Annexure - 4A

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REPORT OF THE AUDIT COMMITTEE OF TATA TELESERVICES (MAHARASHTRA) LIMITED RECOMMENDING THE DRAFT SCHEME OF ARRANGEMENT

Directors Present:

Ms. Hiroo Mirchandani (in the Chair)
Mr. D. T. Joseph
Mr. Govind Sankaranarayanan

In Attendance:

Mr. Kiran Thacker, Company Secretary

By Invitation:

Mr. N. Srinath, Managing Director
Mr. Kush S. Bhatnagar, Chief Financial Officer
Mr. Anuraag Srivastava, Chief Financial Officer, Tata Teleservices Limited (Fellow Subsidiary)
Mr. S. Renganathan, Head - Financial Planning & Analysis, Tata Teleservices Limited (Fellow Subsidiary)
Mr. Ankur Verma, Senior Vice President, Tata Sons Ltd. (part of the meeting)
Mr. Mehul Bheda, Partner, Dhruva Advisors LLP (part of the meeting)
Mr. Shubham Majumder, Executive Director, Kotak Investment Banking (part of the meeting)
Ms. Aditi Singhavi, Principal Associate, Cyril Amarchand Mangaldas (part of the meeting)
Mr. Shishir Vayttaden, Partner, Cyril Amarchand Mangaldas (part of the meeting)
Mr. Kulbhushan Gandhi, Manager, S. R. Batliboi & Co. LLP (part of the meeting)
Ms. Sharmila Karve, Partner, Price Waterhouse & Co. Chartered Accountants LLP (part of the meeting)
Mr. Akhlesh Chowla, Partner, Price Waterhouse Chartered Accountants LLP (part of the meeting)
Mr. Nitin Khatri, Director, Price Waterhouse Chartered Accountants LLP (part of the meeting)
Mr. Madhav Joshi, Legal Advisor

1. Background

The proposal to approve scheme of arrangement ("**Scheme**") between the Tata Teleservices (Maharashtra) Limited ("**Company**" or "**TTML**" or "**Transferor Company**") and Bharti Airtel Limited ("**BAL**" or "**Transferee Company**") and their respective shareholders and creditors pursuant to Sections 230 – 232, other relevant provisions of the Companies Act, 2013, and to Section 2(19AA) of the Income Tax Act, 1961 and other relevant provisions of the Income Tax Act, 1961 was placed before and considered by the Audit Committee at its meeting held on Tuesday, December 19, 2017 at Tata Sons Limited Board Room, 5th Floor, Fort House, Fort, 222, D. N. Road, Mumbai – 400 001. The Scheme provides for demerger by transfer of the Demerged Undertaking (*as defined in the Scheme*) of the Company to the Transferee Company and the consequent issue of equity shares by the Transferee Company to the equity shareholders of the Company and the issue of redeemable preference shares by the Transferee Company to the preference shareholders of the Company as on Record Date (*as defined in the Scheme*), in the manner set out in the Scheme and various other matters consequential to or otherwise integrally connected with the above, in the manner provided for in the Scheme.

The Chairperson placed before the Audit Committee the draft Scheme for the Audit Committee to consider and recommend, if thought fit, to the Board of Directors of the Company ("**Board**") in terms of SEBI Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017 on 'Schemes of Arrangement by Listed Entities and Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957' ("**SEBI Scheme Circular**").

2. **Report**

This Report of the Audit Committee is being issued to comply with the requirements of the SEBI Scheme Circular.

The Audit Committee of the Board has discussed and has made this report after perusing the following necessary documents:

(i) The draft Scheme, initialled by the Company Secretary for the sake of identification;

(ii) The valuation report(s) dated December 19, 2017 issued by S. R. Batliboi & Co. LLP, independent chartered accountants (who are the valuer for the Company), which sets out their recommendation on the share entitlement ratio for the Scheme; and

(iii) The fairness opinion dated December 19, 2017 issued by Kotak Investment Banking, SEBI registered merchant banker, on fairness of the valuation done by the valuer for the Company.

A presentation was then made to the Audit Committee by Mr. Shishir Vayttaden, Partner, Cyril Amarchand Mangaldas, setting out the background, rationale and salient features of the draft Scheme. The Audit Committee noted the background and salient features of the proposed Scheme as under:

Rationale for the Scheme

This Scheme for the demerger and vesting of the Demerged Undertaking (*as defined in the Scheme*) of TTML to BAL, results in the following benefits:

(a) expanding the business of the Transferee Company in the growing markets of India, thereby creating greater value for the shareholders/stakeholders of the Transferee Company;

(b) consolidation of the consumer wireless telecom business of the Transferor Company with the Transferee Company, thereby providing an opportunity to the shareholders of the Transferor Company to acquire an interest in the Transferee Company;

(c) availability of increased resources and assets which can be utilized for strengthening the customer base of the Transferee Company and servicing existing as well as prospective customers of the Transferee Company, innovatively and efficiently;

(d) the combination of the Demerged Undertaking and the Transferee Company is a strategic fit for serving existing market and for catering to additional volume linked to new consumers;

(e) enhance competitive strength, achieve cost reduction, efficiencies and productivity gains by pooling the technologies and resources of the Transferee Company and the Transferor Company thereby significantly contributing to future growth and maximizing shareholders value;

(f) increase in customer base and also acquisition of new customers;

(g) provision of state of the art services to the customers using the spectrum and other assets; and

(h) enhanced generation of revenues and therefore enhanced license fee to the Government.

The Scheme is in the best interests of the shareholders, employees and the creditors of each of the Parties (*as defined in the Scheme*).

Salient features of the Scheme

The Audit Committee was further informed of the salient features of the Scheme:

(i) Appointed Date in terms of the Scheme shall means the Effective Date (*as defined in the Scheme*) or such other date as may be agreed in writing by the Board of the Transferor Company and the Transferee Company and approved by NCLT (*as defined in the Scheme*);

(ii) Effective Date means the last of the dates on which the conditions and matters referred to in Clause 10 of the Scheme have been fulfilled or waived;

(iii) With effect from the Appointed Date and upon the Scheme becoming effective, all the Assets (*as defined in the Scheme*) and Liabilities (*as defined in the Scheme*) pertaining to the Demerged Undertaking stand transferred to and vested in the Transferee Company.

(iv) Upon the Scheme becoming effective and in consideration of the demerger, the Transferee Company shall, issue and allot BAL Equity Shares (*as defined in the Scheme*) to the TTML Equity Holders (*as defined in the Scheme*) and BAL RPS (*as defined in the Scheme*) to the TTML RPS Holders (*as defined in the Scheme*) in accordance with the Share Entitlement Ratio (*as defined in the Scheme*).

(v) Within 45 days of the Effective Date, Transferee Company shall apply for listing and/or trading of its equity shares issued pursuant to the Scheme on the BSE Limited and the National Stock Exchange of India Limited ("**Stock Exchanges**").

(vi) The effectiveness of the Scheme is conditional upon the fulfillment of actions specifically identified in the Scheme, which, *inter alia*, includes: (a) the written approvals of the DoT (*as defined in the Scheme*) with respect to the transactions contemplated under the Scheme shall have been received; (b) certified copy of the order of the NCLT (*as defined in the Scheme*) sanctioning the Scheme being filed with the Registrars of Companies having jurisdiction over the Parties (*as defined in the Scheme*); and (c) execution of an agreement between the Parties (*as defined in the Scheme*) in relation to the Scheme and fulfilment/ waiver of the conditions precedent thereunder in the manner stated therein.

(vii) In the event that the Conditions Precedent (*as defined in the Scheme*) are not completed or (where applicable) waived by the Parties (*as defined in the Scheme*) on or prior to the March 31, 2019, any Party may opt to terminate the Scheme and if required may file appropriate proceedings before the concerned NCLT (*as defined in the Scheme*) in this respect.

The sealed envelope handed over by S. R. Batliboi & Co. LLP, valuers for the Company, containing copy of the valuation report(s), was then un-sealed and the consideration, share entitlement ratio for the Scheme was read out to the Committee. Mr. Kulbhushan Gandhi, Manager, S. R. Batliboi & Co. LLP then made a presentation to the Audit Committee explaining the methodology adopted by them in arriving at the share entitlement ratio for the Scheme. S. R.

Batliboi & Co. LLP, who are the valuers for the Company, recommended following consideration, share entitlement ratio:

A. *1 (one) BAL Equity Share shall be issued and allotted to TTML Equity Holders on the Record Date for every 2,014 (two thousand fourteen) TTML Equity Shares each held in TTML on the Record Date; and*

B. *10 (Ten) BAL RPS to all (and not each) TTML RPS Holders in proportion to their holding of TTML RPS on the Record Date;*

Thereafter, Kotak Investment Banking, the SEBI registered merchant banker for the Company, made a presentation as to the fairness of the share entitlement ratio.

3. <u>Recommendation of the Audit Committee</u>

The Audit Committee has considered and noted the aforementioned documents, presentations made by various persons mentioned above and the draft Scheme, and recommends the draft Scheme to the Board, *inter alia*, taking into consideration the valuation report prepared by S. R. Batliboi & Co. LLP and the fairness opinion obtained from Kotak Investment Banking.

Chairperson, Audit Committee

Date: December 19, 2017

Place: Mumbai

Annexure - 4B

Report of the Audit & Risk Management Committee of Bharti Airtel Limited

Members:

V. K Viswanathan	- Chairman
Craig Ehrilch	- Member
D.K. Mittal	- Member
Tan Yong Choo	- Member

Background:

Bharti Airtel Limited ("**Company**" or "**Transferee Company**") is a public listed company incorporated under the provisions of the Companies Act, 1956 with Corporate Identification Number L74899DL1995PLC070609 and having its registered office at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase II, New Delhi - 110070. The Company is engaged in the business of providing global telecommunication services with operations in 17 countries across Asia and Africa. In India, the Company's product offerings include consumer mobile services (2G, 3G and 4G), mobile commerce, fixed line services, high speed home broadband, DTH, enterprise services including national and international long distance services to carriers. It has Unified License to operate in Punjab, Himachal Pradesh, Karnataka, Andhra Pradesh, Delhi and Kolkata and Unified Access Service License in remaining circles except in Rajasthan and North-Eastern circle. In the rest of the geographies, it offers consumer mobile services (2G, 3G and 4G) and mobile commerce. The equity shares of the Company are listed on the BSE Limited and the National Stock Exchange of India Limited (together, the "**Stock Exchanges**").

Tata Teleservices (Maharashtra) Limited ("**TTML**" or "**Transferor Company**") is a public listed company incorporated on March 13, 1995 under the provisions of the Companies Act, 1956 with Corporate Identification Number L64200MH1995PLC086354 and having its registered office at Voltas Premises, TB Kadam Marg, Chinchpokli, Mumbai, 400033. TTML holds an Unified License with Access Service Authorisations for Mumbai service area and Maharashtra service i.e. rest of Maharashtra and Goa and a national Internet Service Provider (ISP) authorisation (collectively, referred to as the "**Telecom Licenses**"). 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) wi-fi business, which are all provided under the same Telecom License. The consumer mobile telephony business as carried out by TTML as a part of the Demerged Undertaking and the enterprise business and other businesses carried on as part of the Residual Undertaking are separate and different business of TTML. The equity shares of TTML are listed on the Stock Exchanges.

Paragraph I.A.2(c) of Annexure I of the circular no. CFD/DIL3/CIR/2017/21dated March 10, 2017 ("**SEBI Circular**") issued by the Securities and Exchange Board of India ("**SEBI**") states that the listed entity shall submit to the stock exchanges, the *"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."*

In the light of the above, the Audit & Risk Management Committee of the Company ("**Committee**") considered and took note of the following documents:

TATA TELESERVICES (MAHARASHTRA) LTD

(a) Draft scheme of arrangement between TTML and the Company and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013 ("**Scheme**");

(b) Valuation report dated December 19, 2017 issued by Walker Chandiok & Co. LLP, an independent Chartered Accountant;

(c) Fairness opinion on valuation of assets and shares dated December 19, 2017 issued by RSBA Capital Advisors LLP, a SEBI registered merchant banker; and

(d) Certificate dated December 19, 2017 issued by Deloitte Haskins & Sells LLP, the statutory auditors of the Company, confirming that the accounting treatment contained in the Scheme is in compliance with all the applicable accounting standards specified by the Central Government under section 133 of the Companies Act, 2013 pursuant to Paragraph I.A.5 of Annexure I of the SEBI Circular; and

(e) Undertaking in relation to non-applicability of Paragraph I.A.9(a) of Annexure I of the SEBI Circular.

Proposed Scheme of Arrangement:

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

a) The Scheme under sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with Section 2(19AA) and other applicable provisions of the Income-tax Act, 1961, provides for the transfer by way of a demerger of TTML's Demerged Undertaking (*as defined under Clause 1.12 of Part B of the Scheme*) to the Company , and the consequent issue of BAL Equity Shares (*as defined under Clause 1.6 of Part B of the Scheme*) to the TTML Equity Holders (*as defined under Clause 1.29 of Part B of the Scheme*) and BAL RPS (*as defined under Clause 1.7 of Part B of the Scheme*) to the TTML RPS Holders (*as defined under Clause 1.32 of Part B of the Scheme*) by the Transferee Company in accordance with Clause 6 of Part C of the Scheme.

b) The "Appointed Date" has been defined under Clause 1.2 of Part B of the Scheme to mean either of:

   (a) the Effective Date; or
   (b) such other date as may be agreed in writing by the Board of Directors of the Transferor as well as the Transferee Company, and thereafter approved by the NCLT

c) The "Effective Date" has been defined under Clause 1.15 of Part B of the Scheme to mean the date on which the Scheme takes effect in accordance with Clause 9 of Part C of the Scheme.

d) The Scheme provides for the transfer of certain Liabilities (*as defined under Clause 1.19 of Part B of the Scheme*) of TTSL to the Company and BHL, as applicable, in the manner set out in the Scheme;

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

a) expanding the business of the Transferee Company in the growing markets of India, thereby creating greater value for the shareholders / stakeholders of the Transferee Company;

b) *consolidation of the consumer wireless telecom business of the Transferor Company with the Transferee Company, thereby providing an opportunity to the shareholders of the Transferor Company to acquire an interest in the Transferee Company;*
c) *availability of increased resources and assets which can be utilized for strengthening the customer base of the Transferee Company and servicing existing as well as prospective customers of the Transferee Company efficiently;*
d) *the combination of the Demerged Undertaking and the Transferee Company is a strategic fit for serving existing market and for catering to additional volume linked to new consumers;*
e) *enhance competitive strength, achieve cost reduction, efficiencies and productivity gains by pooling the technologies and resources of the Transferee Company and the Transferor Company thereby significantly contributing to future growth and maximizing shareholders value;*
f) *increase in customer base and also acquisition of new customers;*
g) *provision of state of the art services to the customers using the spectrum and other assets; and*
h) *enhanced generation of revenues and therefore enhanced license fee to the Government."*

Recommendation of the Audit & Risk Management Committee:

The Committee recommends the draft Scheme for favourable consideration by the Board of Directors of the Company.

V. K. Viswanathan
Chairman, Audit & Risk Management Committee

Date: December 19, 2017
Place: New Delhi