

REPORT OF THE AUDIT COMMITTEE OF RELIANCE COMMUNICATIONS LIMITED ("COMPANY") RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY, RELIANCE TELECOM LIMITED, AIRCEL LIMITED, DISHNET WIRELESS LIMITED, DECCAN DIGITAL NETWORKS PRIVATE LIMITED AND SOUTH ASIA COMMUNICATIONS PRIVATE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS HELD ON WEDNESDAY, THE SEPTEMBER 14, 2016 AT 12.00 NOON AT GROUND FLOOR, RELIANCE CENTRE, NEAR PRABHAT COLONY, OFF. WESTERN EXPRESS HIGHWAY, SANTACRUZ (E) MUMBAI - 400055

**Members Present:**

1. Shri R. N. Bhardwaj - Chairman (Independent Non-Executive Director)
2. Shri Deepak Shourie - Director (Independent Non-Executive Director)
3. Prof. J. Ramachandran - Director (Independent Non-Executive Director)
4. Shri A. K. Purwar - Director (Independent Non-Executive Director)
5. Smt. Manjari Kacker - Director (Non Independent Non-Executive Director)

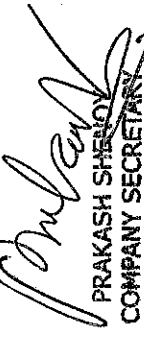
**In Attendance:**

- Shri Manikantan Iyer - Chief Financial Officer  
Shri Prakash Shenoy - Company Secretary

**1. Background**

- 1.1. A meeting of the Audit Committee of the Company was held on September 14, 2016 to consider and recommend the proposed transaction as contemplated in the Scheme to Arrangement between the Company, Reliance Telecom Limited, Aircel Limited, Dishnet Wireless Limited, Deccan Digital Networks Private Limited and South Asia Communications Private Limited and their respective shareholders and creditors (Scheme) to transfer the demerged undertakings (including Aircom Holdco B.V., a company incorporated in the Netherlands and its reorganisation) of the Company and its subsidiary companies w.e.f the Effective Date as specified in the draft Scheme under provisions of Sections 391 - 394 of the Companies Act, 1956 and other applicable provisions of Companies Act, 2013.
- 1.2. This report of the Audit Committee is made in order to comply with the requirements of Circular No CIR/CFD/DIL/5/2013 dated 4<sup>th</sup> February, 2013 read with Circular No CIR/CFD/DIL/8/2013 dated 21<sup>st</sup> May, 2013 (which provides clarifications with respect to the aforementioned circular), both issued by the Securities and Exchange Board of India ("SEBI Circulars").
- 1.3. The following documents were placed before the Audit Committee:
  - (a) Draft Scheme, duly initialled by the Company Secretary of the Company for the purpose of identification;
  - (b) Share Entitlement Report dated September 14, 2016 prepared by M/s. S. R. Batliboi & Co. LLP, Independent Chartered Accountant, describing the methodology adopted by them in arriving at the Share Entitlement Ratio;

CERTIFIED TRUE COPY  
FOR RELIANCE COMMUNICATIONS LIMITED

  
PRAKASH SHENOY  
COMPANY SECRETARY



# RELIANCE

- (c) Fairness Opinion dated September 14, 2016 prepared by M/s. Keynote Corporate Services Limited, a Category-I Merchant Banker providing the Fairness Opinion on the Share Entitlement Ratio as recommended by M/s. S. R. Batliboi & Co. LLP, Independent Chartered Accountant, ("**Fairness Opinion**"); and
- (d) Draft of the Framework Merger Agreement proposed to be executed among the Company, Reliance Telecom Limited, Dishnet Wireless Limited, Aircel Limited, Global Communication Services Holdings Limited, Deccan Digital Networks Private Limited, Sindya Securities & Investments Private Limited and South Asia Communications Private Limited.

## 2. Proposed Scheme of Demerger

2.1. The Audit Committee noted the rationale and the benefits of the Scheme, which including, *inter-alia*, are as follows:

- (i) helping the Demerged Companies in developing its balance sheet, including reduction of debt and interest outgo as well as creation of value for the shareholders of the Demerged Companies,
- (ii) consolidate the telecom wireless business of Demerged Companies with Resulting Companies and provide an opportunity to the Demerged Company 1 to acquire equity interest in the Resulting Company 1;
- (iii) further expanding into the growing markets of India and overseas.
- (iv) creating value for shareholders by acquiring ready-to-use infrastructure;
- (v) availability of increased resources and assets which can be utilised for strengthening customer base and servicing existing as well as new customers innovatively and efficiently;
- (vi) strong infrastructural capability to effectively meet future challenges in the ever-evolving telecom wireless business;
- (vii) strategic fit for serving existing market and also to cater additional volume linked to new consumers;
- (viii) synergies in operational process and logistics alignment leading to economies of scale and creation of efficiencies by reducing time to market and benefitting customers as well as resulting in optimization of operation and capital expenditure;
- (ix) helping the Resulting Companies and Demerged Companies in strengthening the assets base while also enhancing financial flexibility; and
- (x) leading to increased competitive strength, cost reduction and efficiencies, productivity gains by pooling the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of both the companies thereby significantly contributing to future growth and maximizing shareholders value.

2.2. The Audit Committee reviewed the Share Entitlement Ratio Report and noted that the recommendations made therein. Further, the Fairness Opinion confirmed that the Share Entitlement Ratio in the Share Entitlement Ratio Report is fair to the shareholders of the Company.

The Audit Committee also noted draft certificate obtained from the Statutory Auditors of the Company i.e. M/s. Chaturvedi Shah & Co, Chartered Accountants, on the accounting treatment prescribed in the Scheme.



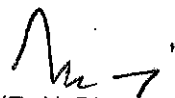
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### 3. Recommendation of the Audit Committee

Taking into consideration the provisions of the Share Entitlement Ratio Report, the Fairness Report and the benefits of the Scheme, the Audit Committee recommends the draft Scheme to the Board of Directors of the Company for its consideration and approval.

By Order of the Audit Committee  
For and on Behalf of RELIANCE COMMUNICATIONS LIMITED



  
(R. N. Bhardwaj)  
Chairman, Audit Committee

Place: Mumbai  
Date :14.09.2016

