

Report of the Audit Committee of the GTL Infrastructure Limited

Members:

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| Mr. N. Balasubramanian | : Chairman of the Committee |
| Mr. Charudatta Naik | : Member |
| Mr. Vinod Agarwala | : Member |
| Mr. Vijay Vij | : Member |

Background:

GTL Infrastructure Limited (hereinafter referred to as the "GIL" or the Transferee Company"), is a public company incorporated on February 4, 2004, under the provisions of the Companies Act 1956 and has its registered office at 3rd Floor, Global Vision, Electronic Sadan II, MIDC, TTC Industrial Area, Mahape, Navi Mumbai 400 710.

Since November 9, 2006, the equity shares of the Transferee Company have been listed on BSE Limited ("BSE") and the National Stock Exchange of India Limited ("NSE").

Chennai Network Infrastructure Limited (hereinafter referred to as the "CNIL" or the Transferor Company"), is a public company incorporated on December 8, 2009 under the provisions of the Companies Act 1956 and has its registered office at Old No. 34/1, DL New No 403 L, 7th Floor Samson Towers, Pantheon Road, Egmore, Chennai 600 008. CNIL is an unlisted company.

SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 *inter-alia* provides "Report from the Audit Committee recommending the Draft Scheme, taking into consideration, *inter-alia*, the valuation Report. The Valuation Report is required to be placed before the Audit Committee of the listed entity".

Accordingly, following documents were placed before the Audit Committee in their meeting held on April 22, 2017:

- a) Draft Scheme;
- b) Valuation Report dated April 22, 2017 issued by Haribhakti & Co. LLP, Chartered Accountants;
- c) Fairness Opinion dated April 22, 2017 issued by Ashika Capital Limited, a Category I Merchant Banker and
- d) Certificate as per Para 1(A) (5) of Annexure-I of the SEBI Circular from the Joint Auditors, M/s Chaturvedi & Shah, Chartered Accountants, Mumbai and M/s Yeolekar & Associates, Chartered Accountants, Mumbai confirming compliance with the applicable accounting treatment notified under the Companies Act, 2013 and other generally accepted principles.

Proposed Scheme of Arrangement:

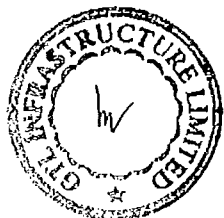
The Committee noted that the salient features of the scheme are as under:

- a) The Scheme provides for amalgamation of Chennai Network Infrastructure Limited into GTL Infrastructure Limited;

- b) Appointed Date shall be April 1, 2016;
- c) Consideration of 1 (One) fully paid-up Equity Share of face value of Rs. 10/- (Rupees Ten only) of GTL Infrastructure Limited to be issued to the shareholders of the CNIL for every 1 (One) fully paid-up Equity Share of the face value of Rs.10/- each held by them in CNIL under this Scheme;
- d) Upon the proposed amalgamation becoming effective, all assets, liabilities, contracts, rights, obligations etc. of Chennai Network Infrastructure Limited as at the effective date shall stand transferred to GTL Infrastructure Limited;
- e) All the Encumbrances, if any, created by the Transferor Company on the Appointed Date and after the Appointed Date and up to the Effective Date in terms of the Scheme, over the assets and properties of the Transferor Company or any part thereof, shall stand transferred to the Transferee Company by virtue of the Scheme, provided that in so far as any Encumbrances that secure or relate to the liabilities of the Transferor Company, the encumbrances shall, continue to relate and attach to such assets of the Transferor Company or any part thereof to which they are related or attached prior to and/or after the Effective Date of the Scheme in terms of the Corporate Debt Restructuring ("CDR") and security documents as executed at the time of CDR for creating such encumbrances, (save and except such assets and properties, which are not permitted to be transferred by the Rules and Regulations of the Government (Central / State) and / or Statutory Authorities / Agencies and / or Local Authorities and / or Statutory Bodies and / or other such Authorities). However, in relation to any assets or properties acquired or erected by the Transferee Company after the Effective Date of the Scheme, the Encumbrance of the lenders of the Transferor Company and the Transferee Company shall rank *pari passu* for the purposes of the satisfaction of the debts;
- f) Upon the coming into effect of the Scheme and as an integral part of the Scheme, the share capital of the Transferor Company to the extent of 181,57,22,400 (One Hundred Eighty One Crore Fifty Seven Lakh Twenty Two Thousand Four Hundred only) equity shares of face value of Rs.10/- (Rupees Ten) each credited as fully paid-up held by the Trust in the Transferor Company, for the benefit of its sole beneficiary i.e. the Transferee Company shall stand cancelled; and
- g) Upon Scheme coming into effect, CNIL shall stand dissolved without any further act of deed.

After reviewing the Scheme, Valuation Report and Fairness Opinion, the Audit Committee also noted the rationale and benefits of the Scheme, which *inter-alia* includes the following:

- a) The Scheme will assist in achieving higher long term financial returns than would have been achieved by the Transferor Company and the Transferee Company as separate entities, will make available assets, financial, managerial and technical resources, personnel, capabilities, skills, expertise and technologies of both the Transferor Company and the Transferee Company leading to synergistic benefits, enhancement of future business potential, increased global competitiveness, cost reduction and efficiencies, productivity gains and logistical advantages, thereby contributing to significant future growth and enhancement of shareholder value.



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- b) The Scheme will result in rationalization and standardization of the business processes, economies of scale and consolidation of opportunities offered by the Scheme which will contribute to the profits of the Transferee Company thereby further enhancing the overall shareholder value.

Recommendation of the Audit Committee

The Audit Committee recommends the Draft Scheme, *inter-alia* taking into consideration the Valuation Report of Haribhakti & Co. LLP, Chartered Accountants and Fairness Opinion Report of Ashika Capital Limited for favourable consideration by the Board of Directors, Stock Exchange(s) and the Securities and Exchange Board of India.

Date: April 22, 2017
Place: Mumbai



A handwritten signature in black ink, consisting of stylized, flowing letters.

N. Balasubramanian
Chairman, Audit Committee