



Reliance Communications Turnaround

In late 2014 the auditors raised red flag for spice jet on its going concern have negative net worth of more than Rs.1800 crores, it was not only heavy debt in balance sheet but also strict policies of government which impacted the growth of aviation sector. The shares fell to all time low below Rs. 20.

The turnaround phase started in 2015 when Ajay took over the company, good governance and relaxation in government polices helped to turnaround the company today has fleet, which has increased multiple times, and has load factor for which is highest in industry. Now the stock has hit all-time high of Rs 136 in 2017.

Reliance Communications owns and operates the world's largest next generation IP enabled connectivity infrastructure, comprising over 280,000 kilometers of fiber optic cable systems in India, USA, Europe, Middle East and the Asia Pacific region.

Reliance communications in Q4 2016 has declared a total debt of Rs.45K crore. The funds were taken in past for expansion in telecom industry especially in DTH and tower infrastructure. Due to high competition and slow down of telecom industry the company was not able to execute its expansion plans in tower business, cumulative interest charges and overdue charges has piled up the debt to Rs.45Kcr

Will the history repeat?

RCom is one of the pioneer company of ADAG group which is the global market leader in fiber optic cable system the below signs reflects that company might recover from all the stretch and double back in market.

- **The book value of Rcom is Rs. 144 in spite having the high debt in its books. The company has huge land bank . Which is in easily realizable as it is located in Connaught Place of New Delhi & suburbs of Mumbai.**
- **The company has recently brought plans to reduce the debt by 60% by Q3 2017 and 80% by Q4 2017. These plans include the synergy benefit the company will get after completing the merger with Aircel which is expected by Q2 2017.**
- **The company has recently announced its stake sale in Brookfield Infrastructure Group in its tower business which will provide additional upfront cash of Rs.11Kcr .**
- **Apart from sharing 850 MHz spectrum trading and sharing arrangements with Reliance Jio . The company is in advanced talks with Reliance Jio to share infrastructure and spectrum. This will help to handle the tuff competition of Airtel-Tata tele arrangement & Idea- Vodafone merger.**

- **Manoj Sinha in its previous meeting with the Indian players has clearly mentioned that they would bring transparency in spectrum allocation and government is sincerely looking into its policies & tariff rates which will give relief to the industry.**
- **The company can opt for ARC which helps in debt restructuring, this will reduce interest cost and further uplift the EPS of the company. Currently industry P/E is 29 any increase in EPS will give good boost to the Share price of the company.**

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End of report

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