

REPORT OF THE AUDIT COMMITTEE OF RELIANCE COMMUNICATIONS LIMITED ("COMPANY") FOR RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT BETWEEN THE COMPANY AND RELIANCE TELECOM LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS AT ITS MEETING HELD ON FRIDAY, JUNE 24, 2016 AT 4.30 P.M. AT GROUND FLOOR, RELIANCE CENTRE, NEAR PRABHAT COLONY, OFF. WESTERN EXPRESS HIGHWAY, SANTACRUZ (E), MUMBAI - 400055.

Members Present:

- Shri R. N. Bhardwaj - Chairman (Independent Non-Executive Director)
- Prof. J. Ramachandran - Director (Independent Non-Executive Director)
- Shri A. K. Purwar - Director (Independent Non-Executive Director)
- Smt. Manjari Kacker - Director (Non Independent Non-Executive Director)

In attendance:

- Shri Prakash Shenoy - Company Secretary

By Invitation:

- Shri Punit Garg - President - Corporate Strategy and Regulatory Affairs (Present for Item No. 3)

1. Background:

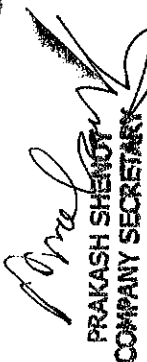
1.1 A meeting of the Audit Committee of Reliance Communications Limited ('the Transferee Company' or 'the Company' or 'RCom') was held on June 24, 2016 to consider and recommend the proposed demerger i.e. transfer and vesting of Telecom Undertaking of Reliance Telecom Limited ('the Transferor Company' or 'RTL') to the Company, a holding company of RTL, to be implemented in terms of a Scheme of Arrangement between the Company and RTL and their respective Shareholders and Creditors pursuant to the provisions of Sections 391 to 394 and all other applicable provisions, if any, of the Companies Act, 1956 and other relevant provisions of the Companies Act, 2013, as may be applicable ("the Scheme").

1.2 In terms of Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by the Securities and Exchange Board of India ('Circular'), a report from the Audit Committee of the Listed Company recommending the draft Scheme of Arrangement under the Companies Act, 1956 taking into consideration, inter alia, the Valuation Report and the Fairness Opinion is required. This report of the Audit Committee is made in order to comply with the requirements of the Circular.

1.3 This report is made by the Audit Committee after perusing inter alia the following necessary documents ('Documents'):

- a. Draft Scheme of Arrangement between Reliance Communications Limited and Reliance Telecom Limited and their respective shareholders and creditors;
- b. Valuation Report dated June 24, 2016 issued by M/s. R V Shah & Associates, Chartered Accountants;
- c. Fairness Opinion dated June 24, 2016, issued by M/s. Dalmia Securities Private Limited, a Category-I Merchant Banker;
- d. Audited financial statements of RTL and the Company for the year ended March 31, 2016, March 31, 2015 and March 31, 2014;

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FOR RELIANCE COMMUNICATIONS LIMITED


PRAKASH SHENOY
COMPANY SECRETARY

2. Proposed Scheme:

2.1 Salient features of the proposed Scheme are as follows:

- a. The Scheme of Arrangement provides for demerger i.e. transfer and vesting of the Telecom Undertaking of RTL to RCom with an appointed date of 1st April, 2016.
- b. Upon coming into effect of the Scheme and with effect from the Appointed Date, all properties, assets and liabilities, licenses, approvals and manpower, etc. of Telecom Undertaking (as specifically provided for in the Scheme) shall be demerged to and vested in and / or be deemed to be demerged and vested in the Company on a going concern basis pursuant to the relevant provisions of the Act and in accordance with this Scheme.
- c. The accounting treatment to be followed for the Scheme will be in compliance with the Accounting Standards under section 133 of the Companies Act, 2013 and other Generally Accepted Accounting Principles.
- d. The Transferor Company is a wholly owned subsidiary (WOS) of the Transferee Company. Entire equity share capital of Transferor Company is held by Transferee Company (78.80%) and its wholly owned subsidiary, Reliance Infocomm Infrastructure Limited ("RIIL") (21.20%). RIIL is also a wholly owned subsidiary of the Transferee Company. RCom shall not issue any shares or pay any consideration to RTL or its shareholders.
- e. The Scheme would be effective pursuant to the approval of the Scheme by relevant authorities including the Securities and Exchange Board of India ("SEBI") through the designated stock exchanges and the Hon'ble High Court at Bombay.

2.2 The Audit Committee also noted the Certificates obtained from the Statutory Auditors of the Company i.e. M/s. Charturvedi & Shah, Chartered Accountants:

- a. on the accounting treatment prescribed in the Scheme;
- b. non applicability of Sub-Para 9(a) of Paragraph I(A) of Annexure I of the Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by the Securities Exchange Board of India.

3. Recommendation of the Audit Committee:

Having considered the Documents, the valuation report and fairness opinion, the Audit Committee do hereby unanimously recommend the draft scheme for favorable consideration by the board of directors of the Company.

By Order of the Audit Committee
For and on behalf of Reliance Communications Limited


R. N. Bhardwaj
Chairman, Audit Committee

Date: June 24, 2016
Place: Mumbai

