FEBRUARY 13, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES/INSTRUMENTS OF RELIANCE COMMUNICATIONS LTD. AND THE ENTITIES GUARANTEED BY IT

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	7,820	**CARE A- (Single A Minus)**	Reaffirmed
Long term instruments	3,000	**CARE A- (Single A Minus)**	Reaffirmed
Commercial paper/Short term debt issue	2,880	**CARE A2+ (Single A Two Plus)**	Reaffirmed
Short term Non –Fund based facilities	8,034	**CARE A2+ (Single A Two Plus)**	Assigned

Rating Rationale

CARE has reaffirmed the ratings assigned to the existing facilities/instruments of Reliance Communication Ltd. (RCom). Further, CARE has assigned 'CARE A2+' rating to the existing short term non-fund based facilities of RCom.

The reaffirmation of the ratings assigned to the various bank facilities/instruments of Reliance Communications Ltd. (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 utilizing funds mobilized through qualified institutional investment (QIP) and equity issue to the promoter group to reduce debt.

The above ratings strengths are partially offset by the exposure to forex risk due to a large component of foreign currency denominated debt that is primarily un-hedged, high competition 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 are the key rating sensitivities. Further, impact of developing regulatory framework on RCom is also a key rating sensitivity.

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 Cybernet Pvt Ltd.		5		
Infomagic Services Pvt Ltd.		5		
Kerala Communication Network Pvt Ltd		12		
Punjab Cybernet Pvt 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		

Background

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

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

RCom is one of India's leading integrated telecommunications service providers. The Company has a customer base of over 118 million including over 2.6 million individual overseas retail customers. 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.

During FY14 (refers to the period April 01 to March 31), the company posted consolidated total income of Rs.21,287 crore and PAT of Rs.842 crore. Consolidated income and PAT for H1FY15 stood at Rs.10,641 crore and Rs.375 crore respectively.

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

Note: Mr. V. K. Chopra, Non-Executive Director on the board of Reliance Capital Pension Fund Limited (a wholly owned subsidiary of Reliance Capital Asset Management Ltd., which in turn is a subsidiary of Reliance Capital Ltd), is one of CARE's Rating Committee Members. To comply with the regulations, the member has not participated in the rating process and in the rating committee meeting.

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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