

S.R. BATLIBOI & CO. LLP
Golf View Corporate Tower – B,
Sector – 42, Sector Road,
Gurgaon – 122 002,
Haryana, India.

Walker Chandiok & Co LLP
(Formerly Walker, Chandiok & Co)
5th Floor, No.65/2, Block 'A',
Bagmane Tridib,
Bagmane Tech Park, CV Raman Nagar
Bengaluru – 560 093.

Dated: 19 December 2017

To

The Board of Directors

Tata Teleservices (Maharashtra) Limited
A, E & F Blocks, Voltas Premises
TB Kadam Marg, Chinchpokli
Mumbai – 400 033

The Board of Directors

Bharti Airtel Limited
Bharti Crescent,
1, Nelson Mandela Road, Vasant Kunj Phase II
New Delhi – 110070

Sub: Recommendation of share entitlement ratio for the proposed demerger of the consumer mobile business of Tata Teleservices (Maharashtra) Limited ('TTML') into Bharti Airtel Limited ('BAL')

Dear Sir,

We refer to the engagement letters wherein

- Bharti Airtel Limited (hereinafter referred to as 'BAL') has appointed Walker Chandiok & Co LLP (hereinafter referred to as 'WCC' or 'Valuer 1'), and
- Tata Teleservices (Maharashtra) Limited (hereinafter referred to as 'TTML') has appointed S.R. Batliboi & Co. LLP (hereinafter referred to as 'SRBC' or 'Valuer 2')

respectively to recommend a share entitlement ratio for the proposed demerger of the consumer mobile business of TTML into BAL.

TTML and BAL are together hereinafter referred to as the 'Companies'.

WCC and SRBC are together hereinafter referred to as 'Valuers' (or 'we' or 'us' or 'our').

SCOPE AND PURPOSE OF THIS REPORT

TTML is a telecom company headquartered in Mumbai, India. TTML provides basic and cellular telecommunication services to retail, large corporate and small and medium enterprises in Maharashtra and Goa, India. It offers wireline services, code division multiple access services, global system for mobile communications services and 3G services; and voice, data and other enterprise services, such as connectivity and managed services, verticals based mobile applications and cloud services. The company also provides high speed Internet access services. Consumer Mobile Business of TTML (hereinafter referred to as 'CMB of TTML') refers to the wireless business providing CDMA/2G/3G services and excludes the enterprise business and the wireline/broadband business. For the year ended 31 March 2017, the total revenue of TTML is INR 27,614 million and the loss for the year is INR 23,565 million.



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

Bharti Airtel Limited ("BAL"), together with its subsidiaries, operates as a telecommunications company. The company operates within various segments such as Mobile business segment, Airtel business segment, Tower Infrastructure Services segment, Homes Services segment and Digital TV Services segment. BAL also offers fixed line, DSL broadband, mobile commerce and infrastructure sharing service. It was founded in 1995 and is headquartered in New Delhi, India. For the year ended 31 March 2017, BAL reported a consolidated revenue (including other income) of INR 955,889 million and profit after tax of INR 42,414 million.

We understand from the management of the Companies (hereinafter referred to as "Management") that they are contemplating transfer by way of a demerger of the CMB of TTML into BAL ('Proposed Transaction') through a Scheme of Arrangement under the provisions of Section 230-232 of the Companies Act, 2013 ('Scheme'). Under the Proposed Transaction, TTML equity shareholders would be issued equity shares of BAL ('Share Entitlement Ratio').

For the aforesaid purpose, BAL and TTML have respectively appointed WCC and SRBC to prepare a report (the 'Report') on the Share Entitlement Ratio to be placed before the Board of Directors of the Companies.

The Valuers have been appointed separately and have worked independently in their analysis. WCC owns responsibility only to BAL and SRBC owns responsibility only to TTML.

The Valuers have received same information and clarifications from the Companies. For recommending the Share Entitlement Ratio, the Valuers have independently arrived at different values. However, to arrive at the consensus on the Share Entitlement Ratio, appropriate discussions, averaging and rounding off in the values arrived at by the Valuers have been done.

We have considered facts made known (past or future) to us till the date of our Report.

This Report is our deliverable in respect of our recommendation of Share Entitlement Ratio for the purpose of the Proposed Transaction.

The Management has informed us that there would not be any material change in the equity share capital of TTML and BAL till the closing of the Proposed Transaction, except to the extent of Employee Stock Options Schemes (ESOPs) of BAL.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management/their representatives and / or gathered from public domain:

- With respect to TTML/CMB business
 - Annual report of TTML for the year ended 31 March 2017
 - Carved out unaudited balance sheet of CMB of TTML as at 30 September 2017
 - Details of assets/liabilities proposed to be transferred
 - The amount of debt proposed to be transferred to BAL, which is INR 9,500 million
 - Carved out unaudited profit and loss statements (upto EBITDA) of CMB for FY 2016-17 and six months ended 30 September 2017
 - Expected revenue and EBITDA of CMB for the year ended 31 March 2018
 - Historical circle-wise key operational parameters of the CMB of TTML for FY 2016-17 and for six months ended 30 September 2017
- With respect to BAL
 - Audited financial statement of BAL for the year ended 31 March 2017.
 - Quoted share prices and the traded volumes at NSE and BSE.
- Others
 - Draft Composite Scheme of Amalgamation.

During the discussions with the Management, we have also obtained explanations and information considered reasonably necessary for our exercise. The Management has been provided with the opportunity to review the draft Report (without value recommendations) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final Report.



32



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Discussions (physical / over call) to:
 - Understand the business and fundamental factors that affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance.
 - Enquire about business plans, future performance estimates, or budgets.
- Requested and received financial and qualitative information on the CMB of TTML
- Undertook Industry Analysis:
 - Research publicly available market data including economic factors and industry trends that may impact the valuation
 - Analysis of key trends and valuation multiples of comparable companies/comparable transactions using:
 - Valuers' internal transactions database
 - Proprietary databases subscribed by the Valuers'
 - Other publically available information.
- Analysis of information
- Selection of appropriate internationally accepted valuation methodology/(ies) after deliberations

Further, at the request of the Management, we have had discussions with fairness opinion providers appointed by BAL and TTML on the valuation approach adopted and assumptions made.



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

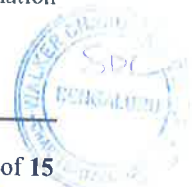
The recommendation contained herein is not intended to represent value at any time other than valuation date of 18 December 2017 ('Valuation Date').

This Report, its contents and the results herein are (i) specific to the purpose of valuation agreed as per the terms of our engagement; (ii) the Valuation Date and (iii) are based on the data detailed in the section – Sources of Information. An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the Valuation Date. Events occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information till date, furnished by the Management (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of a Share Entitlement Ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single undisputed Share Entitlement Ratio. While we have provided our recommendation of the Share Entitlement Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the Share Entitlement Ratio at which the Proposed Transaction shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their own assessment of the Proposed Transaction and input of other advisors.

In the course of the valuation, we were provided with both written and verbal information, including information as detailed in the section - Sources of Information. We have not audited, reviewed or otherwise investigated the financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Also, we assume no responsibility for technical information furnished by the Companies. However nothing has come to our attention to indicate that the information



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the financial statements of the Companies.

This Report does not look into the business/ commercial reasons behind the Proposed Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. In addition, this Report does not in any manner address the prices at which equity shares of BAL and TTML will trade following announcement of the Proposed Transaction and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Transaction.

No investigation/inspection of the Companies' claim to title of assets has been made for the purpose of this Report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

The fee for the engagement is not contingent upon the results reported.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any third party to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

This valuation Report is subject to the laws of India.

The Report should be used in connection with the Scheme

Our appointment was formalized via engagement letters dated 15 December 2017 for WCC and 18 December 2017 for SRBC respectively, however, the work had started earlier.



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

EQUITY SHARE CAPITAL

Tata Teleservices (Maharashtra) Limited

The issued, subscribed and paid up equity share capital of TTML as at 30 September 2017 is INR 19,549 million, consisting of 1,954,927,727 equity shares of face value of INR 10 each fully paid up. The shareholding pattern is as follows:

Shareholding pattern as at 30 September 2017	No. of shares	% shareholding
Promoter & Group	1,45,36,72,327	74.36%
Non Promoter	50,12,55,400	25.64%
Total	1,95,49,27,727	100.00%

Source: BSE filing

Bharti Airtel Limited

The issued, subscribed and paid up equity share capital of BAL as at 30 September 2017 is INR 19,987 million consisting of 3,99,74,00,102 equity Shares of INR 5 each fully paid up. The shareholding pattern is as follows:

Shareholding pattern as at 30 September 2017	No. of shares	% shareholding
Promoter & Group	2,68,37,81,555	67.14%
Non Promoter	1,31,25,16,810	32.83%
Employee Benefit Trust	11,01,737	0.03%
Total	3,99,74,00,102	100.00%

Source: BSE filing



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

APPROACH - BASIS OF PROPOSED TRANSACTION

We understand from the Management that the proposed Scheme of Arrangement contemplates the demerger of the CMB of TTML to BAL pursuant to sections 230 to 232 of the Companies Act, 2013. Arriving at the Share Entitlement Ratio for the proposed demerger of the CMB of TTML into BAL would require determining the value of the CMB of TTML relative to value of equity shares of BAL. These values are to be determined independently without considering the current Proposed Transaction.

There are several commonly used and accepted methods for determining the value of CMB of TTML and BAL, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Price method
2. Comparable Companies Multiples method
3. Discounted Cash Flows method
4. Net Asset Value method

It should be understood that the valuation of any business / company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies, and other factors which generally influence the valuation of business / companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner, based on our previous experience of assignments of a similar nature.

Market Price (MP) Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market or when market prices do not seem to be reflective of financial performance. Further, in the case of a demerger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case, the shares of BAL are listed on BSE and NSE and there are regular transactions in their equity shares with reasonable volumes. In these circumstances, the volume



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

weighted average share price observed on NSE for BAL over a reasonable period has been considered for determining the value of BAL under the market price methodology.

For TTML, since the CMB is only one of the many businesses, we have not used the market price method. Further, it would be difficult to attribute value to CMB from the total Market Capitalisation of TTML.

Comparable Companies' Market/Transaction Multiple (CCM) method

Under this method, value of the company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies and transaction valuations of listed or unlisted comparable companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

We identified listed comparable companies and available transactions, based on business of TTML and thereafter adjusted the selected multiples based on size, growth, profitability and the circles in which TTML operates.

Considering that BAL is well traded, we did not apply CCM method for arriving at per share value of BAL.

Discounted Cash Flows (DCF) Method

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

We have not been provided with mid-term/long term forecasts by TTML. TTML management informed us that they could not prepare the same considering uncertainties surrounding the continuation of the business. Hence, we have not considered DCF method for valuation purpose.



[Handwritten signature]

Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

Considering that BAL is well traded, we did not apply the DCF method for arriving at per share value of BAL.

Net Asset Value (NAV) Methodology

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

In case of CMB of TTML, a large portion of assets in the books is represented by purchased telecom spectrum. The Management has informed us that the 30 September 2017 financials of TTML (prepared although yet to be approved by the Board) are expected to have significant impairment write downs for CMB assets including spectrum.

According to us, the spectrum price benchmarks for 2016 auctions have limited relevance now due to the following factors:

- Unsold spectrum in the auctions
- Reduction in number of players due to
 - Consolidation (eg. Idea-Vodafone, Bharti-Telenor)
 - Possible discontinuation of business (eg. Reliance Communication, Aircel)
- Increase in spectrum holdings due to consolidation and asset purchases (eg. Tikona-Bharti)

Additionally, telecom sector is moving towards 4G making 3G bands non-lucrative. TTML did not have any 4G spectrum and management of TTML informed us that they had already considered all possible strategic options for CMB. As per management of TTML, considering limited scope of meaningful revival of profitability, there were no other realistic options available to them.

Considering the uncertainties around possible sale/pricing of individual assets in this situation and consequential costs/liabilities, we believe estimation of realizable value of assets would not be realistically possible with sufficient degree of objectivity.



[Handwritten signature]

Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

MAJOR FACTORS THAT WERE TAKEN INTO ACCOUNT DURING THE VALUATION

- CMB of TTML has witnessed decline in revenues and has negative EBITDA margins.
- Challenging competitive environment which limited the scope of meaningful revival of profitability of CMB of TTML
- TTML has limited visibility on the continuity of the operations of the CMB and therefore has not been able to provide mid/long term cash flow forecasts.
- The equity shares of BAL are frequently traded on both the stock exchanges, BSE & NSE in India.

BASIS OF PROPOSED TRANSACTION

The basis of valuation would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove.

CMB of TTML has been valued using CCM method and BAL using MP method.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend that the Share Entitlement Ratio for the Proposed Transaction should be anywhere in the following range:

- Lower Range: 1 equity share of BAL of INR 5 each fully paid up for every 5,964 shares of TTML of INR 10 each fully paid up (refer Table A below)
- Upper Range: 1 equity share of BAL of INR 5 each fully paid up for every 1,575 shares of TTML of INR 10 each fully paid up (refer Table B below)

This is based on the overlapping equity ranges for CMB of TTML as per the Valuers' workings of INR 0.09 per share to INR 0.33 per share.

Please note that we have not considered the issuance of Redeemable Preference Shares ("RPS") by BAL to the RPS holders in TTML for the estimation of the Share Entitlement Ratio.



[Handwritten signature]

Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

The Computation of Share Entitlement Ratio as derived by the Valuers, is given below:

Table A: Lower Range

Valuation Approach	CMB of TTML (A)		BAL (B)	
Asset Approach	NA		NA	
Income Approach	NA		NA	
Market Approach – Market Price method	NA		514.66	100%
Market Approach – Comparable Companies' Multiple method	0.09	100%	-	-
Relative Value per Share	0.09		514.66	
Exchange Ratio (rounded off) (B/A)			5,964	

Table B: Upper Range

Valuation Approach	CMB of TTML (A)		BAL (B)	
Asset Approach	NA		NA	
Income Approach	NA		NA	
Market Approach – Market Price method	NA		514.66	100%
Market Approach – Comparable Companies' Multiple method	0.33	100%	-	-
Relative Value per Share	0.33		514.66	
Exchange Ratio (rounded off) (B/A)			1,575	



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

It should be noted that we have not examined any other matter including economic rationale for the Proposed Transaction per se or accounting, legal or tax matters involved in the Proposed Transaction.

Respectfully submitted,

S.R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm Registration No.:
301003E/E300005

Per Sanjay Vij

Partner

Membership No: 95169

Place: Gurgaon

Date: 19 December 2017



Walker Chandiok & Co LLP

(Formerly Walker, Chandiok & Co)

Chartered Accountants

ICAI Firm Registration No.:
001076N/N500013

Per Shashishekhar Chaugule

Partner

Membership No: 212151

Place: Bengaluru

Date: 19 December 2017



Encls:
Annexures



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

Annexure 1: SRBC's computation of Equity Value of TTML's CMB Unit per equity share of TTML

Currency INR mn	Notes	Weight (%)	CMB of TTML Lower Range	CMB of TTML Upper Range
Trading multiple				
Enterprise Value based on EV/Revenue multiple	I	100%	9,426	10,557
Enterprise Value			9,426	10,557
Less: gross debt			(9,500)	(9,500)
Equity Value			-	1,057
Equity Value in INR per share			-	0.54

Note 1: Enterprise Valuation of TTML's CMB unit based on EV/ Revenue multiple

Currency INR mn	Value-Lower Range	Value-Upper Range
EV/ Revenue multiple		
Chosen multiple	1.25	1.40
Revenue - TTML's CMB Unit - FY18 estimate	7,541	7,541
Enterprise Value of TTML's CMB Unit	9,426	10,557



Recommendation of share entitlement ratio for the proposed demerger of the CMB of TTML into BAL

Annexure 2: WCC's computation of Equity Value of TTML's CMB Unit per equity share of TTML

<i>Currency INR mn</i>	<i>Notes</i>	<i>Weight (%)</i>	CMB of TTML	CMB of TTML
			Lower Range	Upper Range
Trading multiple				
Enterprise Value based on EV/Revenue multiple	I	100%	9,669	10,139
Enterprise Value			9,669	10,139
Less: gross debt			(9,500)	(9,500)
Equity Value			169	639
Equity Value in INR per share			0.09	0.33

Note 1: Enterprise Valuation of TTML's CMB unit based on EV/ Revenue multiple

<i>Currency INR mn</i>	<i>Value-Lower Range</i>	<i>Value-Upper Range</i>
EV/ Revenue multiple		
Chosen multiple	1.28	1.34
Revenue - TTML's CMB Unit - FY18 estimate	7,541	7,541
Enterprise Value of TTML's CMB Unit	9,669	10,139



44



[Handwritten signature]

