Annexure 3A

S.R. BATLIBOI & CO. LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
Fax : +91 22 6192 1000

Dated: 14 September 2016

To

The Audit Committee	The Audit Committee
Reliance Communications Limited H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai – 400710, Maharashtra, India.	**Aircel Limited** Aircel, 5th Floor, Building 10A, DLF Cyber City, DLF Phase 2 Gurgaon-122002, Haryana India.

Sub: Recommendation of the share entitlement for the proposed demerger of the Specified Telecom Operations of Reliance Communications Limited in to Aircel Limited

Dear Sir / Madam,

We refer to the engagement letters wherein Aircel Limited (hereinafter after referred to as "Aircel") and Reliance Communications Limited (hereinafter after referred to as "RCOM") have requested S.R. Batliboi & Co. LLP (hereinafter referred to as "SRBC", 'we', or 'us') to recommend a share entitlement for the proposed demerger of the Specified Telecom Operations of RCOM in to Aircel.

RCOM and Aircel are together hereinafter referred to as the 'Companies'.

SCOPE AND PURPOSE OF THIS REPORT

RCOM is a listed company headquartered in Mumbai, India. RCOM provides telecommunication services to individuals, enterprise, and carrier customers in India and internationally. The company offers voice and data wireless services, wireline broadband services, tower infrastructure services and ethernet services etc. For the year ended 31 March 2016, the company reported audited consolidated income from operations and profit after tax of ₹21,711 crores and ₹681 crores respectively.

Aircel provides GSM mobile services in India. It offers voice and data services ranging from post-paid and prepaid plans and 2G and 3G services. Aircel was incorporated in 1994 and is based in Gurgaon, India. For the year ended 31 December 2015, Aircel reported audited consolidated revenue from operations and loss of ₹11,396 crores and ₹2,215 crores respectively.

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FOR RELIANCE COMMUNICATIONS LIMITED
PRAKASH SHENOY
COMPANY SECRETARY

S.R. BATLIBOI & CO. MUMBAI

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Recommendation of share entitlement for the proposed demerger of the Specified Telecom Operations of RCOM into Aircel

We understand that the Management of the Companies are contemplating a demerger of the wireless operations and International/National Long distance operations of RCOM / Reliance Telecom Limited ("RTL", a 100% subsidiary of the RCOM) and the recent operations / assets to be acquired from Sistema ShyamTeleServices Limited ("SSTL"), hereinafter collectively referred to as the "Specified Telecom Operations of RCOM". The Specified Telecom Operations of RCOM would be then transferred in to the operations of Aircel / Dishnet Wireless Limited ("DWL", a 100% subsidiary of Aircel) ("Transaction") through a Composite Scheme of Arrangement. As consideration for the same, Aircel would issue equity shares to RCOM. In this connection, the Companies have appointed SRBC to recommend a share entitlement for the proposed demerger.

We understand that the appointed date for the Transaction will be the effective date.

For the aforesaid purpose, the Companies have appointed SRBC to prepare a report to be placed before the Board of Directors/Audit Committee of the Companies on the share entitlement for the proposed demerger of the Specified Telecom Operations of RCOM in to Aircel.

We have been provided with special purpose audited financials of Aircel for the 12 months ended 31 December 2015 and unaudited financial information for the Specified Telecom Operations of RCOM for nine months ended 31 December 2015. The Management has informed us that they do not expect significant changes in the business till the effective date. Further, we have been informed that the existing promoter loans and redeemable preference shares in Aircel would get converted into equity shares (out of which, some of them would get subsequently cancelled by way of capital reduction) such that the debt of Aircel would reduce to ₹14,000 crores as on the effective date.

We understand from the Management of RCOM that demerger of (a) certain circles of RTL into RCOM and (b) SSTL undertaking into RCOM, will get completed before the effective date. We have considered the same in our analysis and made adjustments for further facts made known (past or future) to us till the date of our report.

We understand from the Management that except for the shareholder loans/RPS conversion and capital reductions, there would not be any capital variation in Aircel till the effective date, other than those necessary to fund interim capex/opex requirements. These will be done 'at par value' and will not impact the effective shareholding of RCOM in the combined entity. We have relied on the same for our analysis.

We have relied on the above for the purposes of our analysis.

This report is our deliverable for the aforesaid purpose.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

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Reliance Communications Limited

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management/their representatives and / or gathered from public domain:

- With respect to Aircel
  - Consolidated Annual reports of Aircel for year ended 31 March 2015 and special purpose audited consolidated financials for year ended 31 December 2015
  - Unaudited quarterly financial statements ended 31 March 2015 to 31 December 2015
  - Historical circle-wise key operational parameters including revenue and subscriber
  - Current Shareholding Pattern of Aircel
  - Details of deferred spectrum liability
  - Details of circle-wise Spectrum holdings

- With respect to RCOM
  - Annual report of RCOM for year ended 31 March 2015 and other publicly available financial information
  - Unaudited financial statements of the Specified Telecom Operations of RCOM for nine months ended 31 December 2015
  - Historical circle-wise key operational parameters including revenue and subscriber split into GSM and CDMA
  - Details of deferred spectrum liability
  - Details of circle-wise Spectrum holdings
  - Circle wise revenue details for the three Demerged Undertakings of RCOM/RTL

- Draft Composite Scheme of Amalgamation

During the discussions with the Management, we have also obtained explanations and information considered reasonably necessary for our exercise. The Companies have been provided with the opportunity to review the draft report (excluding share entitlement) as part of our standard practice to ensure that factual inaccuracies / omissions are avoided in our final report.

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Reliance Communications

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this report and (iii) are based on the audited balance sheet as at 31 December 2015 of Aircel and the unaudited balance sheet as at 31 December 2015 of the Specified Telecom Operations of RCOM. A valuation of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this report.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. In accordance with the terms of our engagements and as is customary in valuations, we have assumed and relied upon, without independent verification, the accuracy of information made available to us by the Companies. We have not audited, reviewed or otherwise investigated the financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Also, we assume no responsibility for technical information furnished by the Companies. However nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

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The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.

This report does not look into the business/ commercial reasons behind the Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. We express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only RCOM and Aircel and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion.

This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Arrangement, without our prior written consent.

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SHARE CAPITAL

Reliance Communications Limited

The issued, subscribed and paid up equity share capital of RCOM as at 30 June 2016 is ₹1,244 crores consisting of 2,48,89,79,745 equity shares of ₹ 5 each fully paid up. The shareholding pattern is as follows:

Particulars	Number of shares	% shareholding
(A) Promoter & Promoter Group	1,46,46,96,844	59%
(B) Public	99,45,88,264	40%
(C) Non Promoter-Non Public	2,96,94,637	1%
Grand Total (A + B + C)	**2,48,89,79,745**	**100%**

Source: BSE filing (As at 30 June 2016)

Aircel Limited

The current issued, subscribed and paid up equity share capital of Aircel is ₹ 243 crores, consisting of 24,32,43,243 equity shares of face value of ₹ 10 each fully paid up. The shareholding pattern is as follows:

Particulars	Number of shares	% shareholding
(A) Global Communication Services Holdings Ltd.	15,81,08,108	65%
(B) Deccan Digital Networks Pvt Ltd	8,51,35,135	35%
Grand Total (A+B)	24,32,43,243	100%

Source: Management

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APPROACH - BASIS OF THE DEMERGER

We understand from the Management that the proposed Scheme of Arrangement contemplates the demerger of the Specified Telecom Operations of RCOM in to Aircel pursuant to the Scheme under sections 391 to 394 of the Companies Act, 1956. Arriving at the fair share entitlement for the proposed demerger of the Specified Telecom Operations of RCOM in to Aircel would require determining the fair value of Aircel in terms of the fair value of the Specified Telecom Operations of RCOM. These values are to be determined independently without considering the current demerger Transaction or possible upside on account of synergies, and hence do not include any possible strategic premium.

There are several commonly used and accepted methods for determining the fair value of the Aircel / Specified Telecom Operations of RCOM, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Price method
2. Comparable Companies Quoted Multiples method
3. Discounted Cash Flows method
4. Net Asset Value method

It should be understood that the valuation of any business / company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies, and other factors which generally influence the valuation of business / companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner, based on our previous experience of assignments of a similar nature.

Market Price (MP) Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger/demerger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

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Even though RCOM is a listed company, only the Specified Telecom Operations of RCOM are part of the Transaction and Aircel is not listed on any stock exchange. Hence, we have not considered market price method for the present exercise.

Comparable Companies' Quoted Multiple (CCM) method

Under this method, value of the company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

We have considered the Enterprise Value (EV)/Sales of listed comparable companies for the purpose of our valuation analysis.

Discounted Cash Flows (DCF) Method

Under the DCF method, the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available ~~to all providers of the company's capital – both debt and equity.~~

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

The Management has not provided us the business plans. Given the aforesaid, we have not undertaken a Discounted Cash Flows (DCF) analysis.

Net Asset Value (NAV) Methodology

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

We have considered it appropriate to use NAV on a replacement cost basis in our analysis considering that telecom spectrum is a significant intangible asset for these businesses for which auction price benchmarks are available. Apart from spectrum and other select intangibles, the balance assets have been primarily considered at book values.

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While applying this method, we have effectively done a Sum-of-the-Parts (SOTP) analysis circle by circle, where certain circles with potential intrinsic value/possible differential strategic options are valued based on NAV method (while others continue to be valued based on CCM method).

BASIS OF THE DEMERGER

The basis of valuation would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove.

Aircel and the Specified Telecom Operations of RCOM were valued using SOTP (circle wise NAV/CCM) and CCM methods. We have considered appropriate to assign higher weight to SOTP method and lower weight to CCM method.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. quality and integrity of the Management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend that the fair entitlement for the Proposed demerger of the Specified Telecom Operations of RCOM in to Aircel should be such that additional equity shares of 97% to 105% (rounded off) of pre-demerger share capital of Aircel (post conversion of planned shareholder loans/preference shares into equity and reduction of capital) gets issued to RCOM. The planned conversion of shareholder loans / preference shares in to equity is a condition precedent to our Report.

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It should be noted that we have not examined any other matter including economic rationale for the Transaction per se or accounting, legal or tax matters involved in the Transaction.

Respectfully submitted,

S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

Per Ravi Bansal
Partner
Membership No: 49365
Place: Mumbai
Date: 14 September 2016

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Annexure 3B

S.R. BATLIBOI & CO. LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
Mumbai-400 028, India
Tel : +91 22 6192 0000
Fax :+91 22 6192 1000

Dated: 14 September 2016

To,

The Board of Directors
Aircel Limited
Aircel, 5th Floor, Building 10A,
DLF Cyber City, DLF Phase 2
Gurgaon-122002, Haryana (India).

Sub: Recommendation of the fair equity exchange ratio/share entitlement for the proposed merger of Deccan Digital Networks Private Limited and South Asia Communications Private Limited in to Aircel Limited

Dear Sir / Madam,

We refer to the engagement letter wherein Aircel Limited (hereinafter after referred to as "Aircel") has requested S.R. Batliboi & Co. LLP (hereinafter referred to as 'SRBC', 'we', or 'us') to recommend a fair equity exchange ratio/share entitlement for the proposed merger of Deccan Digital Networks Private Limited ("Deccan") and South Asia Communications Private Limited ("SAC") in to Aircel.

Deccan, SAC and Aircel are together hereinafter referred to as the 'Companies'.

SCOPE AND PURPOSE OF THIS REPORT

Aircel provides GSM mobile services in India. It offers voice and data services ranging from post-paid and prepaid plans and 2G and 3G services. The company was incorporated in 1994 and is based in Gurgaon, India. For the year ended 31 December 2015, the company reported audited consolidated revenues and loss of ₹11,396 crores and ₹2,215 crores respectively.

Deccan is a private company holding 35% stake in Aircel in form of equity shares. Sindya Securities & Investments Private Limited ("SSIPL") owns 74.3% stake in Deccan, with the balance 25.7% owned by Global Communication Services Holdings ("GCSH", Mauritius). GCSH is an indirect 100% subsidiary of Maxis Communication Berhard of Malaysia, and owns balance 65% stake in Aircel.

SAC is a 100% subsidiary of GCSH and holds investment in Deccan in the form of cumulative non-convertible Redeemable Preference Shares ("RPS") of ₹1,645 crores of ₹10 each. These preference shares are redeemable in 2026 at a premium of 22% over face value and have a coupon rate of 0.01% p.a.

Deccan and SAC are holding companies without any operations. Further, effectively SAC's only investment is in Deccan and Deccan's only investment is in Aircel.

We understand that the Management of the Companies are contemplating amalgamation of the Deccan and SAC into Aircel ("Proposed Merger") through a Scheme of Arrangement

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FOR RELIANCE COMMUNICATIONS LIMITED
PRAKASH SHENOY
COMPANY SECRETARY

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS under the provisions of Section 391-394 of the Companies Act, 1956 ('Scheme of Arrangement'). As consideration for this Proposed Merger, Aircel proposed to issue equity shares to the shareholders of Deccan and SAC.

The RPS held by SAC in Deccan is proposed to be cancelled by way of capital reduction as part of the same Scheme of Arrangement. As provided in the scheme, the aforesaid capital reduction is independent of other parts in the Scheme of Arrangement and precedes other actions proposed in the Scheme. The aforesaid capital reduction is a condition precedent to this report.

For the aforesaid purpose, Aircel have appointed SRBC to prepare a report to be placed before the Board of Directors of the Companies on recommendation of the fair equity exchange ratio/share entitlement for the Proposed Merger.

We have been provided with audited financials of Aircel up to 31 December 2015 and unaudited financials of Deccan and SAC up to 31 March 2016. Further, we have been informed that the promoter loans and redeemable preference shares in Aircel would get converted into equity shares (out of which, some of them would get subsequently cancelled by way of capital reduction) such that the debt of Aircel would reduce to ₹ 14,000 crores as on the effective date and the revised number of equity shares of Aircel would be 13,99,66,65,135 (excluding the impact of capex / opex funding in the interim period up to Scheme becoming effective).

The Management of Aircel has represented to us that there is no significant change in business operations and financial position of Aircel from last reported financials as of 31 December 2015 provided to us till date.

The Management of SAC and the Management of Deccan has represented to us that there is no significant change in the financial position of SAC and Deccan from last reported financials as of 31 March 2016 provided to us till date.

We have relied on the above for the purposes of our analysis.

This report is our deliverable for the aforesaid purpose.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

Reliance Communications Limited

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management/their representatives and / or gathered from public domain:

- With respect to Aircel
  - Audited consolidated financial statements of Aircel for year ended 31 March 2015 and special purpose audited consolidated financials for year ended 31 December 2015.
  - Unaudited quarterly financial statements ended 31 March 2015 to 31 December 2015.
  - Current Shareholding Pattern of Aircel.
  - Details of deferred spectrum liability
  - Details of circle-wise Spectrum holdings
- With respect to SAC
  - Audited financial statements for the year ended 31 March 2015
  - Unaudited financial statements of SAC for year ended 31 March 2016 including balance sheet, statement of profit & loss, cash flow statement and notes to the financial statements.
- With respect to Deccan
  - Audited financial statements for the year ended 31 March 2015
  - Unaudited financial statements of Deccan for year ended 31 March 2016 including balance sheet, statement of profit & loss, cash flow statement and notes to the financial statements.
- Draft Scheme of Arrangement

During the discussions with the Management, we have also obtained explanations and information considered reasonably necessary for our exercise. The Companies have been provided with the opportunity to review the draft report, and check with Deccan and SAC as appropriate, as part of our standard practice to ensure factual inaccuracies / omissions is avoided in our final report.

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

Reliance Communications Limited

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this report and (iii) are based on the special purpose audited balance sheet as at 31 December 2015 of Aircel and the unaudited balance sheet as at 31 March 2016 of Deccan and SAC. A valuation of this nature is necessarily based on the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this report.

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. In accordance with the terms of our engagements and as is customary in valuations, we have assumed and relied upon, without independent verification, the accuracy of information made available to us by the Companies. We have not audited, reviewed or otherwise investigated the financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the report. Also, we assume no responsibility for technical information furnished by the Companies. However nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations including legal structure, foreign exchange/direct investment regulations, etc. unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.

This report does not look into the business/ commercial reasons behind the Proposed Merger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Merger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. We express no opinion or recommendation as to how the shareholders of the Companies should vote in connection with the Proposed Merger.

No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Aircel and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion.

This valuation report is subject to the laws of India.

Neither the valuation report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Scheme of Arrangement, without our prior written consent.

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

Reliance Communications Limited

SHARE CAPITAL

Aircel Limited

The issued, subscribed and paid up equity share capital of Aircel as at 31 March 2016 is ₹ 243 crores, consisting of 243,243,243 equity shares of face value of ₹ 10 each fully paid up. The shareholding pattern is as follows:

Particulars	Number of shares	% shareholding
(A) Global Communication Services Holdings Limited	15,81,08,108	65%
(B) Deccan Digital Networks Private Limited	8,51,35,135	35%
Grand Total (A+B)	24,32,43,243	100%

Source: Management

The Scheme of Arrangement also proposes a separate demerger transaction with Reliance Communications Limited (hereinafter after referred to as "RCOM"), which would result in Aircel issuing additional shares as consideration for the demerger. However the demerger transaction would not change the per share value of equity shares of Aircel that needs to be considered for the purposes of the Proposed Merger.

Deccan Digital Networks Private Limited

The issued, subscribed and paid up equity share capital of Deccan as at 31 March 2016 is ₹ 46 crores, consisting of 46,000,000 equity shares of face value of ₹ 10 each fully paid up. The shareholding pattern is as follows:

Particulars	Number of shares	% shareholding
(A) Sindya Securities and Investments Private Limited	3,41,71,560	74.29%
(B) Global Communication Services Holdings Ltd, Mauritius	1,18,28,440	25.71%
Grand Total (A+B)	4,60,00,000	100.00%

Source: Management

In addition, as mentioned earlier, SAC has also invested in RPS of Deccan. The Management of the Companies has informed us that the RPS would get cancelled before the Proposed Merger.

South Asia Communications Private Limited

The issued, subscribed and paid up equity share capital of SAC as at 31 March 2016 is ₹ 6.2 crores, consisting of 6,217,278 equity shares of face value of ₹ 10 each fully paid up. As informed by the Management, these are entirely held by GCSH.

In addition, GCSH has also invested in RPS of SAC (which has in turn been used by SAC to invest in RPS of Deccan).

S.R. BATLIBOI & CO. MUMBAI CHARTERED ACCOUNTANTS

Reliance Communications Limited

APPROACH - BASIS OF THE MERGER

We understand from the Management that the proposed Scheme of Arrangement contemplates the Amalgamation of the Companies pursuant to the Scheme under Section 391-394 of the Companies Act, 1956. Arriving at the fair share entitlement for the Proposed Merger Deccan and SAC in to Aircel would require determining the fair value of Aircel in terms of the fair value of Deccan and SAC. These values are to be determined independently without considering the Proposed Merger.

There are several commonly used and accepted methods for determining the fair value of the Companies, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Price method
2. Comparable Companies Quoted Multiples method
3. Discounted Cash Flows method
4. Net Asset Value method

It should be understood that the valuation of any business / company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control.

The application of any particular method of valuation depends on the purpose for which the valuation is done and surrounding facts. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner, based on our previous experience of assignments of a similar nature.

Market Price (MP) Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Since Aircel, SAC and Deccan are not listed on any stock exchange, we have not considered this method.

Comparable Companies' Quoted Multiple (CCM) method

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Under this method, value of the company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

For valuation of Aircel, we have considered the Enterprise Value (EV)/Sales multiple of listed comparable companies.

Considering Deccan and SAC do not have any business operations, we have not used this method.

Discounted Cash Flows (DCF) Method

Under the DCF method, the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

The Management has not provided us the business plan of Aircel. Given the aforesaid, we have not undertaken a DCF analysis.

Considering Deccan and SAC do not have any business operations, we have not used this method.

Additionally, we have used a Sum-of-the-Parts (SOTP) approach for Aircel, where we have done our analysis by applying the aforesaid methods circle-wise.

Net Asset Value (NAV) Methodology

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. We have considered it appropriate to use NAV on a replacement cost basis in our analysis for valuation of Aircel considering that telecom spectrum is a significant intangible asset for which auction price benchmarks are available. Apart from spectrum and other select intangibles, the balance assets have been primarily considered at book values, While applying this method, we have effectively done a Sum-of-the-Parts (SOTP) analysis circle by circle, where certain circles with potential intrinsic value/possible differential strategic options are valued based on NAV method (while others continue to be valued based on CCM method).

Considering Deccan and SAC do not have any business operations, we have used NAV (book value adjusted for value of underlying investments).

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BASIS OF THE MERGER

The basis of valuation would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove.

Aircel has been valued using SOTP (circle wise NAV/CCM) and CCM methods. Deccan and SAC have been valued using NAV (book value adjusted for value of underlying investments).

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. This concept is also recognized in judicial decisions.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend:

- Share swap ratio for the proposed merger of Deccan in to Aircel should be 187 (One hundred eighty seven) equity shares of Aircel of ₹10/- each fully paid up to be issued for every 100 (One Hundred) equity shares of Deccan of ₹ 10/- each fully paid up.
- 24,49,999[1] equity shares of Aircel of ₹10/- each fully paid up to GCSH for its RPS held in SAC.
- As per our computation, no consideration is to be paid to the equity shares of SAC. However, the Management has represented to us that they would like to issue 1 (one) equity share of Aircel of ₹10/- fully paid up to GCSH for its equity shares held in SAC, as a token consideration. Considering that GCSH holds all shares in SAC, we believe this is not unfair.

The Management has informed us that the reduction of shareholder loans/RPS of Aircel and reduction of share capital of Aircel (such that debt in Aircel becomes ₹ 14,000 crores and number of shares of Aircel becomes 13,99,66,65,135 before the Proposed Merger in Aircel) is simultaneous with other steps in the Scheme but also condition precedents to other steps. Further, the capital reduction in Deccan is an independent step happening prior to other steps. Therefore our analysis/recommendation would change in case these condition precedents are not fulfilled or capital reduction in Deccan does not materialize earlier.

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[1] 24,50,000 (rounded off) equity shares of Aircel *Less* 1(one) equity share of Aircel to GCSH for its equity shares held in SAC

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It should be noted that we have not examined any other matter including economic rationale for the Proposed Merger per se or accounting, legal or tax matters involved in the Proposed Merger.

Respectfully submitted,

S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

Per Ravi Bansal
Partner
Membership No: 49365
Place: Mumbai
Date: 14 September 2016