

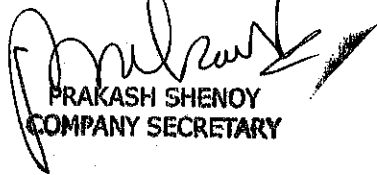
Annexure - 4

## Valuation Report

Demerger of Telecom Undertaking of  
Reliance Telecom Limited into Reliance  
Communications Limited

24 June 2016

CERTIFIED TRUE COPY  
FOR RELIANCE COMMUNICATIONS LIMITED

  
PRAKASH SHENOY  
COMPANY SECRETARY

### R V SHAH & ASSOCIATES

Chartered Accountants

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Mumbai - 400101

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**The Board of Directors**  
**Reliance Communications Limited**  
H block, 1st Floor,  
Dhirubhai Ambani Knowledge City,  
Navi Mumbai,  
Mumbai-400710

**The Board of Directors**  
**Reliance Telecom Limited**  
H block, 1st Floor,  
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Navi Mumbai,  
Mumbai-400710

*Date: 24 June 2016*

**Report on the proposed demerger i.e. transfer and vesting of Telecom Undertaking of Reliance Telecom Limited to its holding company, Reliance Communications Limited pursuant to the Scheme of Arrangement under the relevant provisions of the Companies Act, 1956.**

Dear Sirs,

We are informed by the Management of Reliance Communications Limited ("RCom" or the "Transferee Company" or "the Company") that Reliance Telecom Limited ("RTL" or "the Transferor Company"), the wholly owned subsidiary of the Company proposes to demerge its Telecom Undertaking (as defined in the Scheme) to the Company with effect from the Appointed Date, pursuant to a Scheme of Arrangement between Reliance Communications Limited ("the Transferee Company or RCom or the Company") and Reliance Telecom Limited ("the Transferor Company" or "RTL") and their respective Shareholders and Creditors ("the Scheme") under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 ("the Act"). For this purpose, we have been requested to issue this Report in accordance with the Circular CIR/CFD/CMD/16/2015 dated November 30, 2015 issued by the Securities and Exchange Board of India.

The Scheme is intended to demerge the Telecom Undertaking from the wholly owned subsidiary i.e. RTL. All the assets and liabilities of the Telecom Undertaking shall be transferred at book value. There will be no further cash consideration or issuance of shares.

Accordingly, this Report is being issued for regulatory purposes at the request of the Management of the Company.

This Report is structured under the following broad heads:

- Background
- Information sources
- Salient features of the Scheme
- Valuation Analysis
- Conclusion
- Scope Limitation



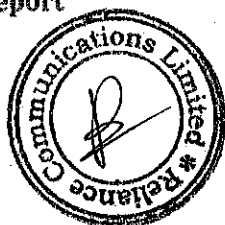
## Background

### *Reliance Communications Limited*

- RCom was incorporated under the provisions of the Companies Act, 1956 in Mumbai, the State of Maharashtra on 15<sup>th</sup> July, 2004 under the name "Reliance Infrastructure Developers Private Limited". With effect from 25<sup>th</sup> July, 2005, the ~~Company was converted into a public limited company and the word "Private"~~ was deleted from the name of the Company. Subsequently the name of Reliance Infrastructure Developers Limited was changed to "Reliance Communication Ventures Limited" with effect from 3<sup>rd</sup> August, 2005 and further the name was changed to its present name i.e. "Reliance Communications Limited" with effect from 7<sup>th</sup> June, 2006. RCom is engaged, inter alia, in the business of provision of telecom services, covering mobile and fixed line telephony, including broadband, national and international long distance services and data services along with an exhaustive range of value added services and applications, data center services.
- The shares of RCom are listed on the BSE Limited and National Stock Exchange of India Limited and its Global Depository Receipts are listed on the Luxembourg Stock Exchange.

### *Reliance Telecom Limited*

- RTL is a wholly owned subsidiary of RCom. Entire equity share capital of RTL is held by RCom (78.80%) and its wholly owned subsidiary, Reliance Infocomm Infrastructure Limited ("RIIL") (21.20%). RTL was originally incorporated on 1<sup>st</sup> March, 1994 as Reliance Telecom Private Limited under the provisions of the Companies Act, 1956. On 25<sup>th</sup> November, 1997 the name was changed to Reliance Telecom Limited. It is engaged in the business of telecom services, data services along with an exhaustive range of value added services and applications.
- The registered office of RTL is situated at H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai 400 710.



## **Information Sources**

For the purposes of determining the valuation of Telecom Undertaking, we have relied on the following sources of information and documents of both the companies:

- Memorandum and Articles of Association;
- Audited Financial Statement for the last three years;
- Management certified statement of assets and liabilities of Telecom Undertaking as on March 31, 2016;
- Latest shareholding pattern;
- Draft Scheme; and
- Our discussions with management representatives

## **Salient features of the Scheme**

- The Scheme envisages demerger i.e. transfer and vesting of the Telecom Undertaking of RTL to RCom. The Rationale for the Scheme is as under:
  - Reliance Telecom Limited (RTL) is a wholly owned subsidiary (WOS) of the Company. RTL holds Unified license (UL) in 7 License Service Area (LSA) namely, Assam, Bihar (including Jharkhand), Himachal Pradesh, Madhya Pradesh (including Chhattisgarh), Orissa, North East and West Bengal. RTL also holds Unified Access Service License (UASL) in LSA of Kolkata. UL and UASL are issued by Department of Telecommunication (DoT), Ministry of Communication & IT, Government of India.
  - RTL is demerging 5 LSA, namely Bihar (including Jharkhand), Himachal Pradesh, Madhya Pradesh (including Chhattisgarh), Orissa and West Bengal including assets and liabilities of said Telecom Undertaking into the Company to enable seamless experience to customers by combining 3G and 4G / LTE Network resources and platform under single license per LSA as well as for compliance of applicable Regulations. The Company will also benefit in maximization of synergies in operational process, logistics alignment leading to economies of scale and enhanced customer experience.
- Appointed date is 1<sup>st</sup> day of April, 2016 or such other date as may be decided by the High Court.
- Effective Date means the last of the date on which the certified copies of the Orders of High Court of Judicature at Bombay under Sections 391 to 394 of the Act or corresponding authority as per provisions of the Companies Act, 2013, sanctioning the Scheme is filed with the Registrar of Companies, Maharashtra at Mumbai by the Transferor Company and the Transferee Company.
- With effect from the Appointed Date, the whole of the undertaking and properties, 5 licenses, debts, liabilities, duties, obligations, contracts, employees, etc. of the Telecom Undertaking of RTL shall be demerged and vested in RCom w.e.f. effective date.



- RTL is a wholly owned subsidiary of RCom. Entire equity share capital of RTL is held by RCom (78.80%) and its wholly owned subsidiary, Reliance Infocomm Infrastructure Limited ("RIIL") (21.20%). Further, RIIL is also a wholly owned subsidiary of the Transferee Company. The Scheme is intended to transfer the Telecom Undertaking from the wholly owned subsidiary to its holding company and does not involve any movement of assets or liabilities to any company outside the group. Upon the Scheme becoming effective, inter alia in recognition of the fact that the Act prohibits allotment of shares by a holding company to its subsidiary company, no shares of the RCom shall be allotted in lieu or exchange of the holding of RIIL in the RTL. Hence, RCom is not required to pay or provide for any consideration and therefore RCom is not issuing any shares or paying any consideration, directly or indirectly, to either the RTL or its shareholders.

### **Valuation Analysis**

- As stated above, the entire exercise is a restructuring exercise to achieve the objectives stated in the Scheme.
- As stated above, the Transferee Company is not issuing any shares or paying any consideration, directly or indirectly, to either the Transferor Company or its shareholders.

### **Conclusion**

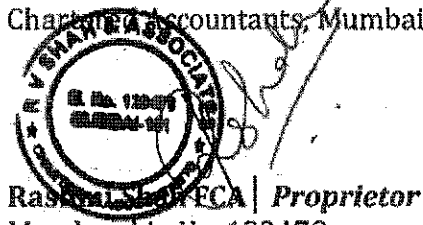
In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in our opinion, since the Transferor Company is a wholly owned subsidiary of the Transferee Company, the Transferee Company shall not be required to issue any shares or pay any consideration to the Transferor Company and its shareholders and the interest of the shareholders of the Transferee Company will not be in any way prejudicially affected.



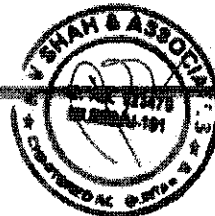
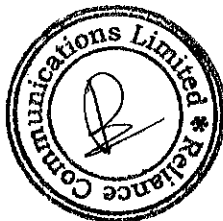
**Scope Limitation**

- We have relied on the representations made to us by the management including financial information, significant transactions and events occurring subsequent to the balance sheet date. We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.
- Our work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.
- We further assume that the management of all the companies has brought to our attention all material transactions, events or any other factors having an impact on the valuations.
- This report has been prepared for the management of the Companies solely for the purpose of determining the valuation of the division for the proposed Scheme of Arrangement between Reliance Communications Limited and Reliance Telecom Limited and their respective shareholders and creditors. This report should not be used for any other purpose.

**For R V Shah & Associates**  
Chartered Accountants, Mumbai



**Rashmi Shah FCA | Proprietor**  
Membership No. 123478  
FRN: 133958W  
Place: Mumbai  
Date: 24 June 2016



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