FEBRUARY 09, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES AND INSTRUMENTS OF RELIANCE COMMUNICATIONS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	7,820	**CARE A- (Single A Minus)**	Reaffirmed
Short term Bank Facilities	8,034	**CARE A2+ (A Two Plus)**	Reaffirmed
Total Facilities	**15,854 (Rs. Fifteen Thousand Eight Hundred and Fifty Four crores only)**		
Long term instruments (NCD)	3,000	**CARE A- (Single A Minus)**	Reaffirmed
Commercial paper/Short term debt issue	2,880	**CARE A2+ (A Two Plus)**	Reaffirmed

Rating Rationale

CARE has reaffirmed the ratings assigned to the existing facilities/instruments of Reliance Communication Ltd. (RCom). The reaffirmation of the ratings assigned to various bank facilities/instruments of RCom factor in the established promoter group, the company's position as one of the leading integrated telecom service provider with pan-India presence, improving operating efficiencies and favorable growth potential for mobile telephony in India. The ratings also factor in steps taken by the management to reduce the financial leverage by equity infusion via equity warrant conversion and Qualified Institutional Placement (QIP).

The above rating strengths are partially offset by the exposure to forex risk due to presence of a large component of foreign currency denominated debt that is primarily un-hedged, high competition in the industry and exposure to regulatory risk. The recent equity infusion and reduction in debt notwithstanding, the ratings continue to be tempered by modest debt coverage indicators with relatively large repayment obligations in medium term.

RCom's ability to improve its market share in the face of intense competition and pare its debt through a) potential sale of tower and optic fibre assets b) sale of other non-core assets c) spectrum sharing and trading with Reliance Jio Infocomm Ltd (rated CARE AAA/CARE A1+) and d) potential combination of company's Indian wireless business with Aircel (rated CARE A- (SO)) are the key rating sensitivities.

RCOM has completed the sale of nearly 150 residential flats situated at Sea Woods complex in Navi Mumbai. The disposal marks the commencement of RCOM's monetization programmer for surplus real estate owned by the Company. The sale consideration for the disposal of the flats at Navi Mumbai has been finalized at over Rs. 330 crore. RCOM has already received more than 50% of the sale proceeds, and the balance amount will be realized during the current financial year, upon completion of documentation, etc. presently underway.

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[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

RCOM also expects to finalize and announce plans very shortly for monetisation of its valuable real estate measuring nearly 4 acres, situated at a prime location in New Delhi (being the erstwhile Ranjit Hotel property, just off Connaught Place, New Delhi). The entire proceeds from the monetisation of real estate will be utilized by RCOM for repayment of debt, as part of its overall deleveraging plans.

Consequent to the reaffirmation of ratings of RCom, the ratings of the following companies were also reaffirmed as the same are backed by unconditional and irrevocable corporate guarantees extended by RCom:

Company	**Facilities**	**Amount (Rs. crore)**	**Rating**	**Remarks**
Giga Solutions Pvt Ltd.*	Long-term/Short-term Bank Facilities	5	**CARE A- (SO)/ CARE A2+ (SO) [Single A Minus (Structured Obligation)/A Two Plus (Structured Obligation)]**	Reaffirmed
Haryana CybernetPvt Ltd.*		5		
Infomagic Services Pvt Ltd.*		5		
Kerala Communication Network Pvt Ltd*		12		
Punjab CybernetPvt Ltd.*		5		
Uttar Pradesh Network Pvt Ltd.*		5		
Reliance WiMax Ltd.		5		
Reliance Big TV Ltd.		90		
Reliance Webstore Ltd		20		
Reliance Communications Infrastructure Ltd.	Short-term Bank Facilities	1,180	**CARE A2+ (SO) [A Two Plus (Structured Obligation)]**	Reaffirmed
Macronet Mercantile Pvt Ltd.**		1,500		

Merged into MP Network Pvt Ltd Name changed to Tenormac Enterprises Pvt Limited.*

Background

Reliance Communications Limited (RCom),founded by late Shri Dhirubhai H Ambani, is the flagship company of the Reliance Group (Reliance Group), led by Mr. Anil Ambani.

RCom is one of India's leading integrated telecommunications service providers. The Company had a customer base of around 110 million including over 2.6 million individual overseas retail customers as at December 31, 2015. RCom's corporate clientele includes over 39,000 Indian and multinational corporations including small and medium enterprises and over 290 global, regional and domestic carriers. It has an established pan-India, integrated (wireless and wireline), convergent (voice, data and video) digital network that can support the entire communications value chain, covering over 21,000 cities and towns and over 400,000 villages. RCom owns and operates one of the largest 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.

For FY15 (refers to the period April 01 to March 31), RCOM reported a total income of Rs.21,820 crore and net profit of Rs623 crore. In H1FY16 the company reported total income of Rs10,817 crore and net profit of 351 crore

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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