

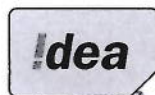
REPORT OF THE AUDIT COMMITTEE OF IDEA CELLULAR LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF AMALGAMATION AND ARRANGEMENT AMONG VODAFONE MOBILE SERVICES LIMITED, VODAFONE INDIA LIMITED AND IDEA CELLULAR LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

Background:

1. A meeting of the Audit Committee of Idea Cellular Limited ("the Company") was held on 19th March, 2017, to consider and recommend to the Board of Directors the proposed Composite Scheme of Amalgamation and Arrangement among Vodafone Mobile Services Limited ("VMSL"), Vodafone India Limited ("VIL") and the Company and their respective shareholders and creditors (hereinafter referred to as "Scheme"), for the amalgamation of VMSL and VIL with the Company, to be implemented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013.
2. This report of the Audit Committee is submitted made in order to comply with the requirements of Circular No. CFD/DIL3/CIR/2017/21 dated March 10, 2017, issued by the Securities and Exchange Board of India ("SEBI").
3. The following documents were placed before the Audit Committee:
 - (a) Draft Scheme;
 - (b) Joint Valuation Report dated 19th March, 2017, issued by the Independent Valuers namely, M/s Bansi S. Mehta & Co., Chartered Accountants and M/s Walker Chandiook & Co. LLP, Chartered Accountants, ("Valuation Report");
 - (c) Fairness Opinion dated 19th March, 2017, issued by M/s Axis Capital Limited, a category I Merchant Banker ("Fairness Opinion");

Proposed Scheme:

1. The Committee noted the salient features of the Scheme as under:
 - (a) Amalgamation of Vodafone Mobile Services Limited (Transferor Company 1) with Idea Cellular Limited (Transferee Company) in accordance with sections 230 to 232 of the Companies Act, 2013;
 - (b) Amalgamation of Vodafone India Limited (Transferor Company 2) with Idea Cellular Limited (Transferee Company) in accordance with sections 230 to 232 of the Companies Act, 2013; including such transactions as provided in the Scheme, such that VIL promoters will hold 45.1% and the Company's promoters will own 26% of the fully diluted share capital.





2. The Audit Committee reviewed the draft Scheme, Valuation Report and Fairness Opinion and also noted the rationale and the benefits of the Scheme which, inter-alia, are as follows:

- (a) consolidation of the telecommunications business of the Parties resulting in expansion of such companies' business and creation of greater value for shareholders and all other stakeholders;
- (b) synergies in operational processes and logistics alignment leading to economies of scale, rationalisation of network infrastructure, creation of efficiencies and optimisation of capital and operational expenditure (including lower maintenance expenses and savings in energy costs);
- (c) availability of the combined resources together with the synergies in the operational processes and consequent reduction in cost could be utilized for strengthening the customer base, and providing high quality service to customers at competitive prices in a manner that would assist in achieving the Indian Government's 'Digital India' vision;
- (d) higher spectrum availability and larger single radio access network deployment coupled with re-deployment of overlapping equipment from rationalised sites resulting in lower capital expenditure;
- (e) harmonisation of sales and service channels;
- (f) sustained investment accelerating pan-India expansion of wireless broadband services, supporting introduction of digital content and 'Internet of Things' services as well as expanding financial inclusion through mobile money services for the benefit of the Indian consumers, businesses and society as a whole;
- (g) streamlining of regional and nationwide information technology systems and development of a common information technology system; and
- (h) general and administrative cost reduction and productivity gains by pooling of financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Parties.

3. The Audit Committee reviewed and noted the Valuation Report, including the following recommendation:

On the Effective Date, the Transferee Company shall:

- (a) issue and allot to Transferor Company 2, the equity shareholder of the Transferor Company 1, an aggregate number of equity shares of Rs.10 each of the Transferee Company, credited as fully paid-up, equal in number to 89% (eighty nine per cent)



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of the issued, subscribed and paid-up equity share capital of the Transferee Company on a Fully-Diluted Basis on the date prior to such issuance (subject to completion of pre-closing adjustments) in consideration for the amalgamation of the Transferor Company 1 into and with the Transferee Company.

- (b) issue and allot to the equity shareholders of the Transferor Company 2, an aggregate number of equity shares of Rs.10 each of the Transferee Company, credited as fully paid-up, equal in number to 100% (one hundred per cent) of the issued, subscribed and paid-up equity share capital of the Transferee Company on a Fully-Diluted Basis immediately prior to such issuance subject to, and after, completion of: (i) pre-closing adjustments; and (ii) cancellation of shares as referred in clause (a) above, which shall be issued and allotted to the shareholders of the Transferor Company 2 in proportion to their shareholding in the Transferor Company 2 in consideration for the amalgamation of the Transferor Company 2 into and with the Transferee Company.

4. Further, the Fairness Opinion confirmed that the interim shareholding and proposed shareholding are fair to the shareholders of the Company from a financial point of view.

Recommendation of the Audit Committee:

The Audit Committee after taking into consideration the Valuation Report and the Fairness Opinion, recommends the draft Scheme for favourable consideration by the Board of Directors of the Company, the Stock Exchanges and SEBI.

**For and on behalf of Audit Committee
Of Idea Cellular Limited**


Arun Thiagarajan
Chairman, Audit Committee

Date: 19th March, 2017
Place: Mumbai

