



## Investment Banking

December 19, 2017

**The Board of Directors**

**Tata Teleservices Maharashtra Limited**

Voltas Premises,  
T.B. Kadam Marg,  
Chinchpokli,  
Mumbai – 400 033

Dear Sir,

**Sub: Proposed demerger of Consumer Mobile Business of Tata Teleservices Maharashtra Limited ("TTML") into Bharti Airtel Limited ("Bharti") ("Proposed Transaction")**

TTML has requested us to issue a fairness opinion ("Opinion") from a financial point of view on the share entitlement ratio in relation to the Proposed Transaction ("Share Entitlement Ratio") vide engagement letter dated December 18, 2017 which contains our terms and conditions.

**Proposed Transaction background:** TTML and Bharti are proposing to enter a Scheme of Arrangement, which envisages demerger of Consumer Mobile Business from TTML into Bharti.

Our scope is restricted to providing an Opinion on the Share Exchange Ratio for the demerger of Consumer Mobile Business of TTML into Bharti.

In arriving at our Opinion, we have reviewed historical and future financial and limited business projections and listed stock price data. We have also reviewed certain publicly available information, and have taken into account such other matters as we deemed necessary including our assessment of general economic, market and monetary conditions. We have also reviewed the report dated December 19, 2017, jointly issued to TTML by S.R. Batliboi & Co. LLP and Walker Chandiook & Co LLP recommending range of the Share Entitlement Ratio as

- 1 equity share of Bharti of Rs. 5 each fully paid up for every 5,964 shares of TTML of Rs. 10 each fully paid up at lower end, and
- 1 equity share of Bharti of Rs. 5 each fully paid up for every 1,575 shares of TTML of Rs. 10 each fully paid up at upper end

We have also assumed that the final Scheme of Arrangement will be substantially the same as the scheme discussed with and reviewed by us.

We have had discussions with members of the management of the TTML to understand the past and current business operations of the concerned businesses, their future prospects and operations, and have received management representation letter from TTML ("Management Representation Letter").

**Kotak Mahindra Capital Company Limited**

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Further, we have had discussions with S.R. Batliboi & Co. LLP and Walker Chandok & Co LLP, the valuation advisors, on such matters which we believed were necessary or appropriate for the purpose of issuing this Opinion.

Based on our examination and according to the information and explanation provided to us, we note that the Proposed Transaction entails demerger of the Consumer Mobile Business of TTML into Bharti.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable and we would urge TTML to carry out an independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment. We have further assumed that the Transaction would be carried out in compliance with applicable laws, rules and regulations.

In giving our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of all information supplied or otherwise made available to us by TTML either in verbal or written form and discussed with or reviewed by or for us. We have been given to understand that all information required by us that was relevant for the purpose of our exercise was disclosed to us. We have not conducted any evaluation or appraisal of any assets or liabilities of TTML nor have we evaluated the solvency or fair value of TTML, under any laws relating to bankruptcy, insolvency or similar matters. In addition, we have not assumed any obligation to conduct any physical inspection of the properties or facilities of TTML.

Our Opinion does not factor overall economic environment risk, material adverse change and other risks and is purely based on the information and representations provided to us.

We express no view as to, and our Opinion does not address, the underlying business decision of TTML to effect the Proposed Transaction or the merits of the Proposed Transaction. Our Opinion does not constitute a recommendation to any shareholder or creditor of TTML as to how such shareholder or creditor should vote on the Proposed Transaction or any matter related thereto. We are not expressing any opinion herein as to the prices at which the shares of TTML or Bharti will trade following the announcement or consummation of the proposed transaction or as to the prices at which the shares of Bharti or TTML may be transacted.

Our Opinion is necessarily based on financial, economic, market and other conditions as in effect on the date of this issuing the Opinion, and the information made available to us as of, the date hereof, including the capital structure of TTML.

We will receive a fee for our services in connection with the delivery of this Opinion from TTML. In addition, TTML has agreed to indemnify us from any claims arising in relation to our engagement in providing the Opinion.

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We and our affiliates in the last five years provided, and currently provide, services to TTML and Bharti and their affiliates unrelated to the Proposed Transaction for which services we and such affiliates have received and expect to receive compensation, including, without limitation as creditors and as financial advisors for the purchase/sale of assets/businesses/securities by/to Bharti and TTML (as the case may be).

In the ordinary course of business, we and our affiliates may actively trade or hold securities of companies that may be the subject matter of this transaction for our own account or for the account of our customers and, accordingly, may at any time hold long or short position in such securities. In addition, we and our affiliates maintain relationships with TTML and Bharti, and their respective affiliates.

This Opinion is provided solely for the benefit of the Board of Directors of TTML, and shall not confer rights or remedies upon, any shareholder of TTML, or any other person other than the members of the Board of Directors of TTML, or be used for any other purpose. This Opinion may not be used or relied upon by nor is it issued for the benefit of any third party for any purpose whatsoever or disclosed, referred to or communicated by you (in whole or in part) except with our prior written consent in each instance. Provided however, this opinion may only be disclosed as may be required under any applicable law in India and may be kept open for inspection by shareholders of TTML, but we take no responsibility or liability for or arising out of any such disclosure. We specifically disclaim any responsibility to any third party to whom this Letter may be shown or who may acquire a copy of this Letter.

The laws of India govern all matters arising out of or relating to this Opinion (including, without limitation, its interpretation, construction, performance, and enforcement).

With respect to any suit, action or any other proceedings relating to this Opinion the courts of competent jurisdiction in India shall have exclusive jurisdiction.

On the basis of and subject to the foregoing, it is our view that, as of the date hereof, the proposed range of the Share Entitlement Ratio is Fair from a financial point of view.

Yours faithfully,

For **Kotak Mahindra Capital Company Limited**

**Authorised Signatory**

SHUBHAM MAJUMBER

HEAD - TELECOM, MEDIA, TECHNOLOGY, EDUCATION

KOTAK INVESTMENT BANKING.

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SEBI Registered Category 1 Merchant Banker  
Registration Code: INM000011724

Report Ref No: RCA/FAS/2017-18/1204

December 19, 2017

**The Board of Directors,  
Bharti Airtel Limited**  
Bharti Crescent 1,  
Nelson Mandela Road,  
Vasant Kunj, Phase – II,  
New Delhi – 110070

**Sub: Fairness Opinion on the proposed demerger of "Consumer Wireless Mobile Business" of Tata Teleservices (Maharashtra) Limited into Bharti Airtel Limited**

Dear Sirs,

We refer our engagement letter dated December 15, 2017, wherein Bharti Airtel Limited ("BAL") has requested us to provide fairness opinion on the joint report of Walker Chandiok & Co LLP, Chartered Accountants and S.R.Batliboi & Co. LLP, Chartered Accountants (together referred to as the "Valuers") dated December 19, 2017, in relation to the proposed demerger of the "Consumer Wireless Mobile Business" ("CWMB") of Tata Teleservices (Maharashtra) Limited ("TTML") into Bharti Airtel Limited ("BAL").

BAL and TTML are hereinafter jointly referred as the "Companies".

**Scope and Purpose of this Report**

BAL is leading integrated pan-India telecom service provider. The company is engaged in the business of providing global telecommunications with operations in 17 countries across Asia and Africa. In India, the company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed DSL broadband, IPTV, DTH, enterprise services including national & international long-distance services to carriers.

The shares of BAL are listed on the National Stock Exchange ("NSE") and BSE Limited ("BSE"). The issued, subscribed and paid up share capital of the company as on September 30, 2017 is INR 19,987 Mn consisting of 3,997,400,102 equity shares of INR 5 each fully paid up.

TTML is engaged in businesses in the telecom sector including inter alia (i) consumer mobile telephony business; (ii) enterprise business; (iii) retail wireline voice and broadband business and (iv) WiFi business, which are all provided under the same Telecom License. The company offers integrated telecom solutions to its customers across wireline and wireless networks on GSM & 3G platforms. The

company currently owns two Unified Licenses, one for Mumbai Service Area and another for the rest of Maharashtra and Goa. The company also holds 3G spectrum in Maharashtra and Goa.

The shares of TTML are listed on the NSE and BSE. The issued, subscribed and paid up share capital of TTML as on September 30, 2017 is INR 19,549.3 Mn consisting of 1,954,927,727 equity shares of INR 10 each fully paid up and 201,800,000 preference shares of INR 100 each.

We understand that the Board of Directors of Companies are proposing a scheme of arrangement to demerge the CWMB of TTML into BAL pursuant to a scheme of arrangement under the provisions of Section 230-232 and other applicable provisions of the Companies Act, 2013 (the "Scheme").

In order to comply with the requirements of the regulator, the Companies have appointed Valuers to determine the share entitlement ratio pursuant to the Scheme. In this connection, the management of BAL (the "Management") has engaged RBSA Capital Advisors LLP ("RBSA Advisors") to submit a report on the fairness of the ratio recommended by the Valuers with respect to the transaction. Our scope of work includes commenting only on the fairness of the recommendation in the report by the Valuers and not on the fairness or economic rationale of the transaction per se.

This report is our deliverable in respect of our fairness opinion on report by Valuers for the demerger of CWMB of TTML into BAL.

This report is subject to the scope, assumption, exclusion, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. The report has been issued only for facilitating the demerger and should not be used for any other purpose.

#### **Sources of Information**

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information received from Management and/ or available in public domains as follows:

- a) Joint Report of the Valuers dated December 19, 2017;
- b) Annual Report of BAL and TTML for FY 2016-17;
- c) Carved out financials of CWMB for the year ended March 31, 2017 and for the 6 months period ended September 30, 2017;
- d) Expected revenue and EBITDA of CWMB of TTML for the year ending March 31, 2018;
- e) Details of circle wise spectrum holding of CWMB;
- f) Reviewed historical stock prices and trading volume of BAL's shares on NSE;
- g) Draft Composite Scheme of Arrangement;
- h) Details of debt proposed to be taken over by BAL from TTML
- i) Other relevant information made available to us by management of the BAL/TTML through virtual data room, emails and discussions.

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for our analysis. Further we have also relied on the representation given to us by the management of the Companies.

### Exclusions and Limitations

- We have not carried out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not conducted any independent appraisal of any assets or liabilities of CWMB / BAL.
- Our work did not constitute a validation of the financial statements of the Companies, and accordingly, we do not express any opinion on the same. If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, it may have a material effect on our findings.
- No consideration has been given to liens or encumbrances against the assets, beyond the loans and disclosed in the accounts. Therefore, no liabilities have been assumed for matters of legal nature.
- In rendering our opinion, we have assumed that the scheme will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third-party approvals for the Scheme, no delay, limitations, restrictions or condition will be imposed that would have an adverse effect on the Companies.
- This opinion is based on business, economic, market and other conditions as they existed as of December 18, 2017. Subsequent events or circumstances that could affect the conclusions set forth in the Opinion include, without limitation, adverse changes in industry performance or market conditions and changes to the business, financial condition and results of operations of the Companies. RBSA Advisors is under no obligation to update, revise or reaffirm the Opinion.
- RBSA Advisors has relied upon the representations that the information provided to it is accurate and complete in all material respects. While all public information (including industry and statistical information) was obtained from sources we believe are reliable, RBSA Advisors makes no representation as to the accuracy or completeness thereof, and we have relied upon such public information without further verification.
- The opinion should not be construed, to be investment advice in any manner whatsoever. Furthermore, no opinion, counsel or interpretation is intended in matters that require legal, accounting, tax or other appropriate professional advice. It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.
- The fee for our services is not contingent upon the result of the proposed demerger. This opinion is subject to laws of India.
- Our opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with scheme or any matter related thereto.

### Valuers Recommendation

As stated and elaborated in the valuation report, the Valuers have considered Comparable Companies Market/ Transaction multiple for TTML and Market Price method for BAL, for the purposes of arriving at the share entitlement ratio. The Market Price method has not been considered for valuation of TTML as

CWMB is one of the businesses within TTML and it is difficult to attribute value to CWMB from the total market capitalization of TTML. The Discounted Cash Flow method has not been considered as TTML had not provided mid-term/long-term forecasts, considering uncertainties surrounding continuation of business. The Net Asset Value method was not considered due to the uncertainties around possible sale/pricing of individual assets and consequential costs/liabilities. The realizable value of assets could not be estimated with sufficient degree of objectivity.

The Valuers have recommended a share entitlement ratio in the following range:

- Lower Range: 1 (one) share of BAL of INR 5 each fully paid up for every 5,964 (Five Thousand Nine Hundred Sixty Four) shares of TTML of INR 10 each fully paid up
- Upper Range: 1 (one) share of BAL of INR 5 each fully paid up for every 1,575 (One Thousand Five Hundred Seventy Five) shares of TTML of INR 10 each fully paid up

**Our Comment on the Valuer's Report**

In the circumstance, having regards to the relevant factors and based on information and explanations provided to us, in our view, the proposed share swap entitlement range as recommended by the Valuers, which forms the basis for the proposed demerger, is fair in our opinion.

The detailed terms and conditions of the demerger are more fully set forth in the draft scheme of arrangement. We have issued the fairness opinion with the understanding that scheme of arrangement shall not be materially altered, and the parties hereto agree that the Fairness Opinion would not stand good in case the final scheme of arrangement alters the transaction.

Yours Truly,

For **RBSA Capital Advisors LLP**  
SEBI Registered Category I Merchant Banker  
Registration Code: INM000011724

  
Rajeev Shah  
Managing Director



