Participant directly for recording their nomination.

21. Members who hold shares in physical form, in multiple folios, in identical names or joint holding in the same order of names and having similar addresses are requested to send the share certificates to the Registrar and Transfer Agent for consolidation into a single folio.

22. Members who have not registered their E-mail addresses so far are requested to register their E-mail address so that they can receive the Annual Report and other communications from the Company electronically.

23. In compliance with the provisions of Section 108 of the Companies Act, 2013 read with Rules made thereunder and Regulation 44 of the Listing Regulations, the Company is offering e-voting facility to all Members of the Company through Notice dated May 30, 2016 (remote e-voting). A person, whose name is recorded in the register of members or in the register of beneficial owner (in case of electronic shareholding) maintained by the depositories as on the cut-off date i.e. September 20, 2016 only shall be entitled to avail the facility of remote e-voting/ voting. Karvy Computershare Private Limited, our Registrar and Transfer Agent will be facilitating remote e-voting to enable the Members to cast their votes electronically. The Members can cast their votes online from 10.00 A.M. on September 24, 2016 to 5.00 P.M. on September 26, 2016. The Members shall refer to detailed procedure on remote e-voting given in the e-voting instruction slip.

The facility for voting shall also be available at the meeting. The members who have cast their votes by remote e-voting prior to the meeting may also attend the meeting, but shall not be entitled to cast their votes again at the meeting.

The Board of Directors has appointed Shri Anil Lohia or in his absence Shri Rinkit Kiran Uchat, Partners, M/s. Dayal & Lohia, Chartered Accountants as Scrutiniser to scrutinise the voting process in a fair and transparent manner. The Scrutiniser will submit his report to the Chairman after completion of the scrutiny and the results of voting will be announced after the meeting of the Company. Subject to receipt of requisite number of votes, the resolutions shall be deemed to be passed on the date of the meeting. The result of the voting will be submitted to the Stock Exchanges, where the shares of the Company are listed and posted on the website of the Company at www.rcom.co.in and posted on the website of Karvy Computershare Private Limited.