

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

Members:

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

Background:

Bharti Airtel Limited ("**Company**") is a public limited company incorporated under the provisions of the Companies Act, 1956 and having its registered office at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, Phase II, New Delhi - 110070. The equity shares of the Company are listed on the BSE Limited and the National Stock Exchange of India Limited (together the "**Stock Exchanges**"). The Company is engaged in the business of providing global telecommunication services with operations in 17 (seventeen) 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 home broadband, DTH, enterprise services including national and international long distance services to carriers. In the rest of the geographies, it offers 2G, 3G and 4G wireless services and mobile commerce.

Telesonic Networks Limited ("**Telesonic**", which together with the Company is referred to as the "**Companies**"), a wholly - owned subsidiary of the Company, is a public limited company incorporated under the provisions of the Companies Act, 1956 and having its registered office at Bharti Crescent, 1, Nelson Mandela Road, Vasant Kunj, New Delhi - 110070. Telesonic is engaged in the business of designing, planning, deploying, optimizing and managing broadband and fixed telephone networks across India.

Circular No. CFD/DIL3/CIR/2017/21 dated 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 light of the above, the Audit & Risk Management Committee of the Company considered the following documents:

- (a) Draft scheme of arrangement between the Company and Telesonic and their respective shareholders and creditors under sections 230 to 232 of the Companies Act, 2013 ("**Scheme**") providing for the transfer of the OFC Undertaking (as defined under Clause 1.14 of Part A of the draft Scheme) of the Company to Telesonic, on a going concern basis by way of a slump sale;
- (b) Valuation report dated October 31, 2017 issued by BSR & Associates LLP, an independent chartered accountant;
- (c) Fairness opinion on valuation of assets and shares dated October 31, 2017 issued by RBSA Capital Advisors LLP, SEBI registered merchant banker;
- (d) Certificate dated October 31, 2017 issued by Deloitte Haskins & Sells LLP, Chartered Accountants, 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 5 of Annexure 1 of the SEBI Circular; and

- (e) Undertaking in relation to non-applicability of Paragraph 9(a) of Annexure 1 of the SEBI Circular, certified by the statutory auditors of the Company, pursuant to Paragraph 9(c) of Annexure 1 of the SEBI Circular.

Proposed Scheme of Arrangement:

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

1. The Scheme provides for the transfer of the OFC Undertaking (*as defined under Clause 1.14 of Part A of the draft Scheme*) of the Company to Telesonic, on a going concern basis by way of a Slump Sale (*as defined under Clause 1.20 of Part A of the draft Scheme*) in accordance with section 2(42C) of the Income-tax Act, 1961;
2. The "Appointed Date" has been defined to mean the Effective Date;
3. The "Effective Date" has been defined to mean the date on which the certified copy of the National Company Law Tribunal's order sanctioning the Scheme is filed by the Companies with the Registrar of Companies, National Capital Territory of Delhi & Haryana;
4. Upon the Effective Date and with effect from the Appointed Date, the OFC Undertaking of the Company shall stand transferred and vest in Telesonic on a going concern basis by way of a Slump Sale so as to become as and from the Appointed Date, the undertaking of Telesonic, and to vest in Telesonic, all the Assets (*as defined under Clause 1.5 of Part A of the draft Scheme*), Liabilities (*as defined under Clause 1.11 of Part A of the draft Scheme*), rights, title or obligations of the OFC Undertaking in the manner provided in and pursuant to the Scheme;
5. Upon the Effective Date, Telesonic shall discharge the lump sum consideration of Rs. 45,647,000,000 (Rupees Forty five thousand six hundred and forty seven million only) to the Company in the form of cash through normal banking channels. Further, the aforesaid lump sum consideration shall be subject to adjustment(s) on account of incremental capital expenditure, working capital and the like incurred by the Company. However, the overall consideration for transfer of the OFC Undertaking under the Scheme shall in no event be in excess of Rs. 56,500,000,000 (Rupees Fifty six thousand five hundred million only);
6. Upon the Effective Date, the employees of the OFC Undertaking as on the Effective Date, if any, shall be deemed to have become employees of Telesonic, without any interruption of service and on the basis of continuity of service and on the same terms and conditions as those applicable to them with reference to the Company on the Effective Date. Further, the services of such employees, if any, with the Company up to the Effective Date shall be taken into account for the purposes of all benefits to which the employees, if any, may be eligible under applicable law; and
7. Upon the Effective Date, all legal or other proceedings (including before any statutory or quasi-judicial authority or tribunal) by or against the Company which may be instituted after the Effective Date and which relate to a period after the Effective Date and in each case relating to the OFC Undertaking would stand transferred, or be deemed to stand transferred to Telesonic and shall solely be continued and enforced by or against Telesonic. However, it is clarified that all legal or other proceedings (including before any statutory or quasi-judicial authority or tribunal) by or against the Company pending on the Effective Date and/ or which may be instituted after the Effective Date but which relate to a period on or prior to the Effective Date and in each case relating to the OFC Undertaking would be to the sole account of the Company and shall solely be continued and enforced by or against the Company.



After reviewing the Scheme, the valuation report and the fairness opinion, the Audit & Risk Management Committee of the Company took note of the rationale and benefits of the Scheme, as extracted below:

"The Transferor Company is a multi-business corporate inter alia engaged in the business of providing global telecommunication services with operations in 17 (seventeen) countries across Asia and Africa. These activities and businesses have been nurtured from a nascent stage and are currently at different stages of maturity and have different capital, operating and regulatory requirements. Since the Transferor Company and the Transferee Company are companies within the same group, the Transferor Company believes that it would be beneficial to restructure its business interests as it will result in sharper and dedicated focus on the optical fibre cable business and operational efficiencies and therefore the proposed arrangement will, inter-alia, allow for efficient integration of the fibre roll-out and maintenance resources on an inter-city and intra-city level."

Recommendation of the Audit & Risk Management Committee:

The Audit & Risk Management Committee recommends the draft Scheme for favourable consideration by the Board of Directors of the Company.

Date: October 31, 2017
Place: New Delhi



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

