



RB SA Capital Advisors LLP

*SEBI Registered Category 1 Merchant Banker
Registration Code: INM000011724*

Report Ref No: RCA/FAS/2017-18/AMD/1003

October 31, 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 report of B S R & Associates LLP, Chartered Accountants with respect to the proposed demerger of "Dark Fiber Undertaking" of Bharti Airtel Limited into Telesonic Network Limited

Dear Sirs,

We refer to our engagement letter dated September 25, 2017, wherein Bharti Airtel Limited ("BAL" or the "Company") has requested us to provide fairness opinion on the report by B S R & Associates LLP, Chartered Accountants (the "Valuer"), with respect to the proposed demerger of "Dark Fiber Undertaking" ("Undertaking") of BAL Limited into Telesonic Network Limited ("TNL").

1. 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. In the rest of the geographies, it offers 2G, 3G/4G wireless services and mobile commerce.
- BAL owns and operates fibre network – both dark and lit spanning over 200,000 km (owned and IRU km). The Undertaking, a part of Access Network group (ANG) and Transport Network group (TNG), is proposed to be carved out of the existing business and transferred to wholly owned subsidiary of BAL i.e. Telesonic Network Limited.
- TNL is a public company incorporated on June 26, 2009. The company is engaged in providing end to end wire line network management and transformation to next generation wire line and wireless technologies with innovative cost effective solutions.
- We understand that the Board of Directors of Company are proposing to demerge "Dark Fiber Undertaking" of BAL into TNL on a slump sale basis, through a scheme of arrangement under the provision of Section 230 - 232 and other applicable provisions of the Companies Act, 2013.





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- In order to comply with the requirements of the regulator, the Company has appointed a Valuer to determine the value of the Undertaking. In this connection, the Management has engaged RBSA Capital Advisors LLP ("RBSA Advisors") to submit a report on the fairness of the report provided by the Valuer with respect to the value determined for the Undertaking. Our scope of work includes commenting only on the fairness of the value recommended in the report by the Valuer and not on the fairness or economic rationale of the demerger per se.
- 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 the purpose of facilitating the demerger and should not be used for any other purpose.

2. 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) Valuation report by B S R & Associates LLP dated October 31, 2017;
 - b) Provisional carved out financials of the Undertaking for the year ended March 31, 2017
 - c) Provisional carved out financials of the Undertaking for the six months period ended September 30, 2017
 - d) Draft scheme of arrangement
 - e) Financial projections of the Undertaking for the six months ending March 31, 2018 and FY2019 to FY2027.
- In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our analysis. Further we have also relied on the representation given to us by the management of the Company.

3. Exclusions and Limitations

- For the purpose of this fairness opinion, we have not carried out any due diligence or independent verification or validation of information provided to establish its accuracy or sufficiency. We have not conducted any independent appraisal of any assets or liabilities of BAL. We have essentially relied on the valuation report of Valuer dated October 31, 2017.
- Our work does not constitute an audit or certification of the financial statements of the Company/Business, and accordingly, we do not express any opinion on the accuracy of any financial information referred to in the report. Valuation analysis and its results are specific to the purpose of valuation. It may not be valid for any other purpose or as at any other date. If there were any omissions, inaccuracies or misrepresentations of the information provided by the Management, it may have a material effect on our findings.
- A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This fairness opinion report is issued on the understanding that the Company has drawn our attention to all the material information, which they are aware of concerning the financial position of the Company and Undertaking and any other matter that may have an impact on our opinion on the fair value of the Undertaking, including any significant changes that have taken place or are likely to take place





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in the financial position of the Company / Undertaking. We have no responsibility to update this report for events and circumstances occurring after date of this report.

- This opinion is based on business, economic, market and other conditions as they existed as of October 28, 2017. Internally prepared financial statements including management accounts, financial projections and other pertinent information were provided by the Management and have been accepted without further verification as correctly reflecting the results of operations, financial and business conditions of Undertaking. These assumptions require exercise of judgement and are subject to uncertainties. While we have reviewed the assumptions for reasonableness and discussed the same with management of Company, there can be no assurance that the assumptions are accurate. Subsequent events or circumstances that could affect the conclusions set forth in the report include, without limitation, adverse changes in industry performance or market conditions and changes to the business, financial condition and results of operations of the Company. RBSA Advisors is under no obligation to update, revise or reaffirm the Opinion. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.
- 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 Company.
- 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 results 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.

4. Valuer's Recommendation

- In arriving at the value of the Undertaking, the Valuer has considered the following methods,
 - Replacement Cost Method
 - Discounted Cash-flows Method
 - Comparable Companies Method
- The Valuer has concluded the valuation on Replacement cost of assets method considering the current underutilization of capacity that the operations of the Undertaking are asset intensive. The discounted cash flow method was not considered due to dynamic changes being witnessed in





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telecom sector and considering difficulty in assessing revenue forecast for longer term period. Further, considering that the Undertaking operates in the different dynamics and there being are no close comparable listed company in India, the value arrived under the comparable companies method was not considered.

- Basis above, the Valuer has concluded that the value of Undertaking is INR 45,647 Mn as per Replacement Cost Method.

5. Our Comment on the Valuer's Report

In the circumstance, having regards to the relevant factors and on the basis of information and explanations provided to us, explanation brought out in the Valuer report, in our view, the value of Undertaking as worked out by the Valuer, which forms the basis for the proposed demerger, is fair in our opinion.

Yours Truly,

For **RBSA Capital Advisors LLP**

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Gautam Mirchandani
Authorised Signatory




Samir Shah
Vice President

