

**REPORT | FORENSIC AUDIT**  
RELIANCE COMMUNICATIONS LIMITED / RELIANCE INFRATEL LIMITED / RELIANCE TELECOM  
LIMITED

BDO INDIA LLP | OCTOBER 2020



**BDO**



Date : 15 October 2020

To,  
The Deputy General Manager,  
State Bank of India,  
Stressed Asset Resolution Group Commercial Branch-III,  
112/115, 1st Floor, West Wing, Tulsiyani Chambers,  
Free Press Journal Marg, Nariman Point, Mumbai-400021.

Subject: Forensic Audit Report of Reliance Communications Limited, Reliance Infratel Limited and Reliance Telecom Limited (Target Entities)

Dear Sir,

Our Services were performed and the Report (“Report”) was prepared in accordance with the Appointment Letter of 7 May 2019 issued by State Bank of India (the “Client” or “SBI” or “You”) and is subject to the terms and conditions included therein. We have conducted the forensic audit of Reliance Communications Limited (RCOM), Reliance Infratel Limited (RITL) and Reliance Telecom Limited (RTL) for the period from 1 April 2013 till 31 March 2017 (hereinafter referred as the “Review Period”).

Our work was limited to the specific agreed upon procedures and analysis described in the Appointment Letter and was based on information compiled received and management comments / clarifications received till 26 June 2020, unless otherwise mentioned. Accordingly, changes in circumstances or information available after this date could affect the findings outlined in this Report.

This Report is prepared solely for the Client information. This Report is intended for distribution only to State Bank of India & SBI specified lenders who are as part of the consortium members. This Report may not be relied upon by other parties (“Third Party”). Neither this deliverable nor its contents may be distributed to, discussed with, or otherwise disclosed to any Third Party without the prior written consent of BDO India. We accept no responsibility or liability to a Third Party to whom our Report may be shown or in whose hands it may come other than State Bank of India. The Report should not be published or reproduced in part or in whole without prior written consent from us.

We appreciate the opportunity given to us to assist you with this matter. If you may have any questions or would like to discuss our Report, please do not hesitate to contact me via email at [srinivasarao@bdo.in](mailto:srinivasarao@bdo.in).

Thanking you.  
Yours faithfully  
**For BDO India LLP**  
Sd/-  
Srinivasa Rao  
*Partner*  
Place: Mumbai

# NOTICE TO READER

1. This Report (“Report”) was prepared by BDO India LLP (“BDO India” or “our” or “we” or “us”) for State Bank of India (“the Client” or “the Bank”). For the purpose of this Report Reliance Communications Limited, Reliance Infratel Limited and Reliance Telecom Limited is referred as “the Management” / “the Target Entities”. The Report was prepared for the purpose set out in the appointment letter of 7 May 2019 issued by SBI to BDO India. (“Appointment Letter”).
2. The Report is solely for the use of the Client and SBI specified lenders who are as part of the consortium members and is not intended to and should not be used or relied upon by anyone else. BDO India does not accept any duty of care, to any other person or entity other than SBI.
3. BDO India understands that SBI and/or SBI specified lenders who are as part of the consortium members may provide a copy of this Report to regulatory authorities, and members of lenders’ consortium with a written consent from BDO India. We agree that a copy of our Report can be provided to the above-mentioned entities and be released publicly on the basis that it is published for general information only and that we do not accept any duty, liability or responsibility to any person (other than SBI) in relation to this Report. Recipients of this Report should seek independent expert advice as this Report was not prepared for them or for any purpose other than that detailed in the Appointment Letter issued by SBI and cannot be relied upon other than for this.
4. The information contained in this Report is not an advice and should not be treated as such.
5. We had made multiple requests through emails and in meetings with the management and banks for information to complete the mandate. However, some requested information was not received. BDO India reserves the right to modify / delete / add contents of the Report once any additional information is received from the Management.
6. This Report does not in any manner extend to providing analysis and observations relating to legal and regulatory issues. Also, the procedures carried out by BDO India do not constitute a review made in accordance with the generally accepted auditing standards in India. We do not express any assurance on any of the Target’s financial statements, accounting records and controls.
7. Although BDO India provides advice concerning the specific procedures it might perform, BDO India is not responsible for the sufficiency of the engagement services or any procedures for the Client’s purposes, including without limitation, for responding to the Client obligations to its stakeholders.
8. The procedures that BDO India has performed at the request of the Client, are limited in nature and do not comprehend all matters other than those issues identified and discussed with the Client.
9. While every effort is made to report accurate and truthful information, BDO India makes no representations about the suitability of the information contained in the Report.
10. RCOM and subsidiaries have been considered as separate economic units for this Report, as all companies are separate legal entities and have their individual assets and liabilities. Any transfer of funds between RCOM/RITL/RTL and other group companies has not been considered as inside a single economic unit. Thus, transfer of funds outside the books of RCOM / RITL / RTL has been accordingly noted in the Report.

# GLOSSARY (1/4)

Abbreviation	Description
A/c	Account
AAA Ent	AAA Entertainment
AAAC	AAA Communication Private Limited
AAAI	AAA Industries Private Limited
ADAE	ADA Enterprises and Ventures Private Limited
AMT	Amount
BC	Buyers Credit
BDO, BDO India, us, we, our	BDO India LLP
BOB	Bank of Baroda
BSE	Bombay Stock Exchange
BTA	Business Transfer Agreement
CAF	Customer Application Management
Capex	Capital Expenditures
CAPPL	Creative Ashtech Power Projects Private Limited
CDB	China Development Bank
CDMA	Code Division Multiple Access
CDR	Call Data Record
Chlorosulf	Reliance Unicorn Enterprises Pvt Ltd
CIN	Corporate Identity Number
Client	SBI, State Bank of India
COMM	Communications
Crest Logistics	Crest Logistics and Engineers Private Limited
DAKC	Dhirubhai Ambani Knowledge City

Abbreviation	Description
DBS	The Development Bank of Singapore Limited
DHFL	Dewan Housing Finance Corporation Ltd
DOT, DoT	Department of Telecommunications
DTH	Direct to Home
ECB	External Commercial Borrowing
Edico Ventures	Edico Ventures Private Limited
Ericsson	Essjay Ericsson Private Limited
FAR	Fixed Assets Register
FI	Financial Institution
FIFO	First Fund In First Fund Out
FY	Financial Year
GCX	GCX Limited
GL	General Ledger
GOI	Government of India
GSM	Global System for Mobile Communications
GST	Goods and Services Tax
HDFC	HDFC Bank Limited
HSBC	HSBC Holdings plc
ICBC	Industrial and Commercial Bank of China
ICD	Inter Corporate Deposit
ICICI	ICICI Bank Limited
IDBI	Industrial Development Bank of India
IDFC	IDFC First Bank Limited
IFCI	Industrial Finance Corporation of India

# GLOSSARY (2/4)

Abbreviation	Description
IIFCL	India Infrastructure Finance Company Limited
ILD	International Long Distance
IN	India
Indiabulls	Indiabulls Real Estate Limited
INFRA	Infrastructure
INR	Indian Rupees
Inv	Invoice
IPLC	International Private Leased Circuit
IRU	Indefeasible Right of Use
ISP	Internet Service Provider
IUC	Interconnection Usage Charge
KMP	Key Managerial Personnel
Kunjibhari	Kunjibhari Developers Pvt Limited
LC	Letter of Credit
LIC	Life Insurance Corporation
LIC	Life Insurance Corporation
Ltd	Limited
M.F.	Mutual Funds
MCA	Ministry of Corporate Affairs
MGT	Management
MH	Maharashtra
MM	millimetre
Mn	Million
MPNL	MP Network Pvt Ltd
NA	Not Available

Abbreviation	Description
NBFC	Non-Banking Financial Company
NCD	Non Convertible Debentures
NCLT	National Company Law Tribunal
Netizen, NEPL, RIEL	Netizen Engineering Private Limited; Reliance Infocomm Engineering Private Limited (Previous Name)
NSE	National Stock Exchange
O/s	Outstanding
OD	Overdraft facility
OFC	Optic Fiber Cable
ONPL	Orissa Network Private Limited
OPEX	Operational Expense
Payone	Payone Enterprises Private Limited
PDC	Post Dated Cheque
PDF	Portable Document Format
PF	Provident Fund
PNB	Punjab National Bank
PO	Purchase Order
PSU	Public Sector Undertaking
Pvt	Private
R Infra	Reliance Infrastructure Limited
R POWER	Reliance Power
RADAG	Reliance Ada Group Pvt Ltd
RASL	Reliance Alpha (Reliance Stock and share)
RBL, RDHS	Reliance Bhutan Limited. Reliance Digital Home Services (Previous Name)
RBML	Reliance Blue Magic Private Limited

# GLOSSARY (3/4)

Abbreviation	Description
BBPO	Reliance BPO
BTV ; IVTL	Reliance Big TV Limited (Previous Name), Independent TV Limited
RCap	Reliance Capital Limited
RCI	Reliance Communications Inc.
RCII	Reliance Communications International Inc.
RCIL	Reliance Communications Infrastructure Limited
RCOM, RCPL, RCL	Reliance Communications Limited
RCGL, Cleangen	Reliance Cleangen Limited
RCTNL, RCTN	Reliance Communications Tamil Nadu Limited
RDHS	Reliance Digital Home Services
Renovision	Renovision System Pvt. Ltd.
RFLAG-AF	Reliance FLAG Atlantic France SAS
RGBV	Reliance Globalcom B.V.
RGICL	Reliance General Insurance Company Limited
RGLB, RGL	Reliance Globalcom Limited, Bermuda
RIDC/GIDC	Globalcom IDC Ltd
RIEL	Reliance Infocom Engineering Limited
RISPL	Reliance Integrated Services Pvt Ltd
RITL /RTIL	Reliance Infratel Limited, erstwhile Reliance Telecom Infrastructure Limited
RJIO	Reliance Jio Infocomm Limited
RNL, Sapphire Cables	Reliance Next Link Private Limited; Sapphire Cable and Services Private Limited (Previous Name)
ROW	Right of Way
RRL, TFIL	Reliance Reality Limited; Terene Fibres India Private Limited
RSEC, RSL	Reliance Securities Ltd

Abbreviation	Description
RTL	Reliance Telecom Limited
RTSL	Reliance Tech Services Limited
RTSL	Reliance Tech Services Limited
RWSL, RWSPL	Reliance Webstore Limited
SAP	Systems, Applications, Products
SBI	State Bank of India
SCB	Standard Chartered Bank
SDR	Strategic Debt Restructuring
Skyline	Skyline Global Private Limited, Skyline Global Trade Private Limited
SMPS	Switched-mode Power Supply
SOR	Sale on Return
ST	Short Term
Telebroad	Telebroad Enterprises Private Limited
Tenormac	Macronet Mercantile Pvt. Ltd (a.k.a. Tenormac Enterprises Pvt. Ltd.)
TEV	Techno Economic Viability
TL	Term Loan
TP	Transfer Pricing
TRA	Trust and Retention Accounts
TRAI	Telecom Regulatory Authority of India
UCO	UCO Bank(former United Commercial Bank)
UK	United Kingdom
UPNPPL	Uttar Pradesh Network Private Limited
US	United States
USD	United States Dollar
VAS	Value Added Services
WBNPL	West Bengal Network Private Limited



## **GLOSSARY (4/4)**

Connected Parties used anywhere in this Report means parties / entities which fall in any of these categories:

1. Related Parties as defined under Section 2(76) of the Companies Act, 2013;
2. Entities where employees are directors; and
3. Entities related to promoters in any financial year during the Review Period.  
(For list of Connected Parties please refer Appendix 2)



# EXECUTIVE SUMMARY

## NOTE

*During our Forensic Audit review of transactions of RCOM, RITL and RTL, we have identified several transactions of suspicious nature in line with the Master Circular issued by the Reserve Bank of India (ref: No. DBS.CO.CFMC. BC. No.1/23. 04.001/2016-17 and DBOD. No.DL(W).BC. / 110 /20.16.003(1)/2001-02 dated 30 May 2002). Hence, the findings are qualified accordingly. Please note that the executive summary is intended to provide a high-level overview of key findings on this Forensic Audit. For a complete understanding of the issues, work done, and detailed findings, this Report should be read in its entirety.*

# INTRODUCTION

**Target Entities** - Reliance Communications Limited, Reliance Infratel Limited and Reliance Telecom Limited

**Audit Period** - 1 April 2013 till 31 March 2017

**Total number of Bank Accounts operated during the audit period** - 594 accounts

**Total number of Bank Accounts received** - 346 accounts

**Total banks in which accounts were operated by target entities** - 27 Banks

**Total Bank loans disbursed to target entities during the review period in domestic currency** -

- ▶ RCOM - INR 27,065 crores
- ▶ RITL - INR 4,141 crores
- ▶ RTL - INR 375 crores

**Total Bank loans outstanding to target entities at the end of the review period in domestic currency** -

- ▶ RCOM - INR 17955 crores
- ▶ RITL - INR 1805 crores
- ▶ RTL - INR 620 crores

# KEY OBSERVATIONS

## Utilization of Bank Loans

- ▶ RCOM, RITL and RTL cumulatively received INR 31,580 crores from Banks. Of these INR 13,667.73 crores (44%) were utilized for repayment of loans and other obligations to Banks/Financial Institutions (FI) and INR 12,692.31 crores (41%) were utilized to pay to connected parties.



Utilisation of funds obtained from Banks was traced and its utilisation was mapped from sanction letter. Instances were identified where utilisation of loan amount was not as per terms mentioned in Sanction Letter. Below are the total amount transferred for purpose not mentioned in the sanction letter.

- ▶ INR 6,265.85 crores obtained from banks through loans were utilised for repayment of other bank loans.
- ▶ INR 5,501.56 crores obtained from banks through loans were utilised for payment made to related and connected parties.
- ▶ Investments of INR 1,883.08 crores were made from the loans received from various banks. Most of these investments were liquidated immediately and utilised for payments to related and non-related parties.



# KEY OBSERVATIONS

## Potential Routing of Bank Loan Funds

- ▶ Loan funds were obtained by RITL and then moved from RITL to RCOM through RCIL. The loans were then used by RCOM to pay its liabilities or transferred to related parties. Total INR 1,976 crores was obtained by RITL and out of these INR 1,783.65 crores was majorly utilised by RCOM for repayment to other banks and as transfers to connected parties.

## Loan of RCOM from Bank of Baroda credited in RCIL and RTSL

- ▶ RCOM has availed loan facility from Bank of Baroda through sanction letter of 15 December 2016. Total amount of loan sanctioned was INR 228.17 crores (Term loan I) and INR 1,000 crores Term Loan II (Corporate Loan). Purpose of the Term Loan II (Corporate Loan) facility was for meeting ongoing capital expenditure. Amount disbursed by BOB is for meeting capital expenditure of RCOM as per the sanction letter, but the disbursement of INR 469.45 crores was paid to RCIL and RTSL for non-capital expenditures as per the documents made available.

## Inter Company Loan Transactions

- ▶ RCOM, RITL and RTL have transferred the bank loan funds internally among themselves. The end use of such transfers was traced on a best effort basis. RCOM has transferred INR 783.77 crores to RTL and INR 1,435.24 crores to RITL from loans obtained from Banks.

# KEY OBSERVATIONS

## ► Investments

INR 2,586.95 crores and INR 1,087.90 crores of the loans received were invested in Fixed Deposits and Mutual Funds respectively, and these investments were liquidated immediately and further utilised for payments to related and non-related parties.

## Misutilization of Sales Invoice Financing

- RITL has discounted bills worth INR 200 crores and transferred the proceeds to RCIL i.e. short-term loan was used to pay related party loans and simultaneously, new bills were discounted to repay the original facility of the previous month.

## Discounting of Bills by RITL

- RITL has discounted bills of RCOM worth INR 8,514.70 crores and of RTL worth INR 1,041.42 crores and these funds were majorly used for making payments to connected parties.

# KEY OBSERVATIONS

## Promoter's Contribution

- ▶ RCOM: 8,66,66,667 shares were allotted to Telecom Infrastructure Finance Private Limited on Conversion of Warrants on 20 January 2015 for which INR 1,300 crores were received as on that date. It was utilized for investment of INR 769.99 crores in mutual funds and payment to banks of INR 527.18 crores.
- ▶ RTL: In FY 2014-15 bonus shares were issued by RTL

## Movement of Funds through ICD:

- ▶ During the Review Period RCOM, RTL and RTL have given as well as taken loan from connected parties in the form of ICDs.
- ▶ ICD obtained during the Review Period was INR 41,863.32 crores, out of which INR 28,421.61 crores was traced. Out of INR 28,421.61 crores, INR 23,128.45 crores was utilized for payment to connected parties and INR 3,214.74 was utilized for repaying bank loans.

# KEY OBSERVATIONS

## Transactions of Netizen with RCOM and RTIL

- ▶ In 2015-16, Netizen had received a capital advance of INR 5,525 crores from RCOM. In 2017-18 Netizen acquired two assets (one tangible worth INR 3,041.24 crores and a receivable worth INR 3,042 crores) from MPNL one of which was immediately transferred to RCIL. The valuation of these assets is not clear.
- ▶ On transfer of this asset, RCOM wrote-off the capital advance it had given to Netizen against receivable balance from RCIL. In addition, multiple other accounts have been assigned to Netizen to reduce its receivable balance by RCOM and RTL.
- ▶ The financial background of Netizen is not commensurate with the scale of activities as shown in the books of RCOM. Netizen and RCOM appear to be closely connected entities. Further, money transferred by RJIO on sale of spectrum to RCOM was also transferred to Netizen which was further transferred to entities with weak financial background. Thus, the possibility that the account of Netizen was utilized to siphon money could not be ruled out.

# KEY OBSERVATIONS

Modus of creation /write-off of fictitious debtors

## 1. Issue of Preference Shares

- ▶ As on 1 April 2013, INR 1,347.70 crores was receivable from RTL in the books of RITL. RTL issued preference shares worth INR 1,347.70 crores to RITL in satisfaction of the receivable amount on 31 March 2014. RITL sold the above preference shares to RCTNL on same date i.e. 31 March 2014 for INR 260 crores, thereby incurring a loss of INR 1,087.70 crores. RCTNL received INR 260 crores from RTL and paid the same to RITL for purchase of preference shares of RTL.
- ▶ Considering that the investments were made and sold at 80.71% loss on the same day, it appears that the receivable balance from RTL was fictitious. As a result of the above scheme of transactions, RITL received INR 260 crores from RTL in lieu of INR 1,347.70 crores and the same was not recorded as a business loss in the books of RITL, but as a loss on sale of investment.

## Issue of Preference Shares between RRL, RITL and RBL

- ▶ RITL has given ICDs to RRL worth INR 1,954.91 crores (net) during the Review Period, out of which INR 393 crores were majorly out of funds disbursed from IDFC term loan, INR 835 crores from RCIL, INR 300 crores from RCOM.
- ▶ In repayment of the above ICDs (along with interest amounting to INR 109 crores) RRL issued Preference Shares worth INR 2,000 crores to RITL on 31 March 2017. The preference shares were issued at a premium of INR 3,990 per share.
- ▶ RITL sold the above mentioned Preference Shares to Reliance Bhutan Limited (RBL) for INR 200 crores on the same date i.e. 31 March 2017, for which amount was received from RBL on 20 February 2017 (in advance) Thus, an amount of INR 2,000 crores was settled for INR 200 crores, by incurring a loss of INR 1,800 crores in the books of RITL on sale of preference shares of RRL to RBL. INR 1,800 crores approximately was siphoned-off.

# KEY OBSERVATIONS

Modus of creation /write-off of fictitious debtors

## 2. Fictitious Debtors - RTL:

- ▶ Collections received by RTL from RWSL amounting to INR 1,110.50 crores (660.50 + 450.00 respectively) were received from RCOM (as ICD/against outstanding), through a series of transactions.
- ▶ These funds were obtained by RCOM vide intraday limit of INR 100 crore in HDFC A/C 2817 which were then routed to RTL through RWSL and/or RCIL. After this cycle of transactions, RTL paid the same amount to RCOM, thus, refurbishing the intraday limit in the books of RCOM and allowing RCOM to make a fresh payment to RWSL. (This was repeated multiple times)

## Third Party Analysis

- ▶ There were numerous assignments in the books of RCOM, RTL and RTIL where in high-value receivable and payable balances were transferred to corresponding parties to the assignment. Unusual JV entries in the ledgers of key parties and large amounts were transferred to parties with very weak financial backgrounds or unclear nature of business. The parties analysed were as follows -

Independent TV Limited	Reliance Tech Services Limited
Kunjibhari Developers Private Limited	Sapphire Cable And Services Pvt Ltd
Tenorrmac Enterprises Private Limited	Reliance Communications Infrastructure Limited
Reliance Ada Group Private Limited	Creative Ashtech Private Limited
Reliance Cleangen Limited	Telebroad Enterprises Pvt Ltd
Reliance Unicorn Enterprises Private Limited (Chlorosulf)	Reliance Bpo Private Limited
Reliance Jio Infocomm Limited	Reliance Globalcom Bv

## Charges v/s Fixed Assets

- ▶ Assets held by RCOM, RTIL, RTL and RCIL for the Review Period were compared with assets charged as per charge documents. It was noted that amount of open charges were more than the assets held by the Companies. Closing Balance of Charges as on 31 March 2017 amounted to INR 49,111.47 crores, however, total assets of these companies amounted to INR 26,163.43 crores.

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# 1. INTRODUCTION

# INTRODUCTION (1/6)

## Background- Nature of transactions with wholly owned Subsidiaries\*

### ▶ Reliance Communications Limited

- Reliance Communications Limited (“RCOM” or “the Company”), is registered under the Companies Act, 1956 having Registered Office at H Block, First Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai - 400710 and its securities listed on the BSE Limited and the National Stock Exchange of India Limited.
- RCOM, a telecommunications service provider in the private sector, has established a pan-India, integrated (wireless and wireline), convergent (long distance, voice, data, video and internet) digital network. RCOM owns and operates IP enabled connectivity infrastructure, comprising of fibre optic cable system.
- RCOM provides three different licenses namely Unified Access Services License (UASL), National Long Distance (NLD) and International Long Distance (ILD).

### ▶ Reliance Infratel Limited

- RTIL holds IP-1 license and provides passive telecommunication infrastructure. It owns and operates telecommunication towers, Optic Fiber Cable (OFC) network and related assets and provide these passive infrastructure assets on shared basis to wireless and other communications service providers.

### ▶ Reliance Telecom Limited

- RTL, a wholly owned subsidiary of RCOM, provides mobile services across eight circles and holds spectrum and mobility equipment. However, RTL discontinued its wireless business operations since November 2017.

RCOM and RTL have entered into an agreement for the purpose of interconnecting their network and exchanging telecommunication traffic, for which they raise bills for IUC / carriage charges on each other.

RTIL agreed to provide RCOM and RTL passive telecom infrastructure and associated services for operation and maintenance of such infrastructure.

\* As per the Management

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# INTRODUCTION (2/16)

## Background- Nature of transactions with wholly owned Subsidiaries\*

- RCOM has 89 subsidiaries as at 31 March 2017 out of which 20 are domestic and 69 are overseas subsidiaries. These subsidiaries are created keeping in view certain business and regulatory requirements pertaining to practices in telecom industry.
- Above structure is also commented and affirmed by the Supreme Court in Adjusted Gross Revenue (AGR) matter vide its order of 11 October 2011, against Civil Appeal No. 5059 of 2007 with parties Union of India & Another (Appellants) Vs. Association of Unified Telecom Service Providers of India & Others (Respondent), that any activity which does not require any telecom license may be transferred to other company. *Quote: "If the wide definition of Adjusted Gross Revenue so as to include revenue beyond the license was in any way going to affect the licensee, it was open for the licensees not to undertake activities for which they do not require license under clause (4) of the Telegraph Act and transfer these activities to any other person or firm or company."*
- RCOM and its subsidiaries discontinued wireless services from November 2017 and thereafter other operations have also been declining.
- RCOM, being the holding company, provides financial support to its subsidiaries for operations in ordinary course of business as subsidiaries are more akin to operating divisions. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.
- Borrowing of RCOM and its subsidiaries are to be treated as single borrowing i.e. be it in RITL or RCOM or RTL or RCLL are all the same.
- The banks and lenders are fully aware that RCOM group operates as a single economic entity. This is established by the concept of the "Borrower Group" created comprising of RCOM, RITL, RTL and RCLL. Assets of the Borrower Group have been offered as security in favor of all the lenders. Master Security Trustee Agreement (MSTA) was signed in March 2011 and each company is jointly and severally liable for all the loans of the borrower group. All the existing lenders as of March 2011 signed the MSTA and lenders of new facilities after March 2011 acceded to the MSTA through Deed of Accession (DOA).

\* As per the Management

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# INTRODUCTION (3/6)

## Background- Nature of transactions with wholly owned Subsidiaries\*

Entity	Description	Nature of Transaction
1 Reliance Telecom Limited (RTL)	RTL provides Mobile services in eight telecom service areas namely: Assam, Bihar, Himachal Pradesh, Kolkata, Madhya Pradesh, North East, Orissa and West Bengal through GSM Technology.	RTL raises bill on RCOM for IUC / carriage charges for providing interconnection services. Similarly RCOM raises the bill on RTL for the same
2 Reliance Infratel Limited (RITL)	RITL, is in the business of building, owning and operating telecommunication towers, optic fiber cable assets and related assets at designated sites, and to provide these passive telecommunication infrastructure assets on a shared basis to wireless service providers and other communications service providers under long-term contracts. These customers use the space on our telecommunications towers to install their active communication-related equipment to operate their wireless communications networks. Customers can also use our optic fiber network to connect the sites to the core network for connectivity between telecom Circles.	RITL raises bill on RCOM for payment against the use of Towers / Passive infrastructure. RCOM utilizes RITL's passive infrastructure (i.e. towers and fiber) to service its enterprise customers. RCOM also provides last mile connectivity to OTS customers through UBR installation on RITL towers, as may be required. RCOM pays rent for such installation and reimburses power cost on proportionate consumption basis.
3 Globalcom IDC Limited (GIDC)	GIDC Limited provides Internet Data Center Services as well as Managed Services and other IDC Related Services to RCOM and other external parties.	GIDC raises bill on RCOM for payment against its services of management of data centre infrastructure. RCOM has various network equipment / servers, being used for its business, collocated at GIDC data centers and GIDC provides relevant facilities to RCOM.
4 Reliance Tech Services Limited (RTSL)	RTSL provides application development and maintenance services, ERP Implementation and development services, Managed Network and Infrastructure services, Unified Communication and Messaging services and nationwide IT support services.	RTSL raises bill on RCOM for IT support services and manpower salary. RTSL provides IT support services to RCOM and group companies. In lieu of aforementioned services, RCOM pays its proportionate share to RTSL.

\* As per the Management  
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# INTRODUCTION (4/6)

## Background- Nature of transactions with wholly owned Subsidiaries\*

Entity	Description	Nature of Transaction
5 Reliance Communications Infrastructure Limited (RCIL)	RCOM had agreement with its wholly-owned subsidiary RCIL, which was holding ISP license for providing Value Added Services (VAS) to its subscribers and selling / marketing products of RCOM. RCIL was also billing and collection agent for the services provided by RCOM. RCIL is engaged in Telecom Marketing, Infrastructure support, call center services etc.	RCIL was also raising bill on RCOM as RCIL was billing & collection agent for RCI US (Indian Part).
6 Reliance Webstore Limited (RWSL)	RCOM diversified into direct selling of telephony products and services through its subsidiary RWSL. RWSL engaged in the business of sale of handsets and recharge vouchers, provides broad band centre services, digital electronics, news galleries, Video Conference, Internet Browsing and provides customer care services billing and collection services to RCOM, RTL and other group entities.	RWSL was also raising bill on RCOM, RTL and Big TV for marketing support and billing & collection agent.
7 Reliance Big TV Limited (RBTV)	Direct to Home (DTH) service provider which provides television viewing services to subscribers.	
8 Reliance Realty Limited (RRL)	RRL owns the DAKC premises, where RCOM is head quartered, along with other group companies. It provides Infrastructure facilities in Dhirubhai Ambani Knowledge City and Millennium Business Park to Group Companies.	RRL has RCOM / group companies utilizing facilities at DAKC and hence pay proportionate facility usage charges to RRL.
9 Reliance Communications Inc. (RCI)	RCI aggregates India bound traffic from its US based customer and handover to RCOM for termination in India (since RCOM has the requisite ILD license and POIs established with local telecom companies).	RCOM charges termination charges to RCI.

\* As per the Management

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# INTRODUCTION (5/6)

## Background- Nature of transactions with wholly owned Subsidiaries\*

Entity	Description	Nature of Transaction
10 Reliance Communications International Inc. (RCII)	RCII provides calling card services to its US based customers and RCOM provides commercial support services to RCII through a team based in India; this includes services such as pricing, traffic routing, marketing compliance, customer care, billing and collection etc.,	RCOM raises a debit note (under TP guidelines) on RCII for value equivalent to cost + 7% margin.
11 GCX Limited (GCX)	GCX along with its subsidiaries provides international (submarine cable) network bandwidth and spectrum on both an Indefeasible Right of Use ('IRU') and leased circuit basis, plus Internet bandwidth and IPLC to carriers, ISPs, content providers and enterprises globally. The business is powered by our expansive global subsea network spanning more than 68,000 route km, with 46 landing stations in 27 countries. It connect major hubs in the fast-growing Emerging Markets of the Middle East and Asia (including India, Taiwan, Korea, Hong Kong, the UAE, Bahrain and Kuwait), which are driving data traffic growth to mature economies in Western Europe and North America, creating what we call the 'Emerging Markets Corridor'.	Reliance Globalcom Limited, Bermuda Subsidiary GCX, raises invoice on RCOM for Capacity Charges, IRU, O&M, Bandwidth charges etc.,

Reliance Communications Limited being the holding company provides financial support to its subsidiary companies for their operation and recovers reimbursement of finance cost relating to the subsidiaries from those entities in the ordinary course of business which has been disclosed in the financial statements from time to time. From the above, it is evident that any transfer of funds between these entities and RCOM are solely for the business of RCOM and have been in the ordinary course of business.

# COMPANY DETAILS (6/6)

Particulars	Audit Entities		
	RCom	RTL	RTTL
Registered Address	H Block, First Floor, A-Wing, Dhirubhai Ambani Knowledge City, Koparkhairane, Navi Mumbai MH 400710 IN	H Block, First Floor, A Wing, Dhirubhai Ambani Knowledge City, Koparkhairane Navi Mumbai MH 400710 IN	H Block, First Floor, A Wing, Dhirubhai Ambani Knowledge City, Koparkhairane Navi Mumbai MH 400710 IN
Date of incorporation	15 July 2004	1 March 1994	16 April 2001
Corporate identity number (CIN)	L45309MH2004PLC147531	U32100MH1994PLC162841	U72900MH2001PLC131598
Authorized Capital	INR 5,000 crores	INR 500 crores	INR 8,000 crores
Paid up Capital (31 March 18)	INR 1,382.76 crores	INR 143.48 crores	INR 2,793.14 crores
Class of Company	Public	Public	Public

Source-MCA Records (as on 31 March 2018)

# 1.1. FINANCIAL ANALYSIS

# RCOM | FINANCIAL ANALYSIS (1/5)

(INR in Crores)

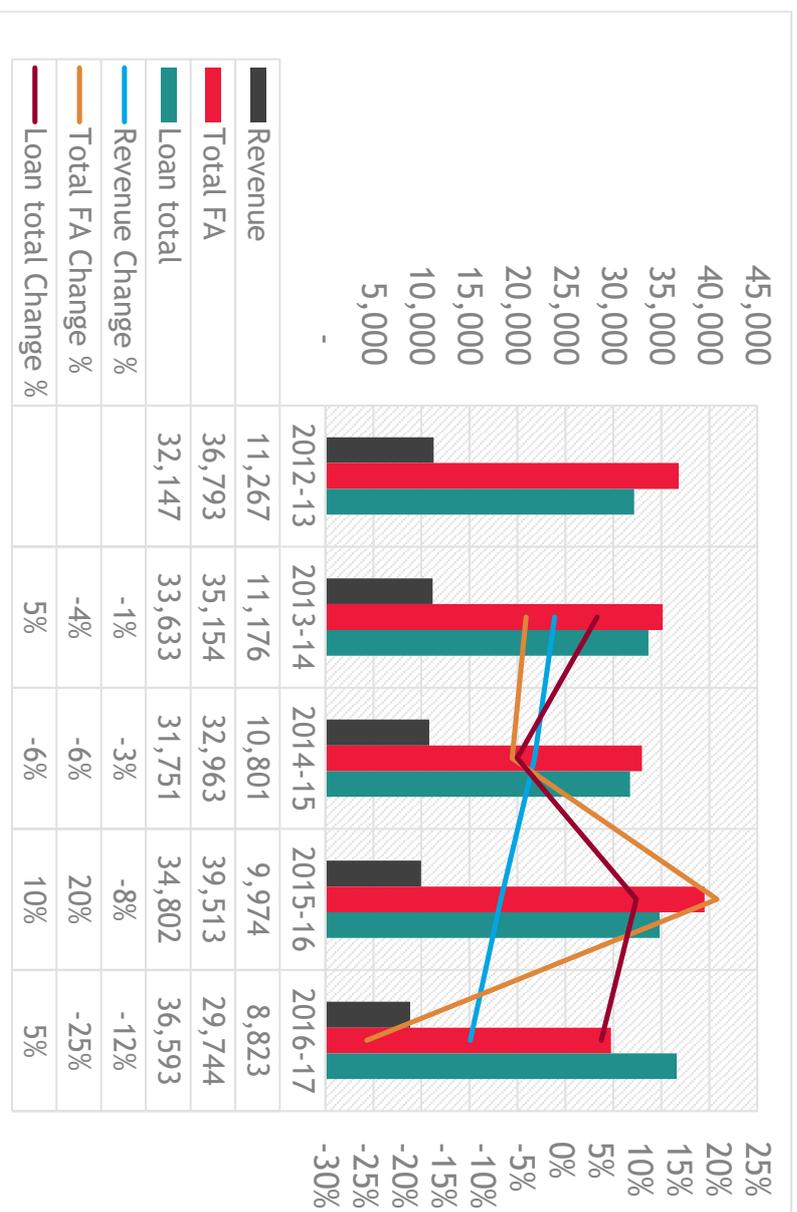
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>EQUITIES AND LIABILITIES :</b>					
Share Capital	1,032	1,021	1,244	1,244	1,244
Reserves and Surplus	32,110	30,359	34,627	31,054	22,840
Borrowings(Term Loans)	32,147	33,633	31,751	34,802	36,593
Other Liabilities	10,647	11,864	7,730	11,851	13,212
<b>Total</b>	<b>75,936</b>	<b>76,877</b>	<b>75,352</b>	<b>78,951</b>	<b>73,889</b>
<b>ASSETS :</b>					
Fixed Assets	36,793	35,154	32,963	39,513	29,744
Loans And Advances	12,988	13,641	14,245	12,472	13,962
Cash and bank balances	228	127	572	820	643
Other Assets	25,927	27,955	27,572	26,146	29,540
<b>Total</b>	<b>75,936</b>	<b>76,877</b>	<b>75,352</b>	<b>78,951</b>	<b>73,889</b>

Data of FY 2012-13 is presented for comparison purposes only.

Note:

- In 2015-16, INR 6708.48 crores had been given as advance and ICD to Netizen Engineering Private Limited out of which INR 5,392 crores was received from Reliance JIO.
- In 2015-16, intangible asset under development included spectrum liberalization cost of INR 5,384 crores and fees of additional spectrum of INR 1,877 crores, pending regulatory approval. In 2016-17, intangible assets under development worth INR 8,666 crores were capitalized and Telecom Licenses worth INR 5,231 crores were sold to RJIO for INR 3,857 crores.
- Over 2014-15 to 2015-16, short-term loans and advances given to related parties decreased by INR 6,627 crores, whereas long term capital advances increased by INR 4,860 crores. In 2016-17, the said capital advance was INR 4,229 crores.

## RCOM | REVENUE VS CAPEX VS LOANS (2/5)



Correlation between Loans and Revenue **-0.89**  
 Correlation between Loans and Assets **-0.30**

The graph gives a comparison of the loans taken by RCOM and the investment in fixed assets along with the growth in revenue from 2012-13 to 2016-17.

The amount of loan outstanding has increased constantly during the Review Period except in 2014-15, while the fixed asset base and the revenues have declined.

The negative correlation means that the increase in loans corresponds with a decrease in revenues and assets. The loans taken by RCOM have not resulted in the increase of revenue or assets during the period. Thus, the loans have not significantly increased the operations of the company, which indicates that the loans have been utilised for non-operational purposes.

\* Data of Year 2012-13 is base year is presented for comparison purposes only.

# RITL | FINANCIAL ANALYSIS (3/5)

(INR in Crores)

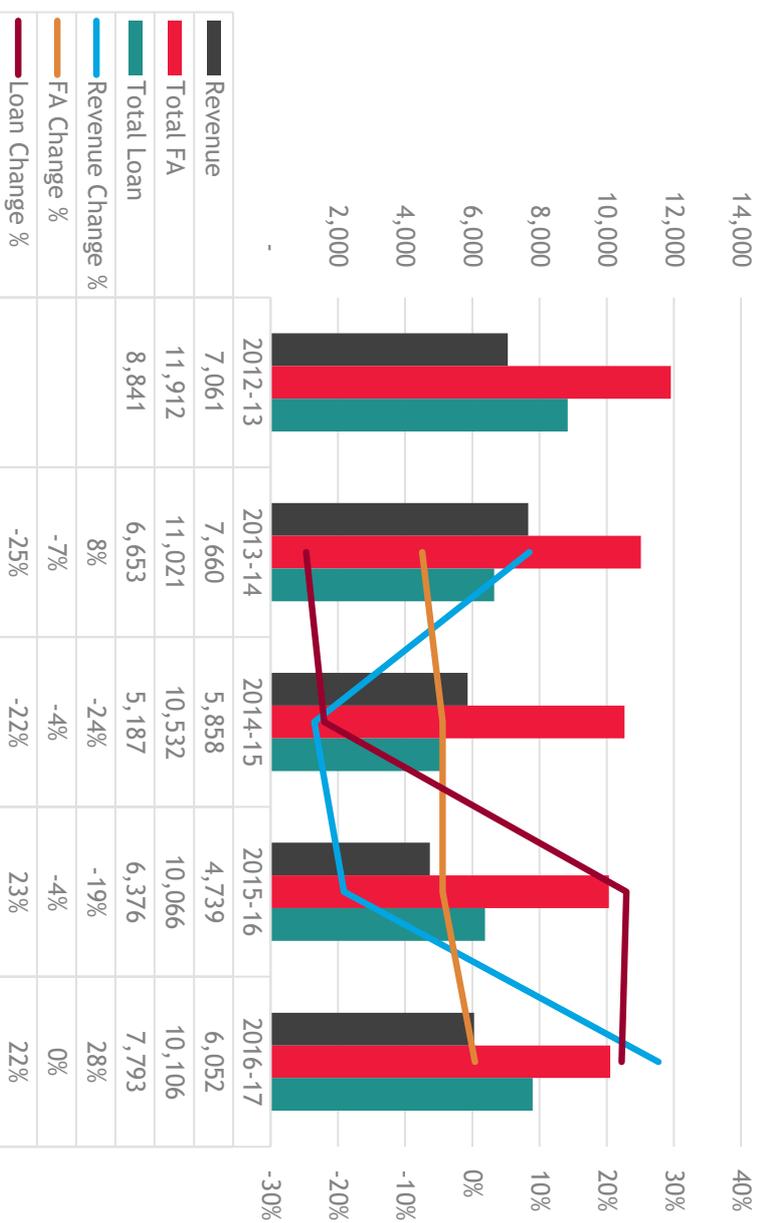
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>EQUITIES AND LIABILITIES :</b>					
Share Capital	2,793	2,793	2,793	2,793	2,793
Preference shares	40	40	40	40	-
Reserves and Surplus	5,291	4,897	3,802	3,879	-725
<b>Borrowings</b>					
Preference shares	-	-	-	-	4,000
Term Loans	8,823	6,616	5,187	6,360	7,791
Other Liabilities	3,481	5,426	1,590	4,402	5,063
<b>Total</b>	<b>20,428</b>	<b>19,772</b>	<b>13,412</b>	<b>17,474</b>	<b>18,922</b>
<b>ASSETS :</b>					
Fixed Assets	11,912	11,021	10,532	10,066	10,106
Loans And Advances	506	957	1,303	6,104	2,026
Other Assets	8,001	7,791	1,569	1,241	6,742
Cash and Cash Equivalents	9	4	8	63	48
<b>Total</b>	<b>20,428</b>	<b>19,773</b>	<b>13,412</b>	<b>17,474</b>	<b>18,922</b>

Data of FY 2012-13 is presented for comparison purposes only.

## Note:

- In FY 2015-16, RITL had given a loan of INR 2,500 crores to RTL. However, no interest income has been booked.
- Amount of preference shares increased from INR 40 crores to INR 4,000 crores due to reclassification as per Ind AS. Yield is revised to 0.1%. It is mentioned in notes to accounts that premium of INR 990 per share had been paid at the time of application.
- In the books of RITL liability towards Preference Share Capital was INR 4,000 crore inclusive of premium. In FY 2016-17 Ind AS was adopted for the first time and Preference Share Capital was classified as "Borrowing" instead of Shareholders Fund as per earlier GAAP. (This is not a revaluation). Classification from FY 2016-17 based on Ind AS.
- In 2016-17, loans to related parties was classified as "Other Assets", from Loans and Advances in 2015-16.

# RITL | REVENUE VS CAPEX VS LOANS (4/5)



Correlation in Loans and Revenue **0.40**  
 Correlation in Loans and Fixed asset **0.55**

The graph provides a comparison of the loans taken by RITL and the investment in fixed assets along with the growth in revenue from 2012-13 to 2016-17.

The amount of loan outstanding has decreased till March 2015, after which it shows an increasing trend. However, the fixed asset base of the company has reduced.

The low positive correlation means that the increase in loans is not strongly associated with the change in revenues and fixed assets. It might be noted that over the review period RITL has given loans to related parties which has not increased the operational revenue of the company.

\* Data of Year 2012-13 is base year is presented for comparison purposes only.

# RTL | FINANCIAL ANALYSIS (5/5)

(INR in Crores)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
<b>EQUITIES AND LIABILITIES :</b>					
Share Capital	80.00	93	143	143	85
Reserves and Surplus	-349	720	578	381	-2,069
Borrowings(Term Loans)	3,701	4,062	3,615	5,025	5,994
Other Liabilities	2,822	1,318	1,355	3,179	3,973
	<b>6,254</b>	<b>6,194</b>	<b>5,691</b>	<b>8,728</b>	<b>7,982</b>
<b>ASSETS :</b>					
Fixed Assets	5,488	5,326	5,016	7,628	7,350
Loans And Advances	493	673	523	975	148
Cash and bank balances	75	48	9	7	2
Other Assets	197	146	144	119	482
	<b>6,254</b>	<b>6,194</b>	<b>5,691</b>	<b>8,728</b>	<b>7,982</b>

Data of FY 2012-13 is presented for comparison purposes only.

Source-MCA Records

Note:

- There was year-on-year decrease in total income and RTL was incurring losses since 2013-14. Loss for the year 2016-17 was INR 991.19 crores.
- There is an increase in fixed assets even when there is decrease in total income. Fixed assets increased from INR 5,326 crores in 2013-14 to INR 7,350 crores, while, the total income has decreased from INR 3,739 crores to INR 1,789 crores during the corresponding period.

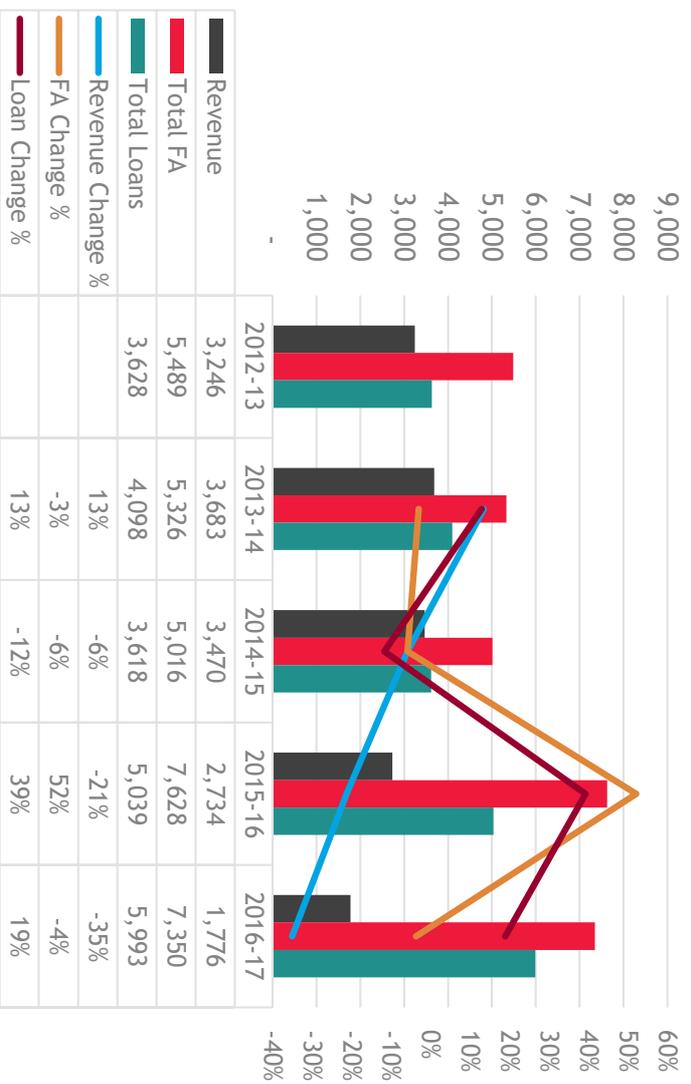
# RTL | FINANCIAL ANALYSIS

## Management Comments :

The Company was providing Telecommunication services in eight telecom service areas. The Telecom Licenses and Spectrum (UAL) for seven service areas expired in December 2015. Spectrum was acquired by the Company for four service areas and Spectrum of 2 service areas ( i.e. Himachal Pradesh & Madhya Pradesh ) were only put to use. This was disclosed by note no. of 2.27 (f) of annual accounts of FY 2015-16. Capitalization represents mainly for Cost of acquisition of Spectrum from DoT which is essential for providing telecom services.

As evident from the above, the Company used its own spectrum only in 2 services areas and for the balance 5 service areas (Assam, Bihar, North east, Orissa and West Bengal), the Company provided telecom services exclusively through ICR arrangements with other operators in a limited scope, which resulted in major reduction in revenue and increase in cost. Apart from the above, intensive price competition and reduction in Roaming/ ICR rates ( as per TRAI guidelines) were the other key factors responsible for reduction in revenue. Apart from above revenue has declined due to new incumbent with many freebies and intensive competition in telecom sector.

# RTL | REVENUE VS CAPEX VS LOANS



Correlation in Loans and Revenue **-0.92**  
 Correlation in Loans and Fixed asset **0.89**

The graph provides a comparison of the loans taken by RTL and the investment in fixed assets along with the growth in revenue from 2012-13 to 2016-17.

The amount of loan outstanding has increased though the revenues have substantially declined during the period.

The high positive and negative correlations indicate that high leverage is associated with strong decline of revenues, and an accumulation of fixed assets. The increase in fixed assets is mainly on account of increase in Intangible Assets in 2015-16.

\* Data of Year 2012-13 is base year is presented for comparison purposes only.



## 2. SCOPE OF WORK

## SCOPE OF WORK

Our Report is based on the scope of work shared by SBI vide an appointment letter of 7 May 2019. The Review Period is 1 April 2013 to 31 March 2017:

- ▶ Ascertaining the money trail and end use of funds disbursed by lenders.
- ▶ Tracing the source and genuineness of contribution by promoters by analysing equity / debt infused by promoters / partners.
- ▶ Verifying revenue from operations including checking sale order, invoices and controls in the billing process. The focus should be on unearthing inflated turnover / fictitious sales and /or Sales on Return (SOR) basis where profit has been booked and sales returned in the subsequent account period leading to writing off of stocks/debtors and reversal of book profits.
- ▶ Commenting on transactions of substantial amount, which seem not to be normal trade transactions at arms length.
- ▶ Commenting on adherence to Escrow / TRA arrangements made with various Banks. Details of all transactions with bank outside the consortium/other than nominated account and diversion of funds if any.
- ▶ Concentrating transactions-Sole customer, sole supplier and major transactions with related parties/group companies. Analysis of relationship in two-way deals with the same party or indirect payments made by customers of the borrower to the vendors of borrower.
- ▶ Movements in unsecured loans during the specific period.
- ▶ Analysis of findings of Special Audit, if any.
- ▶ Details of substantial debts raised in sister / associate / group companies either through corporate guarantee of borrower or against security of promoters or promoter's family assets.
- ▶ Verifying receivables- Receivables should be verified thoroughly with a view to unearth 1) reciprocal receivables against each other in case of related parties 2) fictitious debtors 3) inflated debts 4) already realized debts 5) disputed debts 6) unacknowledged debts.
- ▶ Finding details of assets of unit/its promoter/partners to ensure recovery of loans and advances granted by banks as there would be cases where some assets are not reported in financials of the unit / promoters / partners.
- ▶ Examining, discreetly chain of transactions pertaining to unit/promoters/partners to ensure genuineness of the dealings as there could be cases of bogus / family / other settlement transactions.
- ▶ Examining if the borrower / promoter / directors have committed any fraud as per the RBI guidelines. Auditor to provide conclusive opinion along with evidence in case of detection of fraud.

### 3. INFORMATION REQUESTED BUT NOT RECEIVED

## STATUS OF BANK STATEMENTS (1/2)

Below is the list of banks of RCOM, RTL and RITL and status of bank accounts (Current and CC/OD) statements (received / pending):

	List of Banks	Total No. of Accounts	A/c Statement		Account Status	
			Received	Pending	Open	Closed
1	IDBI	15	10	5	10	5
2	Bank of Baroda	3	3	0	3	0
3	Standard Chartered Bank	11	11	0	11	0
4	ICBC	2	0	2	Pending	Pending
5	Punjab National Bank	7	7	0	4	3
6	Union Bank of India	1	1	0	1	0
7	Indian Overseas Bank	2	2	0	2	0
8	Corporation Bank	5	5	0	3	2
9	Bank of Maharashtra	1	1	0	1	0
10	DBS	1	1	0	1	0
11	Vijaya Bank	1	1	0	1	0
12	Barclays Bank	3	2	1	2	1
13	Yes Bank	27	27	0	26	1
14	Syndicate Bank	17	15	2	10	5
15	United Bank of India	2	2	0	2	0

## STATUS OF BANK STATEMENTS (2/2)

List of Banks	Total No. of Accounts	A/c Statement		Account Status	
		Received	Pending	Open	Closed
16 Axis Bank	65	65	0	63	2
17 Deutsche Bank	45	0	45	Pending	Pending
18 ICICI Bank	8	4	4	Pending	Pending
19 HSBC	3	0	3	Pending	Pending
20 IndusInd Bank	1	0	1	Pending	Pending
21 BNP Paribas	2	0	2	Pending	Pending
22 J&K Bank	2	0	2	Pending	Pending
23 Municipal Cooperative Bank	1	0	1	Pending	Pending
24 JP Morgan	1	0	1	Pending	Pending
25 State Bank of India	161 <sup>(1)</sup>	98 <sup>(2)</sup>	-	-	Refer Note 1 & 2
26 HDFC Bank	206 <sup>(3)</sup>	27	87	Pending	Pending
27 Dena bank	1	1	0	1	0

- (1) Out of 161 accounts, 63 accounts could not be extracted due to technical issues as per confirmation from SBI. Refer Annexure 3.1 for list/details of accounts.
- (2) This includes 19 account numbers given by the Management, which could not be verified by the bank (as the account numbers had defects) and hence, the statement could not be provided by the bank.
- (3) This includes 92 accounts which could not be identified based on PAN of the company. Out of these account statement for an account numbered 00600310016718 was provided by the management, and relied upon by us.

# DISCREPANCIES - BANK STATEMENTS & BANK BOOKS

## Bank statements not linked to target Company's PAN

HDFC Bank has provided bank account statements for accounts linked with the PAN of the company. As per confirmation received from HDFC Bank, the account number 00600310016718 has not been linked to the PAN of RITL. Thus, HDFC Bank has not been able to provide the bank statements for the Review Period. While reviewing fund transfers, it was found that 1,29,096 entries (net of reversals) in bank no. 00600310016718 were appeared in the bank book (as per SAP) from 1 April 2013 to 31 March 2017 with a quantum of approx. INR 37,229.12 crores as debit transactions and approx. INR 37,525.16 crores as credit transactions\*.

Similarly, HDFC Bank was not able to provide a list of statements (which were identified in the books of the Target Entities) as the PAN of the Target Entities were not linked to these bank statements. Refer Annexure - 3.2

Since HDFC Bank had confirmed non existence of above mentioned accounts, transactions in these accounts appears to be suspicious.

## Transactions in Bank account declared closed by the Bank

As per the Bank Book (SAP Records) INR 713.5 crores (in eight transactions) was received in Ledger account (MUMB) ICI-04799-R of ICICI Bank. This GL pertains to ICICI Bank account number 405004799 which the bank has confirmed via an email of 23 September 2019 to be closed on 3 August 2010. Following is the summary of transactions that were recorded in the books of RCOM for Ledger “5503090 - (MUMB) ICICI Bank-04799-Mumbai - Main”: (Refer Annexure - 3.3)

Particular	2013-14	2014-15	2015-16	2016-17	Total
Number of Transactions	247	126	116	82	571
Total Debit (INR in crores)	234.25	521.01	1,776.75	824.39	3,356.40
Total Credit (INR in crores)	235.45	521.11	1,773.89	814.95	3,345.40

\*Statement for HDFC Account 16718 was provided by the management of RCOM

## INFORMATION NOT AVAILABLE WITH THE MANAGEMENT (1/2)

The following data were requested but not received till 26 June 2020 from Reliance Communication Limited, Reliance Telecom Limited and Reliance Infratel Limited - Review Period: 1 April 2013 - 31 March 2017

S.No.	Particulars	Status
	<u>Company's financials:</u>	
1	Ageing analysis -Creditors for the Review Period	Not Available
2	Documents related to investments	No documentation of the same is available with the company.
3	Soft copy of bank statements of all accounts for the Review Period in PDF and Excel format	Bank statements are not available with the company in the requisite format.
	<u>Disbursement details and utilization of funds:</u>	
4	All reports/documents (incl. annexures thereof) submitted by the Company to Banks during the Review Period including Agreement with Banks was not provided by target	These documents are not made available by the company.
	<u>Other Documents:</u>	
5	Stock count reports for the Review Period	Not Available
6	List of major customers under each segment	Partial received (names of 5 customers received). List is not available for Enterprise business.
7	Documents pertaining to disclosures filed by the Companies with the banks on transactions with non-consortium banks.	Not Available
8	Tower wise revenue and cost workings	Data is not available tower wise.
9	Changes in account status during the Review Period for list of bank accounts provided (date of opening new accounts and closure of existing bank accounts during the Review Period)	Not Available
10	CA certificates submitted to banks for utilization of loans	CA Certificates for only 24 disbursements were provided and 341 CA Certificates are not available.

## INFORMATION NOT AVAILABLE WITH THE MANAGEMENT (2/2)

The following data were requested but not received till 26 June 2020 from Reliance Communication Limited, Reliance Telecom Limited and Reliance Infratel Limited - Review Period: 1 April 2013 - 31 March 2017

S.No.	Particulars	Status
11	Nature/Type of facility of all bank accounts (Current account, CC/OD etc.) of Rcom, RITL and RTL.	Details pertaining to LC Listing and Discounting is not available for the review period.
12	Revenue backup data - supporting the invoices is pending. Some invoices have been received	As explained by the company, CDR data was not maintained beyond a limited no. of days by the company. Hence, billing data was not available. Supporting annexure workings for 15 invoices out of 279 transactions requested were available. Agreements/rate charts agreed between the companies were not available for review. Invoices were received for selected transactions. Supporting documents for 265 invoices were not provided.
13	Expenses backup documents- invoice, PO, contract if any, any other supporting.	264 out of 607 documents were provided. Out of these 264 vouchers, 241 vouchers do not have complete documentation. Backup documents of vouchers were not provided.
14	Agreements entered into with the parties mentioned	Not Available
15	Supporting for the transaction with Reliance Jio Spectrum - Agreement, Valuation etc.	Valuation certificate is not available with the company

## 4. LOAN OUTSTANDING DETAILS

# TARGET ENTITIES | LOANS OUTSTANDING - FUND BASED (1/2)

► Details of domestic loans outstanding in RCOM, RITL and RTL as on 31 MARCH 2017: \*

(INR in Crores)

Name of Lender/Bank/FI	RCOM	RITL	RTL	Total
LIC of India	4,125.00	-	-	4,125.00
State Bank of India	1,866.52	485.00	115.00	2,466.52
IndusInd Bank	1,500.00	-	-	1,500.00
Standard Chartered Bank	1,118.70	192.19	-	1,310.89
Bank of Baroda	1,187.50	-	-	1,187.50
Yes Bank	684.80	465.00	-	1,149.80
IDBI Bank	690.00	-	276.00	966.00
Union Bank of India	741.55	-	21.96	763.51
Canara Bank	680.80	-	55.20	736.00
Bank of India	644.00	-	46.00	690.00
UCO Bank	680.80	-	-	680.80
Reliance Industries Ltd	650.00	-	-	650.00
IDFC Bank	-	550.00	-	550.00
Syndicate Bank	423.20	-	36.80	460.00
DBS Bank	412.00	-	-	412.00
Deutsche Bank	330.00	-	-	330.00
Central Bank of India	257.60	-	18.40	276.00
Dena Bank	250.00	-	-	250.00
IIFCL	248.00	-	-	248.00
Corporation Bank	216.20	-	13.80	230.00
Oriental Bank of Commerce	188.60	-	18.40	207.00

(Contd...)

Source: As provided by Management

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# TARGET ENTITIES | LOANS OUTSTANDING - FUND BASED (2/2)

(INR in Crores)

Name of Lender/Bank/FI	RCOM	RTIL	RTL	Total
IFCI Ltd	200.00	-	-	200.00
Credit Agricole	192.00	-	-	192.00
United Bank of India	187.50	-	-	187.50
HDFC Bank	56.25	112.50	-	168.75
Axis Bank	160.00	-	-	160.00
ICICI Bank Ltd	144.00	-	-	144.00
Indian Overseas Bank	119.60	-	18.40	138.00
<b>Grand Total</b>	<b>17,954.62</b>	<b>1,804.69</b>	<b>619.96</b>	<b>20,379.27</b>

► Details of foreign loans disbursed during the Review Period in RCOM, RTIL and RTL as on 31 MARCH 2017:\* (USD in millions)

Banks	RCOM	RTIL	RTL	Total
CDB 1330 Mn	1,030.75	-	-	1,030.75
CDB 300 Mn	24.90	-	183.97	208.87
CDB 750 Mn	157.50	-	-	157.50
CDB 925.2 Mn	610.63	-	-	610.63
Coface 150 Mn	-	-	40.13	40.13
DB 75 Mn	75.00	-	-	75.00
RCOM Bond 300 Mn	300.00	-	-	300.00
SCB 250 Mn	-	199.00	-	199.00
SCB 50 Mn	-	50.00	-	50.00
<b>Grand Total</b>	<b>2,198.78</b>	<b>249.00</b>	<b>224.10</b>	<b>2,671.88</b>

Tracing of usage of funds obtained through LC Utilisation and sources of funds used for repayment of LC was not done.

The above is as per data provided by the Management, however, the management didn't provide any information / clarifications regarding the pending data on the above during our continuous follow-ups from 8 August 2019 till 13 December 2019.

\*Source: As provided by Management

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# TARGET ENTITIES | LOANS DISBURSALS - NON FUND BASED (1/2)

## Data Limitation:

1. Detailed LC (showing date of issue of LC, vendor to whom LC given etc.) not available
2. LC/BC Develvement listing received on 18 June 2020.
3. In the absence of supporting the nature of transactions cannot be commented upon.

## LC Devolved :

In March 2017, LC's worth INR 170.65 Crores were devolved by vendors of RCOM, RITL and RTL and the details of the banks whose LC facilities are devolved is as follows:

(INR in Crores)

Bank	RCOM	RITL	RTL	Grand Total
Bank of Baroda	46.64*	5.85	-	52.50
Corporation Bank	3.58	-	-	3.58
IDBI Bank	8.90	-	6.02	14.92
Punjab National Bank	79.81	-	1.16	80.97
Syndicate Bank	6.49	3.00	-	9.48
United Bank Of India	9.19*	-	-	9.19
<b>Grand Total</b>	<b>154.62</b>	<b>8.85</b>	<b>7.18</b>	<b>170.65</b>

\* LC's of RCOM worth INR 42.47 Crores were devolved by RITL (group company)

## Note:

For detailed listing (including names of vendors) of devolvement of LC's, kindly refer annexure 5-A.1.1.1.

## TARGET ENTITIES | LOANS DISBURSALS - NON FUND BASED (2/2)

Details of buyers credit facility outstanding for RCOM, RITL and RTL from various banks during review period is as follows:  
(USD in Crores)

Particulars	2013-14			2014-15			2015-16			2016-17		
	RCOM	RITL	RTL									
Bank of Baroda	-	0.09	-	-	0.01	-	0.03	0.01	-	0.17	0.01	-
Corporation Bank	1.68	-	-	1.75	-	-	2.71	-	-	4.48	-	-
DBS Bank	-	-	-	-	-	-	-	-	-	-	-	-
Deutsche Bank	0.09	-	-	-	-	-	0.04	-	-	0.01	-	-
HDFC Bank	-	-	-	-	0.02	-	-	0.06	-	-	0.09	-
IDBI Bank, Mumbai	-	0.01	-	-	-	-	-	-	-	-	-	-
Punjab National Bank	1.32	-	1.05	1.47	-	0.04	0.43	-	0.04	1.50	-	0.08
Standard Chartered Bank	-	-	-	-	-	-	-	-	-	-	-	-
State Bank Of India	0.46	-	-	-	-	-	-	-	-	-	-	-
Syndicate Bank	0.62	0.03	-	0.43	0.03	-	0.99	-	-	0.57	-	-
<b>Grand Total</b>	<b>4.17</b>	<b>0.13</b>	<b>1.05</b>	<b>3.65</b>	<b>0.06</b>	<b>0.04</b>	<b>4.21</b>	<b>0.07</b>	<b>0.04</b>	<b>6.73</b>	<b>0.10</b>	<b>0.08</b>

In March 2017, buyer's credit worth USD 26,01,290 (INR 17.24 Crores) were devolved by foreign vendors and the details of the same are as follows:

LUT Bank	Drawdown Bank		Amount (INR)	
	Amount (Dollars)	Amount (INR)		
Corporation Bank	Deutsche Bank, Tokyo	0.04	2.96	
Punjab National Bank	Deutsche Bank, Tokyo	0.09	5.98	
Syndicate Bank	Deutsche Bank, Tokyo	0.13	8.30	
<b>Grand Total</b>		<b>0.26</b>	<b>17.24</b>	

**Note:**  
For detailed listing (including names of vendors) of outstanding as well as devolvement of BC's, kindly refer Annexure 5-A.1.1.1

# MANAGEMENT COMMENTS

INR in Crores

Name of Bank	As per Management			Differences between BDO and Management				
	Rcom	RTIL	RTL	Grand Total	Rcom	RTIL	RTL	Grand Total
Axis Bank	160.00			160.00	-			-
Bank of Baroda	1,511.75	6.46		1,518.20	-324.25	-6.46		-330.71
Bank of India	644.00		46.00	690.00	-			-
Bank of Maharashtra	499.57			499.57	-499.57			-499.57
Canara Bank	680.80		55.20	736.00	-			-
Central Bank of India	257.60		18.40	276.00	-			-
Corporation Bank	513.29		13.80	527.09	-297.09			-297.09
Credit Agricole	192.00			192.00	-			-
DBS Bank	412.00			412.00	-			-
Dena Bank	250.00			250.00	-			-
Deutsche Bank	330.00			330.00	-			-
HDFC Bank	56.25	118.50		174.75	-	-6.00		-6.00
ICICI Bank Ltd	144.00			144.00	-			-
IDBI Bank	698.92		282.05	980.97	-8.92		6.05	-14.97
IDFC Bank		550.00		550.00	-			-
IFCI Ltd	200.00			200.00	-			-
IIFCL	248.00			248.00	-			-
Indian Overseas Bank	119.60		18.40	138.00	-			-
IndusInd Bank	1,500.00			1,500.00	-			-
LIC of India	4,125.00			4,125.00	-			-
Oriental Bank of Commerce	188.60		18.40	207.00	-			-
Punjab National Bank	266.94		178.21	445.15	-266.94		178.21	-445.15
Reliance Industries Ltd	650.00			650.00	-			-
Standard Chartered Bank	1,119.00	192.00		1,311.00	-0.30	0.19		0.11
State Bank of India	1,866.52	485.00	115.00	2,466.52	-			-
State Bank of Travancore	66.64			66.64	-66.64			-66.64
Syndicate Bank	606.23	3.14	36.80	646.17	-183.03	-3.14		-186.17
UCO Bank	680.80			680.80	-			-
Union Bank of India	741.55		21.96	763.51	-			-
United Bank of India	437.27			437.27	-249.77			-249.77
Yes Bank	684.80	463.97		1,148.77	-	1.03		1.03
<b>Sub Total</b>	<b>19,851.13</b>	<b>1,819.07</b>	<b>804.22</b>	<b>22,474.41</b>	<b>-1,896.51</b>	<b>-14.38</b>	<b>184.26</b>	<b>-2,094.93</b>

# MANAGEMENT COMMENTS

INR in Crores

Name of Bank	As per Management			Grand Total
	Rcom	RITL	RTL	
Not considered in Report				
ICDs (RCAP/Kunji/Cleangen/Chlorosulf)	2,573.89	376.00	-	2,949.89
Vendor Financing	115.25	-	-	115.25
Sub Total	2,689.14	376.00	-	3,065.13
<b>Grand Total</b>	<b>22,540.26</b>	<b>2,195.06</b>	<b>804.22</b>	<b>25,539.54</b>
Facility Name	RCOM	RITL	RTL	Total (Rs Crore)
CDB 1330 Mn	6,684.41	-	-	6,684.41
CDB 925.2 Mn	3,959.94	-	-	3,959.94
CDB 300 Mn	161.48	-	1,193.05	1,354.52
CDB 750 Mn	1,021.39	-	-	1,021.39
Coface 150 Mn	-	-	260.24	260.24
DB 75 Mn	486.38	-	-	486.38
SCB 250 Mn	-	1,290.52	-	1,290.52
SCB 50 Mn	-	324.25	-	324.25
RCOM Bond 300	1,945.50	-	-	1,945.50
Total	14,259.09	1,614.77	1,453.29	17,327.14
<b>Grand Total</b>	<b>36,799.35</b>	<b>3,809.83</b>	<b>2,257.51</b>	<b>42,866.68</b>
FX Rate	64.85			

Reasons for difference in loans disbursed as per BDO and management -

- Bank of Baroda: LCs (Rs. 300 cr) , BC (Rs. 12 cr.) and devolvement of Rs. 19 cr
- Bank of Maharashtra: LCs (Rs. 500 cr)
- Corporation Bank: BC (Rs. 290 cr.) and devolvement of Rs. 7 cr.
- IDBI: Devolvement of Rs. 15 cr & HDFC: BC (Rs. 290 cr.)
- PNB: LCs (Rs. 255 cr) , BC (Rs. 102 cr.) and devolvement of Rs. 87 cr
- SBT: LCs (Rs. 67 cr)
- Syndicate Bank: LC (Rs. 130 cr.) BC (Rs. 37 cr.) and devolvement of Rs. 19 cr.
- United Bank of India: LCs (Rs. 250 cr.)

## 5. FINDINGS

- 5-A FUND TRAIL
- 5-B PROMOTERS CONTRIBUTION
- 5-C REVENUE
- 5-D MOVEMENT IN UNSECURED LOANS
- 5-E TRANSACTIONS OF SUBSTANTIAL AMOUNTS
- 5-F DETAILS OF ASSETS CHARGED
- 5-G RBI GUIDELINES
- 5-H OTHER DETAILS

## **5-A. FUND TRAIL**

- 5.A.1 UTILISATION OF LOANS DISBURSED BY BANKS**
- 5.A.2 COMPARISON OF UTILISATION OF LOANS WITH SANCTION LETTERS**
- 5.A.3 POTENTIAL ROUTING OF LOAN FUNDS**
- 5.A.4 INTER COMPANY LOAN TRANSACTIONS**
- 5.A.5 INVESTMENTS**
- 5.A.6 CONSORTIUM BANK ANALYSIS**
- 5.A.7 INVOICE FINANCING OF RITL**
- 5.A.8 POTENTIAL DIVERSION OF FUNDS**



# FUND TRAIL (1/2)

► **Objective:**

To analyse the utilisation of bank loans disbursed to RCOM, RTL and RITL during the Review Period.

► **Work steps performed:**

- Obtained a list of bank book GLs based on Trial balances provided by the Management of RCOM, RTL and RITL.
- These Trial Balances were mapped to the Annual Audited Financials for the Review Period to ascertain the completeness of bank book transactions.
- Bank books were extracted from SAP and were consolidated company-wise.
- Reversal entries in the bank book were removed.
- Obtained a list of bank facilities availed by RCOM, RITL and RTL during the period by the Management. (only loans disbursed have been provided)
- Mapped the loan GLs balances from the audited financials with the loans / facilities availed.
- Tracing the subsequent beneficiary of the loan disbursed from the bank books to ascertain diversion of funds, if any.
- Fund Trail has been prepared based on best effort basis from the extracted SAP bank books of RCOM, RTL and RITL as maintained by the Management. The fund trail was verified from the bank statements wherever available.
- FIFO method was adopted for tracing of funds, wherever appropriate. However, in certain other cases, mapping of transactions have been performed based on similar amounts on best effort basis.
- Transactions occurring on the same date have been mapped, wherever applicable and in case of split of transactions, trailing has been done up to three consecutive days of transaction, subject to the transaction amount.
- Nature of utilization or source of funds was determined based on the narrations i.e. the “Text” column generated through SAP reports of the bank book.
- Summarized beneficiaries of the loan at transaction level.
- Summarized payments made to repay bank obligations & connected parties.
- In the absence of beneficiary names in the bank statement, we have relied on the offset names in the bank books of the target entities.



## FUND TRAIL (2/2)

- In case of disbursement of loan, if as per Bank Book funds were not utilised up to three consecutive days of transaction, then prior date utilization as per bank book were also considered.
- In OD accounts, utilization of funds paid to beneficiaries prior to receiving funds were also considered.
- In case of investments made out of borrowed funds, the utilization of investment was traced on best effort basis till two days from date of transaction.
- In case of loan funds utilized in fixed deposits or mutual funds, the same has been trailed further for T + 3 days if the amount is not liquidated in T + 3 days, then the fund trail is limited to investment only and not trailed further

## SUMMARY OF BORROWINGS AVAILED BY RCOM, RITL & RTL (1/2)

### ► Facilities availed by RCOM:

RCOM had term loans of INR 8,906 crores (net of payments) from various banks from FY 2013-14 to FY 2016-17. During the same period, it had paid-off foreign currency loans amounting to INR 7,712 crores (net). Further, RCOM has taken INR 3,503 crores loans from sources other than bank. These include related parties, promoter group entities, third parties and other companies connected to RCOM.

(INR in Crores)

Liabilities as at ->	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
Rupree Term Loan from Banks	5,230.00	6,937.00	8,352.00	11,871.00	14,136.00
Foreign Currency Loans from Banks	20,366.00	19,994.00	18,053.00	15,591.00	12,654.00
Debentures	5,000.00	5,000.00	5,000.00	4,625.00	4,125.00
Rupree Loans from Others	250.00	702.00	346.00	727.00	3,753.00
6.5% Senior Secured Notes	-	-	-	1,988.00	1,925.00
Cash Credit from Bank	1,251.00	1,000.00	-	-	-
Commercial paper	50.00	0	0	0	0
<b>Grand Total</b>	<b>32,147.00</b>	<b>33,633.00</b>	<b>31,751.00</b>	<b>34,802.00</b>	<b>36,593.00</b>

### ► Facilities availed by RTL:

RTL has availed loans for INR 739.34 crores from related parties (net of payments), majorly from RCOM, which is the holding company, from 1 April 2013 to 31 March 2017 during the same period, RTL has paid foreign currency loans from banks of INR 63.60 crores (net).

(INR in Crores)

Liabilities as at ->	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
Loans and Advances from Related Parties	1,651.41	1,675.24	1,245.21	2,739.18	2,390.75
Foreign Currency Loans from Banks	1,476.50	1,811.10	1,684.71	1,610.63	1,412.90
Rupree Term Loan from Banks	495.00	575.00	685.00	675.00	625.35
L C Payable	0	0	0	0	171.69
Book OD (uncleared cheques)	4.95	37.06	3.42	14.10	0
<b>Grand Total</b>	<b>3,627.86</b>	<b>4,098.40</b>	<b>3,618.34</b>	<b>5,038.91</b>	<b>4,600.69</b>

Source : Audited Financials

## SUMMARY OF BORROWINGS AVAILED BY RCOM, RITL & RTL (2/2)

### ► Facilities availed by RITL

RITL has paid loans for INR 1,488 crores to related parties (net of receipts) during the period from 1 April 2013 till 31 March 2017 in addition, RITL has taken INR 1,452 crores from Banks. RITL has also paid INR 1,196 crores of foreign currency loan during the same period.

(INR in Crores)

Liabilities as at ->	31 March 2013	31 March 2014	31 March 2015	31 March 2016	31 March 2017
Loans and Advances from Related Parties	5,870.00	4,054.00	2,875.00	2,719.00	4,382.00
Ruppee Term Loan from Banks	0	337.00	120.00	1,317.00	1,789.00
Foreign Currency Loans from Banks	2,816.00	2,105.00	2,192.00	2,324.00	1,620.00
Book Overdraft	18.00	37.00	-	16.00	2.00
Debiture	87.00	120.00	-	-	-
Commercial paper	50.00	0	0	0	0
<b>Grand Total</b>	<b>8,841.00</b>	<b>6,653.00</b>	<b>5,187.00</b>	<b>6,376.00</b>	<b>7,793.00</b>

### Management Comments:

The amount of loan outstanding has increased in FY17 compared to FY 2014 outstanding merely by Rs. 2,052 crores.

Increase in Borrowings Rs.4,446 crore  
 Less: due to Forex Variation Rs. 2,394 crore  
 Increase in Borrowing Rs. 2,052 crore

Movement of loans and advances during the period March, 2013 to March, 2017 are paid to fellow subsidiaries and fund transfer between RCOM and its subsidiaries are to be viewed as a single economic unit.

## 5-A.1. UTILISATION OF FUNDS DISBURSED BY BANKS

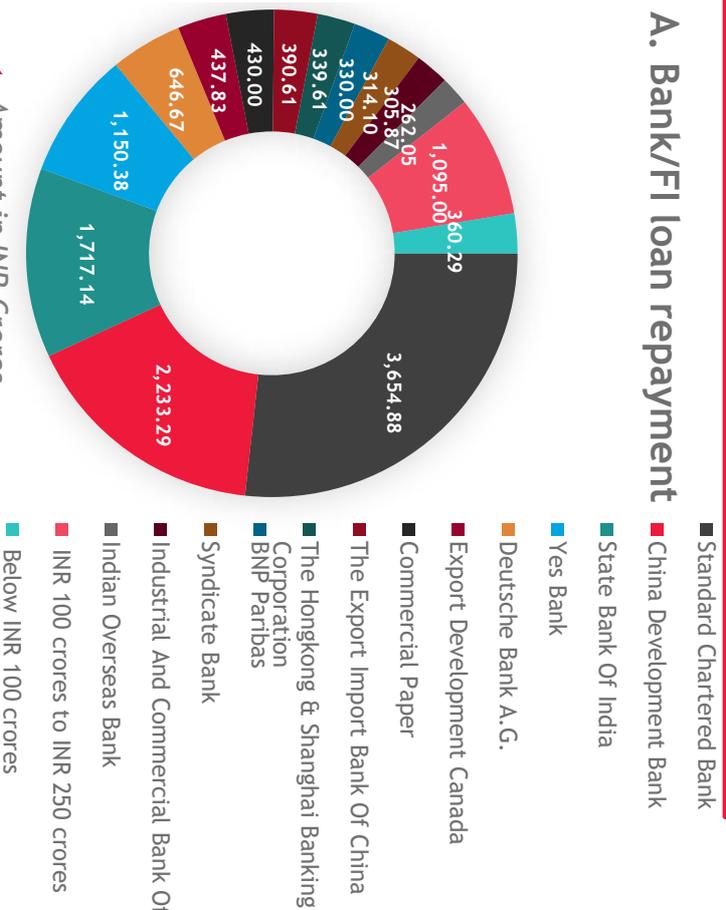
# BANK LOAN UTILISATION - OVERALL SUMMARY (1/2)

RCOM, RTTL and RTL cumulatively received INR 31,580 crores (i.e. INR 27,064.99, INR 4,140.50 and INR 375.00 crores respectively) as term loan, sales bill discounting, packing credit and ECB from various banks.

Of the amount trailed, 44% of the funds amounting to INR 13,667.73 crores (Refer Annexure-5-A.1.1) were utilised for repayment of loans and other obligations to banks / financial institutions (FI) (i.e. INR 12,848.61 crores, INR 670.73 crores and INR 148.39 crores by RCOM, RTTL and RTL respectively). Payments to connected parties cumulatively amounted to INR 12,692.31 crores (41%) (i.e. INR 9,130.35 crores, INR 3,340.02 crores & INR 221.94 crores by RCOM, RTTL and RTL respectively) and 15% were used for other activities like payments to third parties for services and network charges, assets, third party vendors etc (Refer Annexure-5-A.1.2). The details of these transactions are given in the subsequent slides.

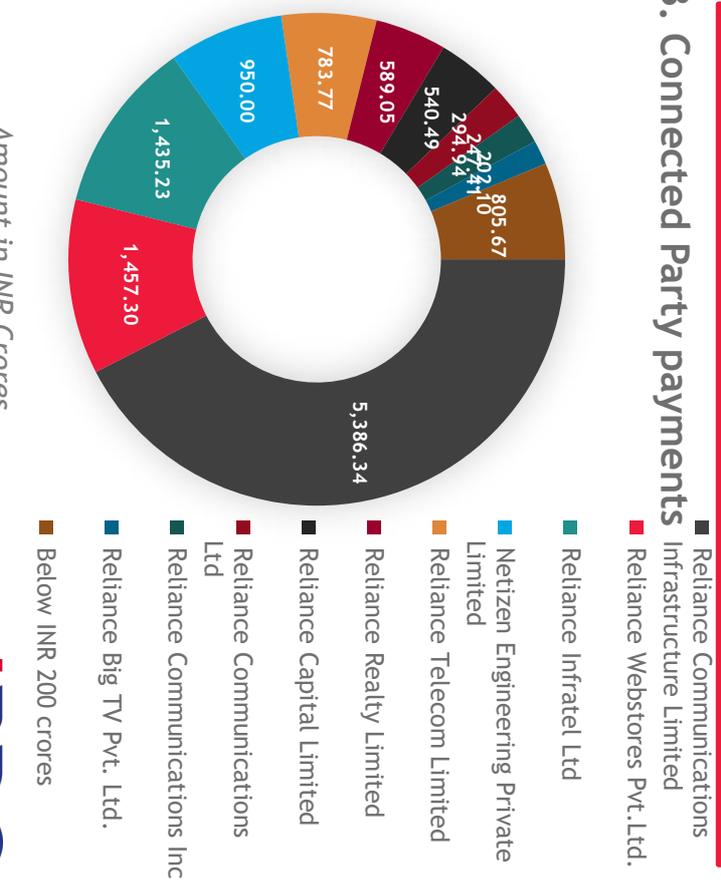
**INR 13,667.73 crores paid to Banks / FI have been in the form of ECB, TL repaid, Invoice financing and other bank obligations as shown:**

## A. Bank/FI loan repayment



**INR 12,692.31 crores paid to connected entities have been in the form of LCDs, fund transfers\* (unsecured loans from connected parties), loans and advances, payments for outstanding dues as shown:**

## B. Connected Party payments



Amount in INR Crores

Amount in INR Crores

\*Underlying document for fund transfers was not provided by management.

56  
Source: Bank statements and Bank book

Strictly Private and Confidential

# BANK LOAN UTILISATION - OVERALL SUMMARY (2/2)

## Management Comments

INR 26,589.91 crores paid to Banks / FIs / ECBs:

The amount includes payment made by RCOM /RTIL/RTL accounts as well as routed through subsidiaries.

- RCOM being the holding company provides financial support to its subsidiaries for their operations in ordinary course of business as subsidiaries are more akin to operating divisions. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.
- Borrowing of RCOM and its subsidiaries are to be treated as single borrowing i.e. be it in RITL or RCOM or RTL or RCIL are all the same.
- The banks and lenders are fully aware that RCOM group operates as a single economic entity. This is established by the concept of “Borrower Group” created comprising of RCOM, RITL, RTL and RCIL. Assets of the borrower group have been offered as security in favor of all the lenders. Master Security Trustee Agreement (MSTA) was signed in March 2011 and each company is jointly and severally liable for all the loans of the borrower group. All the existing lenders as of March,2011 signed the MSTA and lenders of new facilities after March 2011 acceded to the MSTA through Deed of Accession (DOA) .

# RCOM | SUMMARY OF BORROWINGS AVAILABLED (1/4)

(INR in Crores)

Lenders	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Grand Total
Standard Chartered Bank #	500.00	1,160.00	4,404.04	2,081.00	8,145.04
Yes Bank	2,820.00	1,270.00	175.00	1,060.00	5,325.00
State Bank Of India	-	1,500.00	-	565.00	2,065.00
IndusInd Bank Limited	200.00	-	1,500.00	-	1,700.00
Deutsche Bank AG	-	469.84	320.00	476.67	1,266.51
Barclays Bank	-	-	919.72	-	919.72
HDFC Bank Ltd.	700.00	-	-	-	700.00
India Infoline Finance Ltd	150.00	150.00	575.00	-	875.00
Union Bank Of India	-	275.00	-	500.00	775.00
Axis Bank	-	-	500.00	200.00	700.00
ICICI Bank Ltd	-	-	293.16	293.10	586.26
IDBI Bank Ltd.	550.00	-	-	-	550.00
Syndicate Bank	-	460.00	-	-	460.00
DBS Bank	-	-	112.00	300.00	412.00
Bank Of Baroda	250.00	-	160.45	-	410.45
Bank Of India	-	-	350.00*	-	350.00
Indian Overseas Bank	100.00	230.00	-	-	330.00
Dena Bank	-	-	-	250.00	250.00
United Bank Of India	250.00	-	-	-	250.00
India Infrastructure Finance Co Ltd	-	-	248.00	-	248.00
Canara Bank	240.00	-	-	-	240.00
India Bulls	240.00	-	-	-	240.00
Credit Agricole Bank	-	-	192.00	-	192.00
ICBC	-	-	75.00	-	75.00
<b>Grand Total</b>	<b>6,000.00</b>	<b>5,514.84</b>	<b>9,824.37</b>	<b>5,725.77</b>	<b>27,064.98</b>

The above borrowings includes all term loans, revolving working capital facilities (multiple times), ECBs and any other credit facility availed.

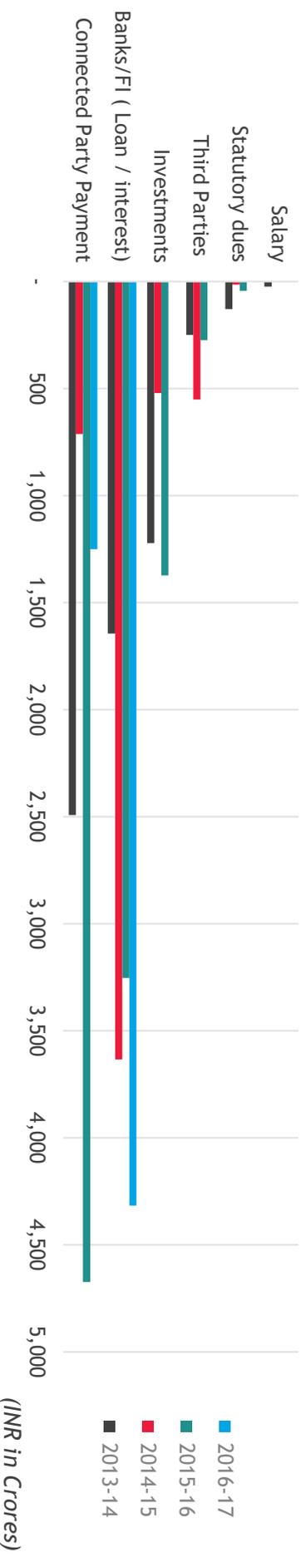
# This includes INR 1894.04 crores received by issuing senior secured notes for which SCB is the trustee

\* INR 350 crores were received in FY 2014-15 as funds were utilised in FY 2015-16

## RCOM | UTILISATION OF BANK LOANS (2/4)

The below table and graph is a synopsis of loans utilised by RCOM. Out of the total disbursements, during the Review Period, an average of 97% was traileed. Most of the loans taken by RCOM (47%) were used to pay loans of other Banks and approx. 35% of the utilization was paid to connected parties which were mostly in the form of ICDS and advances. Payments to connected parties were 43% and 49% of the loans disbursed in FY 2013-14 & FY 2015-16 respectively. These have been explained in a later section in the Report.

RCOM - Utilisation of Bank loans



Nature wise	2013-14	2014-15	2015-16	2016-17	Grand Total
Connected Party Payment [A]	2,492.78	713.07	4,673.33	1,251.17	9,130.35
Payment to banks/Fl (Loan/interest) [B]	1,643.98	3,634.36	3,253.29	4,316.99	12,848.62
Investments	1,221.41	521	1,372.42	-	3,114.83
Payment to third party	249.62	550.83	223.47	-	1,023.92
Statutory dues	129.21	15	43.79	-	188.00
Salary	24.12	-	-	-	24.12
<b>Grand Total [C]</b>	<b>5,761.12</b>	<b>5,434.26</b>	<b>9,566.30</b>	<b>5,568.16</b>	<b>26,329.84</b>
Loans Disbursed during review period [D]	6,000.00	5,514.84	9,824.38	5,725.77	27,064.99
Percentage traileed [C/D]	96%	99%	98%	97%	97%
Connected Party payments to the total traileed [A/C]	43%	13%	49%	22%	35%
Bank payments to the total traileed [B/C]	27%	66%	33%	75%	49%

Source: Bank statements and Bank book

# RCOM | SUMMARY OF BORROWINGS AVAILED (3/4)

## Management Comments:

Overall borrowings during the period FY 2013 to 2017 as per the Company is Rs. 29,803.83 cr.

Lenders	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Grand Total
Standard Chartered Bank	500.00	1,160.00	4,173.91	2,872.67	8,706.58
Yes Bank	2,820.00	1,270.00	175.00	1,010.00	5,275.00
State Bank Of India		1,500.00		565.00	2,065.00
IndusInd Bank Limited	200.00		1,500.00		1,700.00
Deutsche Bank AG		469.84	320.00	476.67	1,266.51
Barclays Bank			940.00		940.00
HDFC Bank Ltd.	700.00		310.00	56.25	1,066.25
India Infoline Finance Ltd	150.00	150.00	750.00	150.00	1,200.00
Union Bank Of India		275.00		500.00	775.00
Axis Bank			500.00	200.00	700.00
ICICI Bank Ltd			300.00	300.00	600.00
IDBI Bank Ltd.	250.00				250.00
IFCI Ltd.	300.00				300.00
Syndicate Bank		460.00			460.00
DBS Bank			112.00	300.00	412.00
Bank Of Baroda	250.00		1,000.00		1,250.00
Bank Of India		350.00	632.50		982.50
Indian Overseas Bank	130.00	230.00			360.00
Dena Bank				250.00	250.00
United Bank Of India	250.00				250.00
India Infrastructure Finance Co Ltd			248.00		248.00
Canara Bank	240.00				240.00
India Bulls	240.00				240.00
Credit Agricole Bank			192.00		192.00
ICBC			75.00		75.00
<b>Grand Total</b>	<b>6,030.00</b>	<b>5,864.84</b>	<b>11,228.41</b>	<b>6,680.59</b>	<b>29,803.84</b>

Differences is due to details of non fund based loans which was not shared with us during audit.

# RCOM | UTILISATION OF BANK LOANS (4/4)

## Management Comments

INR in Crores

Nature of Payment	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Grand Total
Bank / Financial Institution	2,865.43	3,516.77	7,046.50	5,372.81	18,801.51
Subsidiaries	1,929.91	833	2,321.49	1,039.27	6,123.69
Investment					0.00
Third party					0.00
License Fees/Spectrum Fees	214	1,162	183	-	1,558.15
Statutory Dues	269	58	119	35	481.28
Opex	752	295	1,558	234	2,839.21
Grand Total	6,030.00	5,864.84	11,228.40	6,680.59	29,803.83

## End utilisation of Subsidiaries

INR in Crores

Nature of Payment	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	Grand Total
Bank / Financial Institution	1,630.55	508.97	1,410.05	912.44	4,462.01
License Fees/Spectrum Fees	16	40	52		108.50
Statutory Dues	67	107	342	51	567.61
Opex	216	177	517	75	985.57
Grand Total	1,929.91	833.02	2,321.49	1,039.27	6,123.69

## **BDO Conclusion:**

These are unsubstantiated management comments. They have not provided any back up for substantiating their comments. Hence the comments could not be verified.

# NON-ADHERENCE TO ESCROW NORMS - RCOM & RITL

## State Bank of India:

SBI disbursed rupee term loan of INR 1,200 crores (INR 565 crores to RCOM and INR 635 crores to RITL) vide sanction letter dated 29 August 2016, for “making payments of scheduled liabilities related to ECB loans other than any related party/shareholder loans in RCOM and RITL”.

### ▶ Exclusive Escrow Account - Condition : The condition imposed by SBI in sanction letter was as follows:

- The escrow account shall be opened with SBI CAG branch within three months from the date of first disbursement. Escrow account refers to account where all the receivables from Reliance Jio are received under the passive tower infrastructure and service agreement dated 6 June 2013.
- RCOM received first instalment on 29 August 2016. Accordingly, it had to open escrow account within 3 months i.e. latest by 28 November 2016. However, the company had not opened the same with SBI till 31 March 2017.
- Receivables from RJIO went to HDFC bank account No. 0600310002817, which was a non-consortium bank.

### Management Comments:

- As per SBI sanction letter dated 29<sup>th</sup> August, 2016, the Company was supposed to open the Escrow account within three months and in case the Escrow account is not opened additional interest of 3% as per clause 21 of the sanction letter will be charged by the bank. Accordingly the bank charged additional interest and the Company was paying.

### BDO Conclusion

- In the absence of compliance to TRA arrangement, the concerned Banks did not had visibility on the transactions entered by RCOM and RITL during the period when TRA account was not opened. Also, supporting documents to determine the veracity of the management comments were not provided.

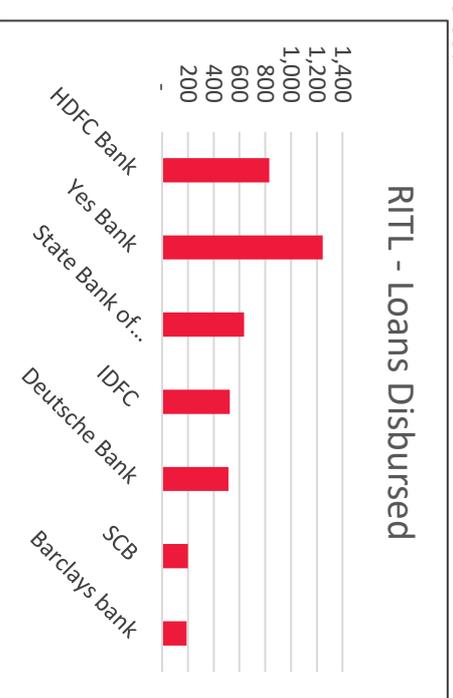
Source: Bank statements and Bank book ; Sanction Letters

## RITL | BANK LOANS DISBURSED AND THEIR UTILISATION (1/2)

During the Review Period, INR 4,140.50 crores worth of loans were given by various banks to RITL. Out of these INR 3,340.02 crores were paid to connected parties as ICDS and other payments. The operating income of RITL shows a declining trend pointing towards a decrease in business. There is a corresponding increase in loans given to related parties.

(INR in Crores)

Lenders	2013-14	2014-15	2015-16	2016-17	Total
HDFC Bank	-	390	90	350	830
Yes Bank	-	-	625	620	1,245.00
State Bank of India	-	-	-	635	635
IDFC	-	-	525.75	-	525.75
Deutsche Bank	514.75	-	-	-	514.75
Barclays bank	90	100	-	-	190
SCB *	-	-	200	-	200
<b>Grand Total</b>	<b>604.75</b>	<b>490</b>	<b>1,440.75</b>	<b>1,605.00</b>	<b>4,140.50</b>

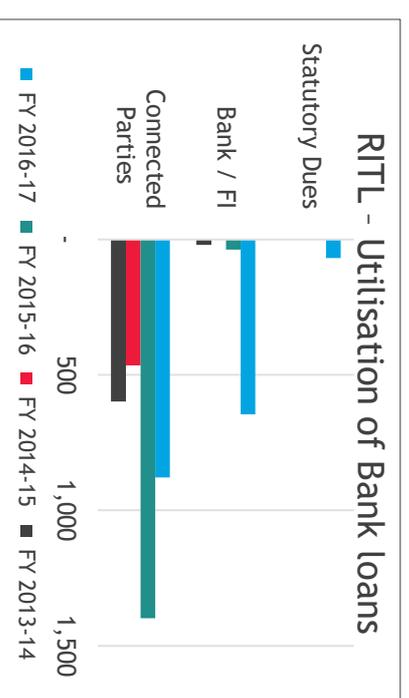


## END USE SUMMARY RITL - 2013 - 2017

(INR in Crores)

Nature	2013-14	2014-15	2015-16	2016-17	Total
Connected party payments	598.37	465.00	1,398.00	878.65	3,340.02
Bank/FI	-	20.38	5.00	645.35	670.73
others	-	-	-	68.00	68.00
Investments	-	-	32.31	-	32.31
<b>Grand Total</b>	<b>598.37</b>	<b>485.38</b>	<b>1,435.31</b>	<b>1,592.00</b>	<b>4,111.06</b>

\* RITL has taken invoice finance for INR 200 crores in July 2015 by discounting customer invoices and paying them to RCLL. In subsequent months fresh bills were discounted to pay off the old liability. This way the total value of transactions increased to INR 2,978.76 crores and the outstanding balance is INR 192.19 crores. Refer Slide 134 for details.



Source: Bank statements and Bank book

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# RITL | BANK LOANS DISBURSED AND THEIR UTILISATION (2/2)

## Management Comments:

During the Review Period, INR 4,164.75 crores worth of loans were given by various banks to RITL. Out of these INR 3,359.61 crores were paid to subsidiaries as LCDs and other payments. End utilisation of Fund received are given below -

Lenders	2013-14	2014-15	2015-16	2016-17	Total
HDFC Bank	-	390	90	350	830
Yes Bank	-	-	625	620	1,245.00
State Bank of India	-	-	-	635	635
IDFC	-	-	550	-	550*
Deutsche Bank	514.75	-	-	-	514.75
Barclays bank	90	100	-	-	190
SCB *	-	-	200	-	200
<b>Grand Total</b>	<b>604.75</b>	<b>490</b>	<b>1,465</b>	<b>1,605.00</b>	<b>4,164.75</b>

Nature	2013-14	2014-15	2015-16	2016-17	Total
Subsidiaries	603.17	470.00	1,398.44	888.00	3,359.61
Bank / FI	20.00	20.00	5.00	635.00	660.00
Opex	1.58	29.25	14.00	44.86	32.31
DSCR (IDFC) Retained	-	-	32.31	-	32.31
Statutory Dues	-	-	-	68.00	68.00
<b>Grand Total</b>	<b>604.75</b>	<b>490</b>	<b>1,465.00</b>	<b>1,605.00</b>	<b>4,164.75</b>

(INR in Crores)

Nature	2013-14	2014-15	2015-16	2016-17	Total
Bank / FI	290.00	410.00	901.00	755.00	2,356.00
Opex	188.17	40.00	300.00	74.00	602.17
Statutory Dues	125.00	20.00	197.44	59.00	401.44
<b>Total</b>	<b>603.17</b>	<b>470.00</b>	<b>1,398.44</b>	<b>888.00</b>	<b>3,359.61</b>

(INR in Crores)

**BDO Conclusion:** Funds obtained from Banks were utilised either to transfer / to pay the connected parties and repayment to banks. The Management has not provided supporting documents for their comments. Therefore, reason for differences in figures could not be ascertained.

\* Difference of INR 24.25 crores is due to processing fees charged by the bank

## RTL | BANK LOANS DISBURSED AND THEIR UTILISATION (1/2)

During the review period, INR 375.00 crores worth of loans were given by various banks to RTL. Out of these INR 221.94 crores were paid to connected parties as ICDS and other payments. During the same period operating revenue has declined from INR 3,683 crores to INR 1,776 crores. However, intangible asset has increased from INR 1,507.95 crores to INR 2,944.86 crores.

(INR in Crores)

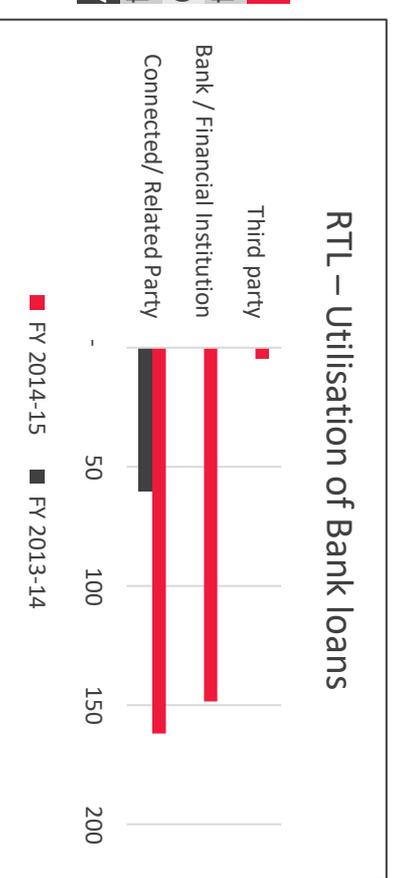
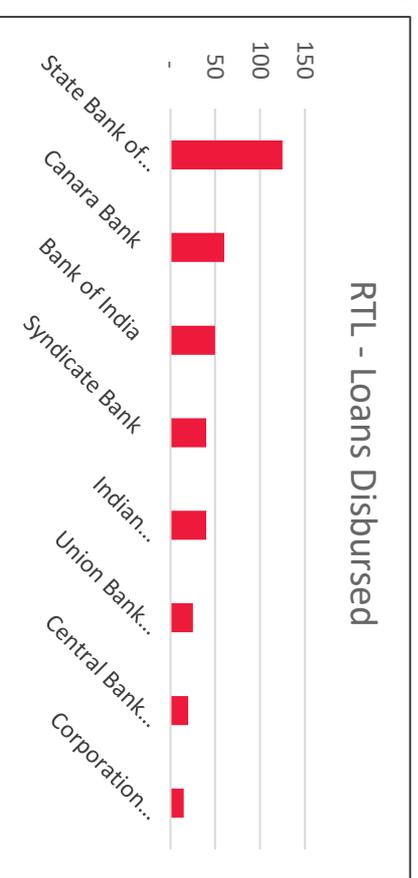
Lenders	FY 2013-14	FY 2014-15	Grand Total
State Bank of India	-	125.00	125.00
Canara Bank	60.00	-	60.00
Bank of India	-	50.00	50.00
Syndicate Bank	-	40.00	40.00
Indian Overseas Bank	-	*40.00	40.00
Union Bank of India	-	25.00	25.00
Central Bank of India	-	20.00	20.00
Corporation Bank	-	15.00	15.00
<b>Grand Total</b>	<b>60.00</b>	<b>315.00</b>	<b>375.00</b>

\* INR 20 crores were received in FY 2013-14 as funds were utilised in FY 2014-15

The below table gives the utilization of loans by RTL. 59% of the utilization is for payment to connected parties.

(INR in Crores)

Nature	FY 2013-14	FY 2014-15	Grand Total
Connected Parties	60.00	161.94	221.94
Bank / FI	-	148.39	148.39
Third party	-	4.64	4.64
<b>Grand Total</b>	<b>60.00</b>	<b>314.97</b>	<b>374.97</b>



Source: Bank statements and Bank book

## RTL | BANK LOANS DISBURSED AND THEIR UTILISATION (2/2)

### Management Comments:

RTL, a wholly owned subsidiary of RCOM was providing mobility services across eight circles.

RTL repaid the LCD to its Holding Company. Fund transfer between RCOM and its subsidiaries are to be viewed as a single economic unit. RCOM utilised Rs. 221.94 crore as follows :

- a) Loan repayment to Banks - Rs 162 crore
- b) Bandwidth charges to other telecom operators - Rs 58 crore
- c) Opex Payment - Rs 2 crore

### BDO Conclusion:

The management has not given any documents in support of their comments. As such it can only be concluded that out of INR 375 crores of loan received by RTL, INR 221.94, INR 148.39 and INR 4.64 was transferred to connected parties, Banks / FI and Third Parties, respectively.

# BANK RECONCILIATION STATEMENT (BRS)

Entries in BRS were analysed and found that total entries are worth INR 1304.67 crores and were unreconciled as on 31 March 2017. Entries were outstanding for more than 1460 days.

Below is the year wise summary of unreconciled entries -

*INR in Crores*

	2014		2015		2016		2017		Total
Particulars	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	
Bank Payment Voucher Made	367.68	406.26	262.06	199.52	1,235.51				
Cheques Deposited But Not Credited	206.03	264.85	202.10	285.58	958.56				
Cheques Issued And Not Presented To Bank	0.43	221.19	110.08	474.84	806.53				
Direct Credits	78.42	213.00	185.37	248.09	724.88				
Direct Debits	30.79	263.60	92.11	96.65	483.15				
<b>Total</b>	<b>683.34</b>	<b>1,368.90</b>	<b>851.71</b>	<b>1,304.67</b>	<b>4,208.63</b>				

## Data Limitation

- Access to company's BRS was given on 24 June 2020. However, access to view documents (SAP Code FB03) was not provided.
- Suspicious entries in the BRS were found and sent to the Company. Supporting documents were not provided by the management. In the absence of supporting bank statements and documents, the veracity of transactions cannot be commented upon.

# 5-A.2 COMPARISON OF UTILIZATION OF LOAN FUNDS WITH SANCTION LETTERS

## UTILISATION COMPARED WITH SANCTION LETTER (1/2)

Utilisation of funds obtained from Banks was traced and mapped with the sanction letter. For the below cases, we noted loans which were not utilised as per terms mentioned in the sanction letter. For sample sanction letters, refer Annexure 5-A.9.1.

Given below is a summary of the potential misutilization of loans received from Banks by RITL, RCOM and RTL: Amount in Crores

	Source Bank	Received by	Source Amount	Utilization	Utilization Amount
1	SBI	RITL	635.00	Yes Bank	295.38
2	Yes Bank	RITL	970.00	RCIL	949.65
3	IDFC Bank	RITL	525.75	RRL RBTV	393.00
4	HDFC Bank	RITL	350.00	RCIL RCPL	100.00
5	Standard Chartered Bank	RCOM	947.13	FD	196.00
				Connected Parties	73.00
				Banks Loans/ECBs	947.13
6	Standard Chartered Bank	RCOM	5,823.91	Mutual Funds	1,359.53
				LIC (NCD)	4,027.10
				China Development Bank	410.00
7	Yes Bank	RCOM	1,320.00	LIC (NCD)	27.28
				Connected Parties	824.65
				China Development Bank	175.00
				Deutsche Bank	243.63
8	Deutsche Bank AG	RCOM	796.67	Yes Bank NCD	172.61
				Connected Parties	276.95
				Standard Chartered Bank	51.00
9	ICICI Bank	RCOM	469.02	RWSL RTL	296.00
				Connected Party payments	293.16
10	IDBI Bank	RCOM	550.00	Mutual Funds	136.10
				Mutual Funds	32.86
11	Syndicate Bank	RCOM	460.00	Mutual Funds	278.85
				Mutual Funds	16.45
				Mutual Funds	111.00

# UTILISATION COMPARED WITH SANCTION LETTER (2/2)

Amount in Crores

	Source Bank	Received by	Source Amount	Utilization	Utilization Amount
12	Bank of India	RCOM	350.00	FD	350.00
13	Dena Bank	RCOM	250.00	RCIL	250.00
14	Credit Agricole Bank	RCOM	192.00	RCAP	192.00
15	IIFCL	RCOM	248.00	Banks Loans/ECBs Connected Parties	25.00 199.00
16	HDFC Bank	RCOM	700.00	Banks Loans/ECBs Connected Parties	300.00 400.00
17	Axis Bank	RCOM	700.00	Mutual Funds Connected Parties	48.50 200.00
18	Bank of India	RTL	50.00	RCOM	50.00
19	Canara Bank	RTL	60.00	RCOM	60.00
20	Corporation Bank	RTL	15.00	RCOM	11.00
21	Central Bank of India	RTL	20.00	RCOM	20.00
22	Syndicate Bank	RTL	40.00	RCOM	40.00
23	Union Bank of India	RTL	25.00	RCOM	20.94
<b>Grand Total</b>			<b>15,497.48</b>		<b>13,852.77</b>

Note:

- From the funds received from IDFC Bank in RTIL, an FD of INR 32.31 crore in IDFC Bank was created as per Bank Book . This has not been considered as noncompliance with Sanction Letter.

Source: Sanction Letters, Bank Statements, Bank book

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# RITL | UTILISATION COMPARED WITH SANCTION LETTER (1/4)

## 1 State Bank of India

- ▶ SBI disbursed INR 635 crores to RITL vide sanction letter dated 29 August 2016 for “making payments of scheduled liabilities related to ECB loans other than any related party / shareholder loans in RITL”.
- ▶ Diversion of Loans: INR 295.38 crores was utilized for repaying bank loan.



## Management Comments:

Payment to YES Bank is in accordance with SBI sanction letter PFSBU/Team 07/RCOM/1575 dated 07.09.2016. Please refer to page No. 3 purpose of the Facility “under Modified condition”

## BDO Conclusion:

Loan from SBI was to be used for repayment of ECB, instead it was utilised for repayment of term loan with Yes bank. The utilization is not in line with term of the loan sanction letter and hence tantamount to non-compliance with the sanction letter and diversion.

# RITL | UTILISATION COMPARED WITH SANCTION LETTER (2/4)

## 2 Yes Bank

- ▶ Yes bank disbursed INR 970 crores to RITL for following purposes:
  - INR 845 crores (INR 500 crores vide loan agreement dated 29 June 2015 and INR 345 crores vide sanction letter number YBL/DEL/FL/0229/2016-17 dated 3 June 2016) for capital expenditure including maintenance / reimbursement of capital expenses during last 12 months.
  - INR 125 crores vide sanction letter dated 1 March 2016, for working capital requirement and cashflow mismatch.

▶ **Diversion of Loans : INR 949.65 crores was paid as LCD to connected party.**  
**Yes Bank**      Loan INR 970.00 crores      **RITL**      ICD INR 949.65 crores      **RCIL**

Date	Disbursement
29 June 2015	125.00
17 July 2015	75.00
25 August 2015	125.00
15 October 2015	75.00
19 November 2015	100.00
01 March 2016	125.00
03 June 2016	345.00

### Management Comments:

1. RITL has paid to RCIL Rs. 915 cr and RCIL has utilized Rs. 2 cr. for Opex payment.
2. RCIL has paid to RCOM Rs. 913 cr. and RCOM has utilized for:
  - Repayment of Loan Rs. 760 cr.
  - YES Bank Rs. 350 cr
  - CDB Rs. 335 cr. on 06.06.2016
  - HDFC OD Rs. 75 cr.
  - Opex payment Rs. 128 cr.
  - IUC payment to Telecom operators Rs. 25 cr.

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan from Yes Bank. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

*\*FT in the text of transaction was considered as LCD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

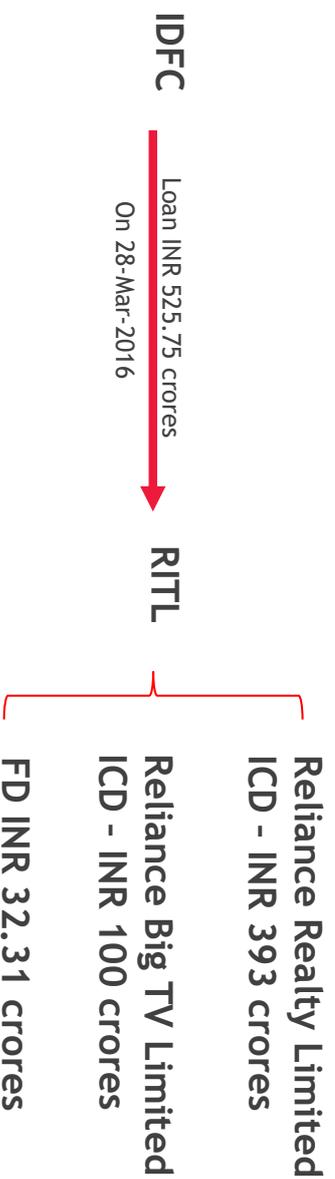
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# RITL | UTILISATION COMPARED WITH SANCTION LETTER (3/4)

## 3 IDFC Bank:

- ▶ IDFC Bank disbursed INR 525.75 crores to RITL vide sanction letter no. IDFC/CAD/DEL/2015-16/137 dated 21 March 2016 for “Core working capital requirement, payment of statutory dues and maintenance of capital expenditure”.
- ▶ Diversion of Funds: INR 493.00 crores was paid as ICD to connected party.



### Management Comments:

1. RRL has paid to RIDC Rs. 293 cr. and to RWSL Rs.100 cr .  
RIDC and RWSL have paid to RCOM and RCOM utilized for: Repayment of Loan to CDB Rs. 355 cr, Opex payment Rs. 12 cr, Revenue share to DOT Rs. 16 cr, RITL Opex payment Rs. 10 cr.
2. RBTV → RCOM → RWSL → RCIL Rs. 101 cr.  
RCIL utilized for: RCIL Opex payment Rs. 8 cr, RCOM → Opex payment Rs. 38 cr, RITL → Opex payment Rs. 33 cr, RTL → Opex payment Rs. 22 cr.
3. The Company has not deposited in FD, but in accordance with the Sanction letter, IDFC retained Rs. 32.31 cr. for DSCR purpose.

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan from IDFC Bank. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

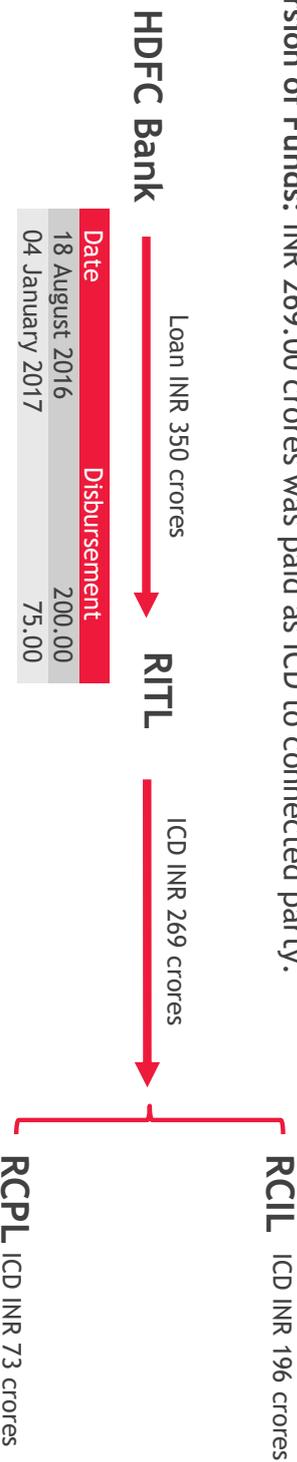
*\*FT in the text of transaction was considered as ICD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

# RITL | UTILISATION COMPARED WITH SANCTION LETTER (4/4)

## 4 HDFC Bank :

- ▶ HDFC disbursed INR 350 crores to RITL vide sanction letter dated 11 August 2016, for Working capital / business requirement
- ▶ Diversion of Funds: INR 269.00 crores was paid as ICD to connected party.



### Management Comments:

1. RCIL → RCOM - Rs. 196 cr.  
RCOM utilized for: - Loan Repayment Rs. 160 cr. (Clorosulf Rs. 140 cr., IIFL Rs. 12.5 cr., RCAP Rs. 7.5 cr) - Opex payment Rs. 14 cr. - RCIL Rs. 12 cr. utilized for TDS as under: RITL Rs. 10 cr., RNL Rs. 1 cr., RCIL Rs. 1 cr. - RWSL Rs. 4 cr. & RTL Rs. 6 cr. for TDS payments.
2. RCOM utilized as under:
  - Rs. 44 cr. Service Tax
  - Rs. 35 cr. Opex payment
  - Rs. 3 cr. to RCIL → RCIL paid Service Tax of Rs. 3 cr.

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan from HDFC Bank. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

*\*FT in the text of transaction was considered as ICD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (1/17)

## 5 Standard Chartered Bank:

- ▶ RCOM has availed an ECB of INR 1,894.04 crores by issuing Senior Secured Bonds vide offer letter dated 27 April 2015.
- ▶ SCB has acted as a trustee for the issue of these bonds. The identity of the bond holders is not known.
- ▶ The purpose of the loan is “ECB proceeds can be utilised for, inter alia: (i) investment (such as the import of capital goods, new projects, modernisation or expansion of existing production units) in the real sector (i.e. the industrial sector including small and medium enterprises, infrastructure sector and specified service sectors); (ii) overseas direct investment in joint ventures or wholly owned subsidiaries (subject to applicable guidelines); (iii) acquisition of shares in the Government’s disinvestment programme of public sector units; (iv) lending to self-help groups or for micro-credit or bona fide microfinance activity; (iv) payment of interest during construction by companies engaged in infrastructure sector, (v) refinancing of bridge finance used for import of capital goods by infrastructure companies; (vi) import of services, technical knowhow and payment of license fee subject to certain restrictions; (vii) payment of spectrum allocation fee; and (viii) refinancing of ECBS subject to certain conditions”.
- ▶ Following were covered under the exclusion clause in the agreement for issue of bonds - “Lending, investment in capital markets, acquisition of company in India, investment in real estate, general corporate purpose (including working capital), acquisition of land”.
- ▶ **Diversion of Loans:** INR 947.13 crores by investing in fixed deposits.
- ▶ Multiple FDs were made from this amount and further trailing was not possible due to multiple maturities in smaller amount.



\*FT in the text of transaction was considered as LCD during the analysis

Source: Sanction Letters, Bank Statements, Bank book  
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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (2/17)

## Management Comments :

1. As per RBI Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations. ECB proceeds are allowed to be parked in Term Deposits Vide para 4.2 of the Master Directions.
2. Ultimate utilization of FDs (Bond proceeds ) were utilized for Capital expenditure. Details provided in below table

Date of utilisation	PO Number	Amount	Purpose
26-Jun-15	XA1 /4000010394	100	Capital Expenditure
31-Aug-15	XA1 /4000011203	55	Capital Expenditure
14-Sep-15	XA1/4000009447	5	Capital Expenditure
15-Sep-15	SCN-1034055, 56 & 1034255,256,286	23	Capital Expenditure
28-Sep-15	XA1 /4500024310	10	Capital Expenditure
28-Sep-15	XA1 /4000011203	9	Capital Expenditure
02-Nov-15	*XZ0 /40000010074	20	Capital Expenditure
01-Dec-15	*XZ0 /40000010074	20	Capital Expenditure
30-Jan-16	*XZ0 /40000010074	20	Capital Expenditure
04-Feb-16	*XZ0 /40000010074	150	Capital Expenditure
14-Jul-16	*XZ0 /40000010074	150	Capital Expenditure
19-Jul-16	*XZ0 /40000010074	29	Capital Expenditure
21-Sep-16	*XZ0 /40000010074	50	Capital Expenditure
26-Sep-16	*XZ0 /40000010074	50	Capital Expenditure
29-Sep-16	*XZ0 /40000010074	45	Capital Expenditure
29-Sep-16	*XZ0 /40000010165	5	Capital Expenditure
29-Mar-17	*XZ0 /40000010165	131	Capital Expenditure
05-Jun-17	*XZ0 /40000010165	75	Capital Expenditure

## BDO Conclusion:

Management did not substantiate the comments with relevant supporting documents. As such, it can only be concluded that the utilization of loans were not in line with the sanction letter as mentioned above.

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (3/17)

## 6 Standard Chartered Bank:

- ▶ SCB disbursed INR 1,136.88 crores vide sanction letter of 12 April 2017 (as per review sanction) to RCOM in the nature of Packing credit and the purpose of the loan is -
  - Invoice financing to facilitate purchase of services from RITL and other third-party services,
  - packing credit for financing the following expenses license fees, service tax, interconnection usage, collocation, managed services and other operational expensesThe initial loan was disbursed on 3 January 2014.
- ▶ Out of the facilities used, INR 5,823.91 crores (packing credit facility was rolled over the period multiple times) was used for the following:
  - **Payment to connected parties:** INR 1,359.53 crores was paid to Connected parties (RBTY, RCIL, RCAP, RITL, RISPL, RTSL, RTL, RGL Bermuda)
  - **Diversion of loans:** The loan was utilized in the following manner:
    - INR 4,027.10 crores was utilized for repaying bank/ECB loans,
    - INR 27.28 crores was paid to LIC against Non-Convertible Debentures
    - NR 410 Crores were invested in mutual funds.

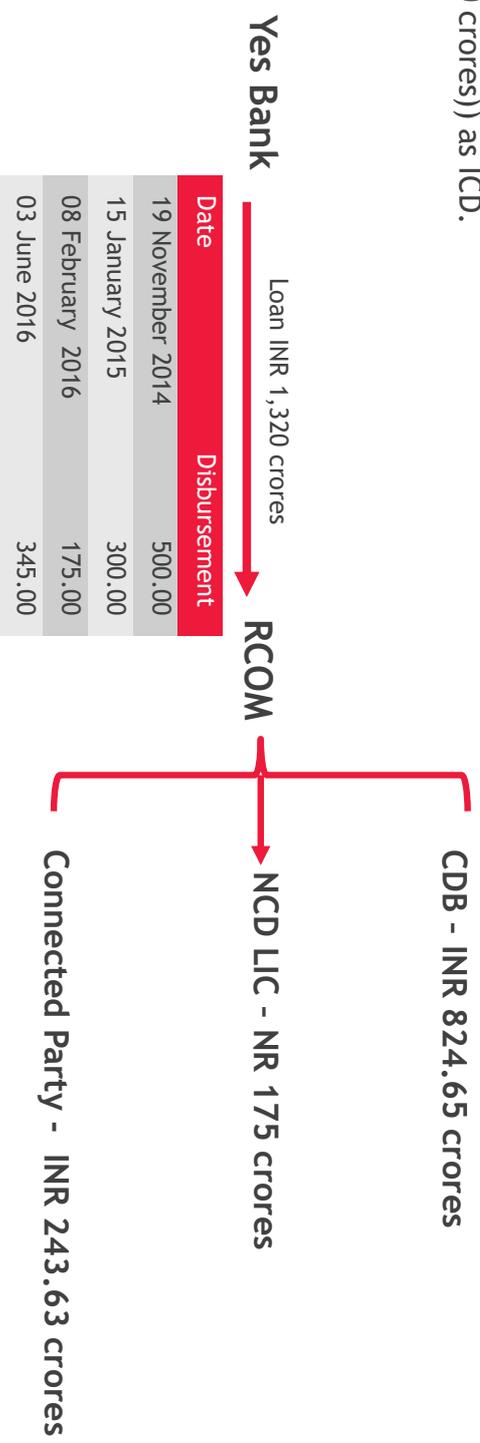
*\*FT in the text of transaction was considered as LCD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (4/17)

## 7 Yes Bank:

- ▶ Yes Bank disbursed funds of INR 1,320 crores vide the following sanction letters:
  - INR 175 crores vide sanction letter dated 5 February 2016,
  - INR 300 crores vide sanction letter no. YBL/MUM/FL/875/2014-15 dated 15 January 2015,
  - INR 345 crores vide sanction letter no. YBL/DEL/FL/0227/2016-17 dated 03 June 2016,
  - INR 500 crores vide sanction letter no. YBL/MUM/FL/659A/2014-15 dated 19 November 2014)
- The purpose of the loans was as follows:
  - INR 1,131.81 crores for Capital expenses, maintenance exp and reimbursement of capital expenses incurred in the past
  - INR 175 crores for Working capital purpose to meet mismatch in cashflow
- ▶ RCOM has utilised the same in following manner:
  - **Diversion of loans:** INR 894.67 crores was utilised for repaying bank / ECB loans and NCD.
  - **Payment to connected parties:** INR 243.63 crores was paid to Connected parties (RWSL - 93.50 crores, RITL - 110.13 crores and RTL - 40 crores)) as ICD.



\*FT in the text of transaction was considered as ICD during the analysis  
 Source: Sanction Letters, Bank Statements, Bank book  
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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (5/17)

## Managements Comments :

Summary of loan utilization is as follows:

Loan Sanction : Rs. 1320 cr.

Loan disbursed : Rs. 1306 cr.

(YES bank retained Processing fee of Rs. 14 cr.)

Utilization is follows:

End Use	Amount
CDB	630
NCD - LIC	175
HDFC OD	394
IUC Payment	104
Opex	3.44

Amounts paid to subsidiaries is Rs. 107 cr. and was received back in RCOM Rs. 94 cr. was utilized for IUC payment and in RTL Rs. 10.7 cr. was also utilized for IUC payment to Telco operators. Balance Rs. 3 cr. was utilized for opex of RITL Rs. 2 cr and RTSL Rs. 1 cr.

## BDO Conclusion:

As per sanction letters, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letters and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

*\*FT in the text of transaction was considered as LCD during the analysis*

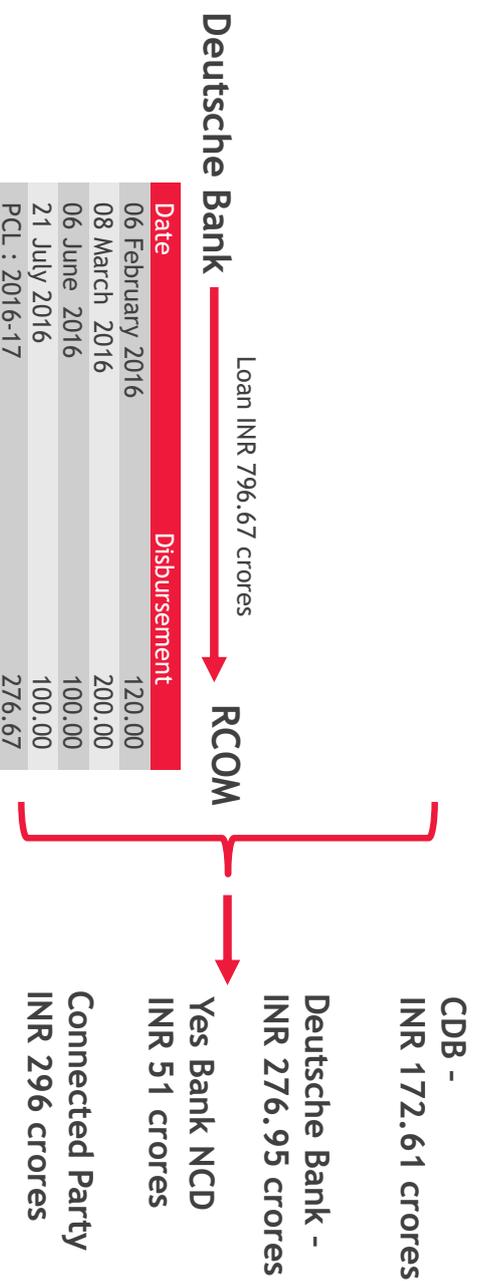
*Source: Sanction Letters, Bank Statements, Bank book*

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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (6/17)

## 8 Deutsche Bank AG:

- ▶ Deutsche Bank has disbursed INR 320 crores to RCOM vide the following sanction letters:
  - INR 200 crores packing credit limit vide agreement dated 27 February 2017 as packing credit for domestic sales against purchase order.
  - INR 120 crores vide executed version agreement letter issued in 2016 as payment of statutory dues (including but not limited to sales tax, service tax, and DOT).
- ▶ The above loan was a packing credit facility which was rolled over multiple times and the total utilization was of INR 760.56 crore as follows:
  - **Payment to Connected Parties:** INR 296.00 crores was paid to RWSP - INR 168 crores, RTSL - INR 100 crores, RBTV - INR 19 crores and RTL - INR 9 crores as ICD.
  - **Diversion of Loans:** INR 449.56 crores was utilized for repaying bank / ECB loans and INR 51.00 crores was paid against NCD of Yes Bank.



\*FT in the text of transaction was considered as ICD during the analysis

Source: Sanction Letters, Bank Statements, Bank book  
As per the Management

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (7/17)

## Management Comments :

1. Connected Parties Rs 260 Cr utilized as follows :
  - a. RCOM - 1 Cr (Opex)
  - b. RTIL - 82 Cr(ST-72 Cr, TDS - 7 Cr, Opex-3 Cr
  - c. RCIL-76 Cr(ST-47 Cr and Salary-29 Cr)
  - d. RTSL - 100 Cr (ICBC Loan repaid)
  - e. RWSL- Rs 1 Cr

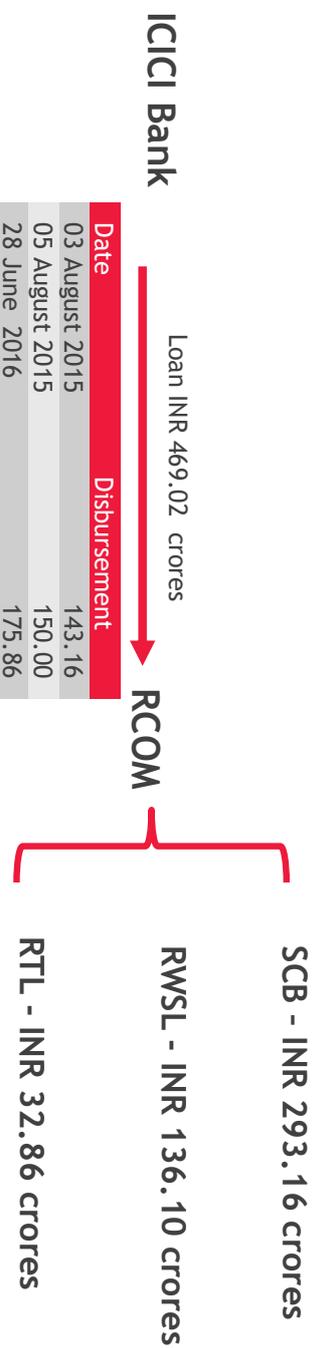
## BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (8/17)

## 9 ICICI Bank:

- ▶ ICICI Bank disbursed INR 469.02 crores vide the following sanction letters to RCOM after deducting of processing fees:
  - INR 180.00 crores vide letter no. 67/CBGMUM/99163 dated 24 June 2016.
  - INR 300.00 crores vide letter no. 56/CBGMUM/86333 dated 30 July 2015.
- ▶ The purpose of the loan was capital expenditure requirement and long-term working capital requirement, transaction related expenses.
  - **Payment to Connected Parties:** INR 168.96 crores was paid to RWSPL and RTL as ICD.
  - **Diversion of loans:** INR 293.16 crores was utilized for repaying bank/ECB loans.



\*FT in the text of transaction was considered as ICD during the analysis

Source: Sanction Letters, Bank Statements, Bank book  
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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (9/17)

## Management Comments :

- 1) Rs 180 Cr raised on 28.06.2016, Processing Fee retained Rs 4 Cr RCOM utilized Rs 176 Cr for :  
SCB Loan Rs 150 Cr , IUC Payment Rs 8 Cr, LC Payment Rs 10 Cr and RIEL Rs 8 Cr → Interest payment
- 2) Rs 300 Cr raised on 3rd & 6th Aug'15 , Processing Fee retained Rs 7 Cr RCOM Rs 181 Cr and utilised for  
HDFC OD repayment Rs 143 Cr, INR Interest Rs 14 Cr, IUC Payment Rs 5 Cr , LC Payment Rs 5 Cr , Service Tax Rs 14 Cr  
RRL Rs 2 Cr → Service Tax payout. RWSL Rs 98 Cr → Rs 34 Cr Service Tax payment and Rs. 64 cr → RCIL → Rs 15 Cr Service Tax Payment , RCIL → Rs 49 Cr RTIL → 43 cr Service Tax and Coface Interest Rs 6 Cr. RCOM → RBTV Rs 3 Cr → Service Tax Payment, RCOM → RTL Rs 9 Cr → Service Tax Payment

## BDO Conclusion:

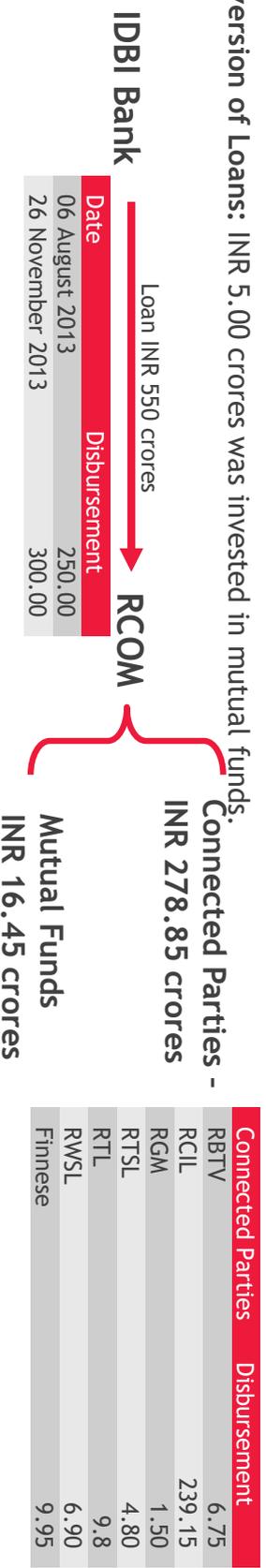
As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. In addition, some of the loans were used for repayment of existing loans and hence considered non-compliance with the terms of the loan sanction letters and diversion.

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (10/17)

## 10 IDBI Bank :

- ▶ IDBI Bank disbursed INR 550 crores vide sanction letter no. IDBI/ICG(W)/RCOM/2347 dated 20 March 2015 to RCOM, for “Capital exp, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans”.
- ▶ Out of above, RCOM utilized INR 249.20 crores as follows -

- **Payment to Connected Parties:** INR 295.30 crores was paid to connected parties as per table:
- **Diversion of Loans:** INR 5.00 crores was invested in mutual funds.



- ▶ As per CA certificate submitted by RCOM to banks for INR 300 crores, loans has to be utilized for “expansion and capacity augmentation of existing telecom infrastructure, operational infrastructure and refinancing of short-term liability” but loans were utilized for repayment of existing and liabilities and investment in mutual funds.

### Management Comments :

Actual utilization of Rs 250 Cr. is towards operational expenditure, repayment of existing liabilities as under:

HDFC - INR 210 Cr  
 TDS - INR 20 Cr  
 LIC - INR 14 Cr

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

\*FT in the text of transaction was considered as LCD during the analysis

Source: Sanction Letters, Bank Statements, Bank book  
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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (11/17)

## 11 Syndicate Bank:

- ▶ Syndicate Bank disbursed INR 460.00 crores vide letter no. 2684/NPT/RCOM/2014 dated 30 December 2014 to RCOM for “ongoing capital expense, operational expenditure, repayment of existing liabilities other than any related party / shareholder loans”.
- ▶ Diversion of Loans: INR 145.00 crores was invested in mutual funds`.



## Management Comments:

1. RCOM → RTSL → Rs. 11 cr and utilised for Rs 10 Cr for Opex and Rs 1 Cr for Salary
2. RCOM → RISPL → Rs 6 Cr and Utilised for RISPL Salary Purpose.
3. RCOM → RBTV → Rs 5 Cr and Utilised for RBTV Opex Purpose.
4. RCOM → RWSL → RTIL → Rs 118 Cr and Utilised for RTIL Loan Repayment.
5. RCOM utilized for: Loan Repayment Rs. 334 cr. (Syndicate Bank-Rs 300 Cr and HDFC OD Rs34 Cr), Opex payment Rs. 2 cr.

## BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

*\*FT in the text of transaction was considered as LCD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (12/17)

## 12 Bank of India:

- ▶ Bank of India disbursed INR 350.00 crores vide letter of 3 October 2016 (as per review letter) to RCOM for “ongoing Capital exp, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans”.
- ▶ Diversion of Loans: INR 350.00 crores was invested in fixed deposit.



### Management Comments:

- 1) BOI loan raised on 27.03.2015 amounting to Rs 350 Cr. for paying Spectrum fees. Loan amount was kept in MF account till 07.04.2015. 2) SCB loan of Rs. 310 cr. raised on 30.03.2015
- 3) FD amounting to Rs 632.50 Cr (BOI Rs 350 Cr + SCB Rs 310 Cr) was made on 07.04.2015.
- 4) Against said FD, RCOM availed an equivalent loan from BOI of Rs 632.50 Cr for making Spectrum Fees payment to DOT Govt. of India on .....
- 5) FD liquidated on 11.06.2015 and repaid BOI loan of Rs 632.50 Cr
- 6) Thus, the entire BOI loan was used for making operational expenditure payment

### BDO Conclusion:

As per sanction letter, utilization of loan amount for investment in fixed deposits was not permitted and hence, it is considered non-compliance with the sanction terms of the loan.

\*The funds were initially invested in mutual funds and then in fixed deposit and the same is in line with point no. 1 and 2 of management comments.

Also, we have traced funds for T+3 days. Further if MF/FD is liquidated after T+3 days, then end usage of liquidated funds were not traced.

*\*FT in the text of transaction was considered as LCD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (13/17)

## 13 Dena Bank:

- ▶ Dena Bank disbursed INR 250.00 crores vide letter dated 4 February 2017, to RCOM for “Short term cashflow mismatch, and for payment of statutory dues, sundry creditors etc”. The exclusion clause prohibited the usage of proceeds to repay existing lenders.
- ▶ Payment to Connected Parties: INR 250.00 crores was paid to RCIL in the form of ICD.



## Management Comments:

Actual utilization of Rs 250 Cr. received from Dena Bank on 08.02.2017 is towards repayment of existing Liabilities & operational expenses:

- a) RCOM Repaid ECB-BNP Paribas \$255 mn installment of Rs 235 Cr dated 09.02.2017
- b) Salary paid Rs 1 Cr
- c) RCIL Salary paid Rs 14 Cr

## BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization of loan funds is non-compliance with the terms of the sanction letter and a diversion.

*\*FT in the text of transaction was considered as LCD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (14/17)

## 14 Credit Agricole Bank:

- ▶ Credit Agricole Bank disbursed INR 192.00 crores vide sanction agreement (executed version) of 2016 to RCOM for “Refinancing rupee liabilities incurred by it for refinancing its existing foreign currency loans availed for payment of fees to DOT for 3G Spectrum”.
- ▶ Diversion of Loans: INR 192.00 crores was utilized to repay LCD of connected parties (RCAP).



## Management Comments:

1. On 19.01.2016 the company received from RCAP Rs. 250 cr. and repaid Rs. 250 cr. BNP Paribas to discharge foreign currency loan Facility \$255 mn.
2. Thereafter, the company paid to RCAP Rs. 192 cr. subsequent to refinance received from Credit Agricole Bank on 21.01.2016.

## BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and hence in this case, the loan amount was transferred to related parties which is non-compliance with the terms of sanction letter and a diversion.

*\*FT in the text of transaction was considered as LCD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*  
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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (15/17)

## 15 Indian Infrastructure Finance Company Limited (IIFCL):

- ▶ IIFCL disbursed INR 248.00 crores to RCOM for “Meeting ongoing capital expenditure of phase 2 project on expansion and capacity augmentation of existing telecommunication network related to 2G, 3G BWA direct to home services”.
- ▶ Out of above, RCOM utilized INR 225 crores as follows -
  - Diversion of Loans: INR 25.00 crores was utilized to repay other bank loans (20 crores to Axis bank and 5 crores to HDFC).
  - Payment to Connected Parties: INR 199.00 crores was paid to connected parties in the form of ICD.

Connected Party	Amount
RCIL	143.00
RWSL	40.00
RBTV	16.00

### Management Comments:

RCOM paid Rs 108 Cr towards Bandwidth Charges payment to FLAG  
ROM paid Rs. 140 cr → RCIL Rs 63 Cr → RITL → repaid SCB loan Rs. 63 cr.  
RCIL Rs.77 Cr → RIEL → Loan repayment

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

*\*FT in the text of transaction was considered as LCD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

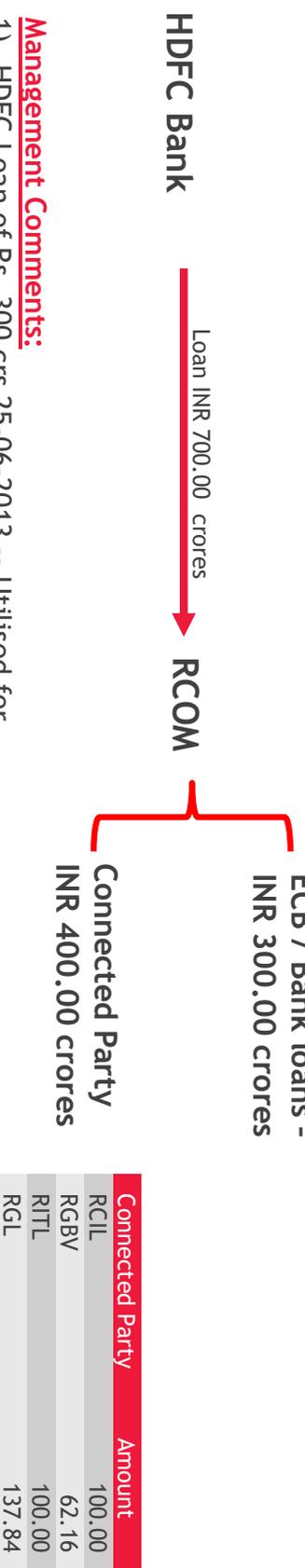
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# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (16/17)

## 16 HDFC Bank:

- ▶ RCOM has an overdraft limit of INR 200 crores with HDFC Bank for working capital requirement vide sanction letter of 22 February 2014.
- ▶ **Diversification of Loans:** INR 296.64 crores was utilized for repaying bank loans / ECB and INR 22.50 crores was invested in mutual funds.
- ▶ **Payment to Connected Parties:** INR 375.00 crores was paid to connected parties (RITL, Reliance Globalcom Limited, Reliance Globalcom BV) in the form of ICD and Loan.



### Management Comments:

- 1) HDFC Loan of Rs. 300 crs 25-06-2013 -- Utilised for
  - a) Loan to RGBV Rs. 62 crs on 25-06-2013
  - b) International Bandwidth Charges to Flag Rs. 138 crs on 25-06-2013
  - c) Rs. 100 crs on 26-06-2013 to
- 2) HDFC Loan of Rs. 100 crs 28-06-2013 -- Utilised for
  - a) Barclays ECB Instalment Rs. 80 crs and Repayment of Indiabulls Loan Rs. 20 crs (Rs. 125 crs)
- 3) HDFC Loan of Rs. 200 crs 26-08-2013 -- Utilised for ICBC 925.20 mio ECB Facility Instalment and Interest on 27-08-2013
- 4) HDFC Loan of Rs. 100 crs 03-01-2014 -- Utilised for Barclays 500 mio ECB Facility in Reliance Infratel Limited by transferring funds from RCOM to Reliance Infratel Limited on 03-01-2014

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letter and hence it appears that transfer of loan funds to related party is non-compliance with the sanction letter and diversion.

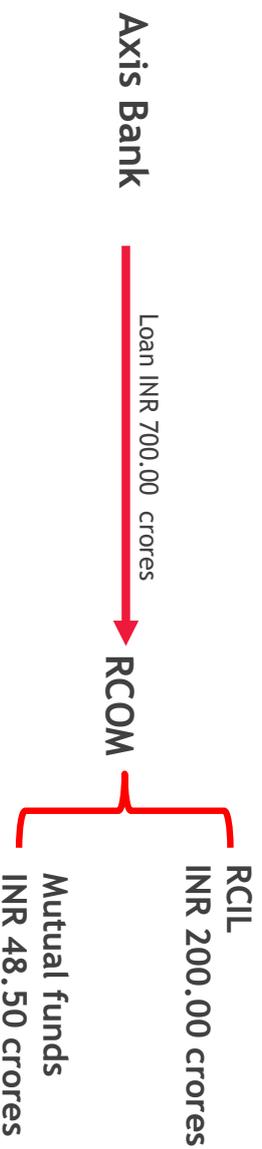
*\*FT in the text of transaction was considered as ICD during the analysis*

*90 Source: Sanction Letters, Bank Statements, Bank book*

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (17/17)

## 17 Axis Bank:

- ▶ Axis Bank disbursed INR 500.00 Crores vide sanction letter dated 17 June 2015 to RCOM for “Cash flow mismatch”
- ▶ Axis Bank disbursed INR 200.00 vide letter dated 26 August 2016 to RCOM for “Operational exp./Cash flow mismatch”
- ▶ Diversion of Loans: INR 200 crores paid to connected party INR 48.50 crores was utilized to invest in mutual funds.



### BDO Conclusion:

As per sanction letter, the utilization is not in line with term of the loan sanction letter and hence considered as diversion.

\*FT in the text of transaction was considered as ICD during the analysis  
Source: Sanction Letters, Bank Statements, Bank book  
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# RTL | UTILISATION COMPARED WITH SANCTION LETTER (1/3)

## 18 Bank of India:

- ▶ Bank of India disbursed INR 50 crores vide letter of 21 December 2016 to RTL for “ongoing Capital expenditure, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans”.
- ▶ Diversion of Loans: INR 50 crores was utilized to pay ICD to connected party (RCOM)



### Management Comments:

RCOM utilised BOI loan of Rs. 50 cr for repayment of HDFC Bank Temporary OD. Hence there is no misutilization of loans.

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letter and hence it is diversion of funds and non-compliance with the sanction letter.

## 19 Canara Bank:

- ▶ Canara Bank disbursed INR 60 crores to RTL for “ongoing Capital expenditure, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans ”
- ▶ Payment to Connected Parties: INR 60 crores was paid to connected parties (RCOM) as ICD.



### Management Comments:

1. RTL has utilized Rs. 1.54 cr. for Opex payment.
2. RTL paid to RCOM Rs. 58.46 cr. → RTL → RCLL and utilised for payment of International Bandwidth Charges to FLAG on 25-06-2013.
3. Hence, there is no misutilization of loans

### BDO Conclusion:

As per sanction letters, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letters and hence a potential diversion and non-compliance with the sanction letters.

*\*FT in the text of transaction was considered as ICD during the analysis  
Source: Sanction Letters, Bank Statements, Bank book*

# RTL | UTILISATION COMPARED WITH SANCTION LETTER (2/3)

## 20 Corporation Bank:

- ▶ Corporation Bank disbursed INR 15.00 crores vide letter dated 13 January 2015 to RTL for “ongoing Capital expenditure, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans”
- ▶ Diversion of Loans: INR 11.00 crores was utilized to pay ICD to connected parties

Corporation Bank  $\xrightarrow{\text{Loan INR 15.00 crores}}$  RTL  $\xrightarrow{\text{Loan INR 11.00 crores}}$  RCOM - INR 11.00 crores

## 21 Central Bank of India:

- ▶ Central Bank of India disbursed INR 20.00 crores vide letter of 21 January 2015 to RTL for “ongoing Capital expenditure, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans”.
- ▶ Diversion of Loans: INR 20.00 crores was utilized to pay ICD to connected party (RCOM)

Central Bank of India  $\xrightarrow{\text{Loan INR 20.00 crores}}$  RTL  $\xrightarrow{\hspace{2cm}}$  RCOM

## Management Comments:

RCOM utilised CBI loan of Rs. 20 cr for repayment of Syndicate Bank loan on 27.02.2015. Hence there is no misutilization of loans.

## BDO Conclusion:

As per sanction letters, transfer of funds to related parties was not permitted and hence the utilization is not in line with term of the loan sanction letters. Therefore, the utilization is not in line with the term of loan sanction letters and hence a potential diversion and non-compliance with the sanction letters.

*\*FT in the text of transaction was considered as ICD during the analysis*

*Source: Sanction Letters, Bank Statements, Bank book*

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# RTL | UTILISATION COMPARED WITH SANCTION LETTER (3/3)

## 22 Syndicate Bank:

- ▶ Syndicate Bank disbursed INR 40.00 crores vide letter dated 30 December 2014 to RTL for “ongoing Capital expenditure, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans”
- ▶ Diversion of Loans: INR 40.00 crores was utilized to pay ICD to connected parties as ICD.



### Management Comments:

RCOM utilised Syndicate loan of Rs. 40 cr towards CDB loan (Facility \$1330 mio) installment repayment on 05.03.2015.

### BDO Conclusion:

As per sanction letter, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letter and hence is a potential diversion and non-compliance with the sanction letter.

## 23 Union Bank:

- ▶ Union Bank disbursed INR 25.00 crores vide letter dated 18 February 2015 to RTL for “ongoing Capital expenditure, Operational expenditure, repayment of existing liabilities other than related party / shareholder loans”
- ▶ Diversion of Loans: INR 20.94 crores was utilized to pay ICD to connected parties.



### Management Comments :

RCOM utilised Union Bank loan of Rs. 25 cr for ICBC loan (Facility \$925.2 mio) installment repayment on 26.02.2015

### BDO Conclusion:

As per sanction letters, transfer of funds to related parties was not permitted and utilization of funds by related parties is not relevant to the purpose of the loan. Therefore, the utilization is not in line with the term of loan sanction letters and hence is a diversion and non-compliance with the sanction letters.

*\*FT in the text of transaction was considered as ICD during the analysis*  
Source: Sanction Letters, Bank Statements, Bank book  
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## 5-A.3 POTENTIAL ROUTING OF LOAN FUNDS

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (1/14)

Given below is the Summary for potential routing of loan funds

	Source Bank	Received by	Source Amount	Utilized for	Utilization	Utilization Amount
1	Yes Bank	RITL	100.00	RCOM	Yes Bank	85.00
2	Yes Bank	RITL	345.00	RCOM	China Development Bank	334.65*
3	Yes Bank	RITL	125.00	RCOM	Yes Bank	125.00
4	HDFC Bank	RITL	250.00	RCOM	China Development Bank	175.00
5	HDFC Bank	RITL	120.00	RCOM	Mutual Funds	120.00
6	Yes Bank	RITL	100.00	RCOM	Standard Chartered Bank	100.00
7	Yes Bank	RITL	100.00	RCOM	Yes Bank	85.00
8	Yes Bank	RITL	200.00	RCOM	Chlorosulf India Infoline RCAP	140.00 12.50 7.50
9	Yes Bank	RITL	125.00	RCOM	Yes Bank	125.00
10	Deutsche Bank	RITL	125.00	RCOM	DOT	125.00
11	Deutsche Bank	RITL	286.00	RCOM	Yes Bank	286.00
12	Barclays Bank	RITL	100.00	RCOM	RWSL Corporation Bank	28.00 35.00
<b>Grand Total</b>			<b>1,976.00</b>			<b>1,783.65</b>

\* Funds paid to China Development Bank was 632.99 Crores, which includes INR 334.65 Crores received from RITL and INR 345 crores from RCOM.

The above transactions are explained in the following slides.

Source: Sanction Letters, Bank Statements, Bank book

## RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (2/14)

The following transactions were noted whereby loan funds were moved from RITL to RCOM via RCIL. The loans were then used by RCOM to pay its liabilities and to related parties.

### 1 YES BANK

RITL had taken a Term Loan from Yes Bank of INR 100 crores on 25 April 2016 and on the same day the amount was transferred to RCIL. On the same date, RCIL paid the amount to RCOM out of which INR 85 crores was utilised for payment of Term Loan of RCOM to Yes Bank.

By the above arrangement, Term Loan of RITL availed from Yes bank was used to repay the Term Loan of RCOM with Yes Bank, which is **potential evergreening** of loans.

As per the Sanction Letter of Yes Bank, loan was to be utilised for capital expenditure including maintenance / reimbursement of capital expenditure during the preceding 12 months.



### Management Comments:

RCOM's YES Bank loan was paid in ordinary course of business and the Company was neither in SDR nor under IBC and as such the concept of evergreening of loans could not be envisaged.

### BDO Conclusion:

It is noted that potentially RITL had obtained loan from Yes Bank to repay loans of Yes Bank of RCOM. Therefore, this is potential routing of loan funds.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (3/14)

## 2 YES BANK

RITL had taken a Term Loan from Yes Bank of INR 345 crores on 3 June 2016 and on the same date the amount INR 334.65 crores was transferred to RCIL.

On the same date, RCIL paid INR 385.65 crores to RCOM which was utilised by RCOM for repayment of loan to CDB.

By the above arrangement, Term Loan of RITL availed from Yes Bank was used to repay the Term Loan of RCOM to CDB, which is **potential evergreening of loans.**

As per the Sanction Letter of Yes Bank, the loan was to be utilised for capital expenditure including maintenance / reimbursement of capital expenditure incurred during the last 12 months..



### Management Comments:

YES Bank retained Processing fee of Rs. 10 cr and transferred balance amount of Rs 335 Cr to RITL. RITL paid to RCIL paid to RCOM. RCOM utilised Rs. 335 cr. towards repayment of loan to CDB on 06.06.2016.

### BDO Conclusion:

It is noted that RITL had obtained loan from Yes Bank to repay loan of CDB loan of RCOM. Therefore, this is diversion and non-compliance with the terms of the sanction letter.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (4/14)

## 3 YES BANK

RITL had taken a Term Loan from Yes Bank for INR 125 crores on 25 August 2015 and on the same date it was transferred to RCIL. On the same date, RCIL paid the aforesaid amount to RCOM which was entirely utilised by RCOM for payment of Term Loan to Yes Bank.

By the above arrangement, Term Loan availed by RITL from Yes Bank was used to repay the Term Loan of RCOM to Yes Bank, which is **potential evergreening** of loans.

As per the Sanction Letter of Yes Bank, the loan was to be utilised for capital expenditure including maintenance / reimbursement of capital expenditure during the last 12 months.



### Management Comments :

At the time when the repayment was made this was in ordinary course of business and the Company was neither in SDR nor under IBC and as such the concept of evergreening of loans could not be envisaged.

### BDO Conclusion:

It is noted that RITL had obtained loan from Yes Bank and used for repayment of RCOM loan with Yes Bank. Therefore, this is a non-compliance with the terms of the sanction letter and potential diversion.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (5/14)

## 4 HDFC BANK

RITL had availed a Term Loan from HDFC Bank of INR 250 crores on 19 May 2014 and had transferred INR 175 crores to RCIL on 20 May 2014.

On the same date, RCIL paid INR 175 crores to RCOM which was utilised by RCOM for repayment of loan to CDB. By the above transaction, Term Loan of RITL from HDFC bank was used to repay the Term Loan of RCOM to CDB, which is **potential evergreening** of loans.

The Sanction Letter of HDFC Bank for the loan availed to RITL was not available with the company.



### Management Comments :

1. RITL utilised Rs. 25 cr. for :  
Repayment of Barclays Installment Rs 20 Cr on 20.05.2014  
Opex Rs 5 Cr
2. RITL → RCOM Rs 225 Cr and RCOM utilised for:  
Repayment of CDB loan Installment Rs 195 Cr  
HDFC Temporary OD repaid Rs 30 Cr  
Loan of CDB was refinanced from HDFC Bank and this does not amount to potential evergreening of loans

### BDO Conclusion :

It is noted that RITL had obtained loan from HDFC Bank for repayment of RCOM loan with CDB. Therefore, this is a non-compliance with the terms of the loan section letter and potential diversion.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (6/14)

## 5 HDFC BANK

RITL had availed a Term Loan from HDFC Bank for INR 120 crores on 5 March 2015 and on the same date it was transferred to RCIL.

RCIL paid the aforesaid amount to RCOM out of which RCOM utilised INR 120 crores for investment in mutual funds. By the above arrangement, Term Loan of RITL from HDFC Bank was used to invest in mutual funds by RCOM, which is **potential diversion** of loans.

The Sanction Letter issued by HDFC Bank towards the loan to RITL was not provided for review.



### Management Comments :

Actual utilization of Rs 120 Cr. is towards payment of HDFC Bank Temporary OD.

### BDO Conclusion:

As INR 120 crores was already invested by RCOM on 2 March 2015 in Mutual Fund's, INR 120 crores received from RCIL was to replenish the OD. Therefore, this is a potential routing of loan funds.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (7/14)

## 6 YES BANK

RITL had taken a Term Loan from Yes Bank for INR 100 crores on 13 April 2016 and on the same date the amount of INR 100 crores was transferred to RCIL.

On the above date, RCIL paid INR 100 crores to RCOM and RCOM utilised the amount for repayment of loan to SCB.

By the above arrangement, the Term Loan of RITL from Yes Bank was used to repay the Term Loan of RCOM with SCB, which is potential evergreening of loans

As per the Sanction Letter of Yes Bank, loan was to be utilised for capital expenditure including maintenance / reimbursement of capital expenditure during the preceding 12 months.



### Management Comments:

RCOM's SCB loan was repaid on due date. At the time when the repayment was made this was in ordinary course of business and the Company was neither in SDR nor under IBC and as such the concept of evergreening of loans could not be envisaged.

### BDO Conclusion:

It is noted that RITL had obtained loan from Yes Bank to repay loans of SCB of RCOM. Therefore, this is a potential routing of loan funds.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (8/14)

## 7 YES BANK

RITL has availed a Term Loan from Yes Bank of INR 100 crores on 19 November 2015 and on the same day the amount of INR 100 crores was transferred to RCIL.

RCIL on the same date transferred the amount to RCOM out of which RCOM utilised INR 85 crores for repaying Term Loan to Yes Bank.

By the above arrangement, Term Loan of RITL from Yes Bank was used to repay the Term Loan of RCOM to Yes Bank, which is **potential evergreening of loans.**

As per the Sanction Letter of Yes Bank, loan was to be utilised for capital expenditure including maintenance / reimbursement of capital expenditure during the preceding 12 months.



### Management Comments:

RCOM's YES Bank loan was repaid on due date. At the time when the repayment was made this was in ordinary course of business and the Company was neither in SDR nor under IBC and as such the concept of evergreening of loans could not be envisaged.

### BDO Conclusion:

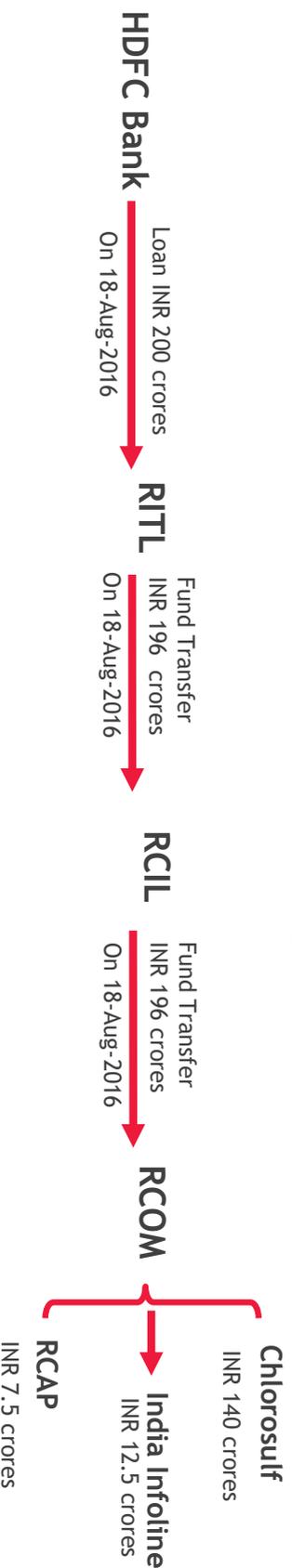
It is noted that RITL had obtained loan from Yes Bank to repay loans of Yes Bank of RCOM. Therefore, this is a potential routing of loan funds.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (9/14)

## 8 HDFC BANK

RITL had taken a Short Term Loan from HDFC Bank of INR 200 crores on 18 August 2016 and on the same date had transferred INR 196 crores to RCIL. RCIL, on the same date, 18 August 2016, paid INR 196 crores to RCOM which was utilised by RCOM for payment to the related parties.

By the above arrangement, Term Loan of RITL from HDFC Bank was used by RCOM to pay its related parties, which is **potential diversion of loans**. As per the Sanction Letter of HDFC Bank, loan was to be utilised for Working capital / business requirement.



### Management Comments:

1. At the time repayment was made in ordinary course of business and the Company was neither in SDR nor under IBC and as such not diversion of funds could be envisage
2. RCOM paid Opex payments of Rs. 14 cr. (Rs. 9 cr. IUC + Rs. 5 cr. LC payment)
3. RCOM paid Rs. 21 cr. TDS payment for (RITL Rs. 10 cr. | RTL Rs. 6 cr. | RWSL Rs. 4 cr | RNL Rs. 1 cr.)
4. RCOM paid to RCIL Rs. 1 cr and RCIL utilized towards opex payment.

### BDO Conclusion:

It is noted that RITL had obtained loan from HDFC Bank and had given as ICD to RCOM which was utilized to repay India Infoline's loan. Therefore, this is potential routing of loan funds.

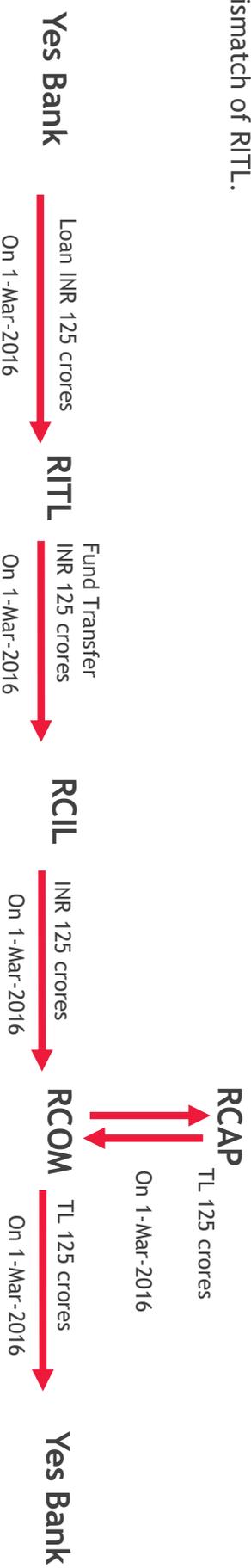
# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (10/14)

## 9 YES BANK

RITL had availed a Short Term Loan from Yes Bank of INR 125 crores on 1 March 2016 and on the amount was transferred RCIL. On the same date, RCIL paid the aforesaid amount to RCOM out of which RCOM utilised INR 125 crores for repayment of loan to Yes Bank.

By the above arrangement, Term Loan of RITL from Yes Bank was utilised to repay loan of RCOM to Yes Bank, which is **potential diversion**.

As per the Sanction Letter of Yes Bank, the aforementioned loan was to be utilised for working capital requirement and cashflow mismatch of RITL.



### Management Comments:

RCOM's YES Bank loan was repaid on due date. At the time when the repayment was made this was in ordinary course of business and the Company was neither in SDR nor under IBC and as such the concept of evergreening of loans could not be envisaged.

### BDO Conclusion:

It is noted that RITL had obtained loan from Yes Bank to repay loans of Yes Bank of RCOM. Therefore, this is a potential routing of loan funds and non-compliance to the terms of the loan.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (11/14)

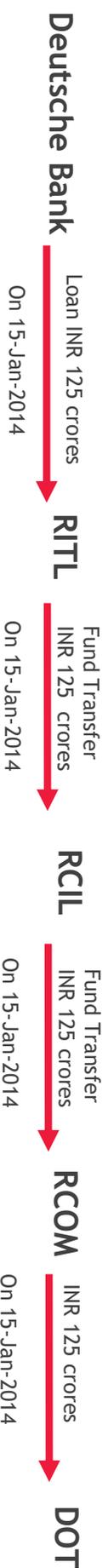
## 10 DEUTSCHE BANK

RITL had availed a Term Loan from Deutsche Bank of INR 125 crores on 15 January 2014 and on the same date the amount was transferred to RCIL.

On the same date, RCIL paid INR 125 crores to RCOM which was utilised by RCOM for payment of fees of the Department of Telecommunication (DOT).

By the above arrangement, the Term Loan of RITL from Deutsche Bank was utilised by RCOM for payment of its statutory dues, which is **potential diversion**.

The Sanction Letter of Deutsche Bank of loan availed by RITL was not available for review.



### Management Comments:

RCOM paid Rs. 184.46 cr. to DOT Govt. of India. As per sanction letter towards Working Capital requirements.

### BDO Conclusion:

It is noted that RITL had obtained loan from Deutsche Bank to repay dues of RCOM to DOT. As per Sanction Letter, proceeds should be utilized for meeting working capital requirements of RITL and hence considered as a potential diversion of funds to RCOM.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (12/14)

## 11 DEUTSCHE BANK

RITL had taken a Term Loan from Deutsche Bank of INR 286 crores on 10 July 2013 and on the same date the amount was transferred to RCIL.

On the same date, RCIL paid the amount to RWSL, which was transferred the same to RCOM out of which INR 286 crores was utilised by RCOM for repayment of Term Loan to Yes Bank.

By the above arrangement, Term Loan of RITL from Deutsche Bank was used to repay Term Loan of RCOM to Yes Bank, which is potential evergreening of loans.

The Sanction Letter of Deutsche Bank for loan availed by RITL was not available for review.



### Management Comments:

RITL is the subsidiary of RCIL and RCIL and RWSL are subsidiaries of RCOM. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. At the time when the repayment was made this was in ordinary course of business and the Company was neither in SDR nor under IBC and as such the concept of evergreening of loans could not be envisaged.

RCOM's YES Bank loan was repaid on due date. The loan of Deutsche Bank was used for payment of YES Bank loan, which is in the nature of refinancing and not evergreening.

### BDO Conclusion:

It is noted that RITL had obtained loan from Deutsche Bank and used to repay loan of RCOM with Yes Bank. Therefore, this is potential routing of loan funds.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (13/14)

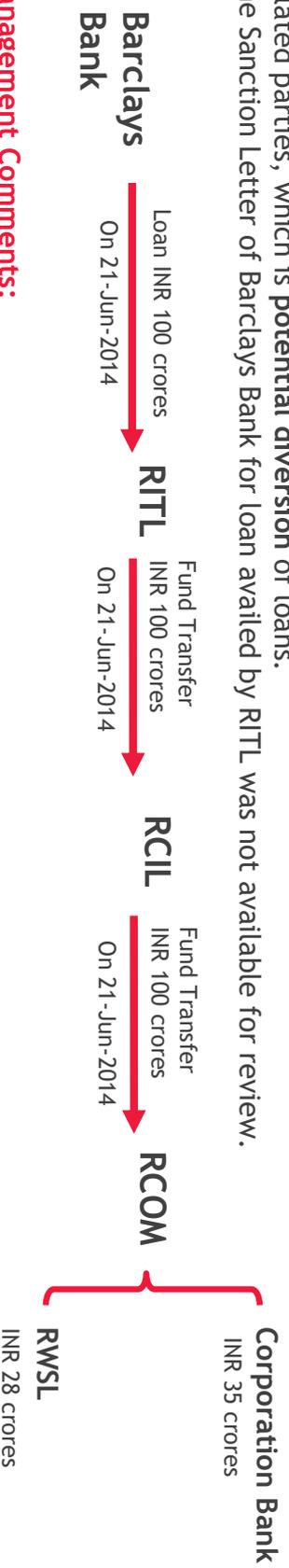
## 12 BARCLAYS BANK

RITL had availed a Term Loan from Barclay's Bank of INR 100 crores on 21 June 2014 and on the same date had transferred INR 100 crores to RCIL.

On the same date, RCIL paid INR 100 crores to RCOM on the aforesaid date out of which INR 63 crores was utilised by RCOM for payment of bank loan and payment to related parties.

By the above arrangement, Term Loan of RITL from Barclays Bank was used by RCOM to repay its bank loan and for payment to its related parties, which is **potential diversion** of loans.

The Sanction Letter of Barclays Bank for loan availed by RITL was not available for review.



### Management Comments:

Corporation Bank loan was repaid on due date.

RWSL further utilized Rs. 28 Crores as follows:

RWSL → RCIL → RTIL → Rs 1 Cr (Opex)

RWSL → RCIL → RCOM → Rs 2 Cr (Corp Bank repaid)

RWSL → RCIL → Rs 25 Cr (Opex)

### BDO Conclusion:

It is noted that RITL had obtained loan from Barclays Bank to repay dues of RCOM with Corporation Bank and transfer to related party. Further, utilization of loans by related parties is not relevant. Therefore, this is potential diversion of loan funds.

# RCOM / RITL: POTENTIAL ROUTING OF LOAN FUNDS (14/14)

## Management Comments:

RCOM being the holding company provides financial support to its subsidiaries for their operations in ordinary course of business as subsidiaries are more akin to operating divisions. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

Borrowing of RCOM and its subsidiaries are to be treated as single borrowing i.e. be it in RITL or RCOM or RTL or RCIL are all the same.

The banks and lenders are fully aware that RCOM group operates as a single economic entity. This is established by the concept of “Borrower Group” created comprising of RCOM, RITL, RTL and RCIL. Assets of the borrower group have been offered as security in favor of all the lenders. Master Security Trustee Agreement (MSTA) was signed in March, 2011 and each company is jointly and severally liable for all the loans of the borrower group. All the existing lenders as of March, 2011 signed the MSTA and lenders of new facilities after March 2011 acceded to the MSTA through Deed of Accession (DOA) .

## 5-A.4. INTER COMPANY LOAN TRANSACTIONS

## LOAN PROCEEDS USED FOR INTER COMPANY LOAN TRANSFER

RCOM, RITL and RTL have transferred the loans funds received from banks as loans within the group entities. The end-use of such transfers was traced on a best effort basis. RCOM has transferred INR 783.77 crores to RTL and INR 1,435.24 crores to RITL.

1. **Cross payment of loans:** INR 38.50 crores from the loans taken by RCOM were used to pay the loans of RTL and INR 819.02 crores were utilised for payment of bank loans of RITL.

2. **Transfers to Connected Parties:** It was observed that INR 179.20 crores (out of a loan of INR 800 crores received from IndusInd Bank by RCOM) was transferred to **Netizen Engineering Private Limited** by RTL as a Capital Advance. Similarly, of the loan funds transferred by RCOM to RITL, INR 549.78 crores was transferred to RCIL.

Summary of loans availed by RCOM from April 2013 to March 2017 and transferred to RTL and its end-utilisation by RTL:

(INR in Crores)

Entity availing loan	Bank Name	Loan Amount	Transferred by RCOM to RTL	L2 - Entity (Amount transferred by RTL)	Amount	Nature of payment
RCOM	ICICI Bank Ltd	175.86	25.86	Reliance Communications Ltd	22.94	NA
RCOM	ICICI Bank Ltd	150.00	7.00	ST Payment	7.00	Service Tax Payment
RCOM	IDBI Bank Ltd	250.00	8.50	Service Tax Payment	8.50	Service Tax Payment
			1.30	Not traceable	1.30	Not Traceable
RCOM	India Infoline Finance Ltd	150.00	35.00	Service Tax Payment	31.67	Service Tax Payment
			2.25	Not traceable	2.25	Not Traceable
		200.00	70.00	RITL TDS	55.19	FT
				Netizen Engineering Private Limited	14.81	Statutory payment
RCOM	Indus Ind Bank	800.00	200.00	Netizen Engineering Private Limited	200.00	Capital Advance
		500.00	0.38	Not traceable	0.38	Not Traceable

Source: Sanction Letters, Bank Statements, Bank book  
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# INTER COMPANY LOAN TRANSACTIONS - RCOM AND RTL (1/3)

Summary of Loans availed by RCOM from April 2013 to March 2017 and transferred to RTL and its end utilisation by RTL(contd.)  
(INR in Crores)

Entity availing loan	Bank Name	Loan Amount	Transferred by RCOM to RTL	L2 - Entity (Amount transferred by RTL)	Amount	Nature of payment
RCOM	Standard Chartered Bank	150.00	10.00	Statutory dues	10.00	TDS and Service tax
				China Development Bank	32.25	ECB Payment
		300.00	40.00	Service Tax Payment	8.47	Service Tax
				Tower Vision India Pvt Ltd	3.99	LC
		150.00	1.00	Not traceable	1.00	Not Traceable
				DOT	32.89	Third Party
		160.00	20.00	Vodafone mobile service ltd	20.00	Third Party
		150.00	8.50	DOT	8.50	Third Party
		460.00	15.00	Reliance Communications Ltd	7.19	ICDS
		250.00	8.00	IDBI Bank Ltd	3.12	Loan Repaid
RCOM	United Bank of India			State Bank Of India	1.48	Loan Repaid
				Reliance Communications Ltd	23.26	IUC
		75.00	37.80	Bharti Infratel Ltd	3.83	FT
				Indus Towers Ltd	2.47	FT
		300.00	40.00	Not traceable	40.00	Not Traceable
				State Bank of India	1.54	Loan Repaid
		200.00	7.25	Deutsche Bank Ag, Tokyo	2.80	BC Payment
				IDBI Bank Ltd	3.23	Loan Repaid
				DOT	56.20	License Fees
				Tower Vision India Pvt Ltd	2.00	LC
RCOM	Yes Bank	190.00	60.00	GTL Infrastructure Ltd	1.07	LC
				DOT	50.00	License Fees
		300.00	70.00	CDB	70.00	Loan Repaid
		250.00	3.00	Not traceable	3.00	Not Traceable
RCOM	Barclays Bank	307.07	13.04	DOT	13.03	License Fees
RCOM	Deutsche Bank	200.00	9.00	China Development Bank	9.00	ECB Interest

Source: Sanction Letters, Bank Statements, Bank book  
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## INTER COMPANY LOAN TRANSACTIONS - RCOM AND RTL (2/3)

RTL transferred INR 221.93 crores to RCOM out of the loans received by RTL. Out of these INR 31.00 crores originally received from Central Bank of India and Corporation Bank (INR 20.00 crores and INR 15 crores, respectively) were utilized to pay the loans of RCOM to Syndicate Bank (INR 25.00 crores). INR 110 crores were invested by RCOM in Reliance Liquid Fund (Mutual Funds) (explained elsewhere in the Report).

Summary of loans availed by RTL from April 2013 to March 2017 and transferred to RCOM and its end utilization by RCOM:

(INR in Crores)

Entity availing loan	Bank Name	Loan Amount	Transferred by RTL to RCOM	L2 - Entity Name (Amount transferred by RCOM)	Amount	Nature of payment
RTL	Bank of India	50.00	50.00	CI Oth-Units-Qtd-FP	50.00	M.F Investments, Reliance Liquid Fund-TP-Direct-Grow
RTL	Canara Bank	60.00	60.00	Reliance Infratel Ltd	60.00	Paid against outstanding
RTL	Central Bank of India	20.00	20.00	Syndicate Bank	20.00	Term Loan Paid
RTL	Corporation Bank	15.00	11.00	Syndicate Bank	11.00	Term Loan Paid
RTL	Indian Overseas Bank	20.00	20.00	CI Oth-Units-Qtd-FP	20.00	M.F Investments, Reliance Liquid Fund-Direct-Growth
RTL	Syndicate Bank	40.00	40.00	CI Oth-Units-Qtd-FP	40.00	M.F Investments, Reliance Liquid Fund-Direct-Growth
RTL	Union Bank of India	25.00	20.93	Industrial And Commercial Bank Of China	20.93	ECB Paid
<b>Grand Total</b>		<b>230.00</b>	<b>221.93</b>		<b>221.93</b>	



## INTER COMPANY LOAN TRANSACTIONS - RCOM AND RTL (3/3)

### Management Comments:

RTL, a wholly owned subsidiary of RCOM was providing mobility services across eight circles. Fund transfer between RCOM and its subsidiaries are to be viewed as a single economic unit. Utilization made as per the terms and conditions of sanction letter and transactions not attract any potential round tripping of funds. Therefore, above statement i.e. “potential round tripping of funds transaction” is incorrect.

# INTER COMPANY LOAN TRANSACTIONS - RCOM AND RITL (1/3)

Summary of loans availed by RCOM from April 2013 to March 2017 and transferred to RITL and its end utilisation by RITL:

(INR in Crores)

Entity availing loan	Bank Name	Loan Amount	Transferred by RCOM to RITL	L2 - Entity Name (Amount transferred by RITL)	Amount	Nature of Payment
RCOM	Axis Bank	200.00	200.00	DBS Bank Ltd	199.60	ECB Paid
RCOM	Canara Bank	240.00	23.00	RCIL	23.00	Loan Repaid
RCOM	DBS	112.00	50.18	RCIL	49.84	Fund Transfer
RCOM	HDFC Bank	100.00	100.00	Barclays Capital	75.00	TL Instalment Paid
RCOM	IndusInd Bank	1,300.00	105.55	RCIL	40.47	Fund Transfer
RCOM	Standard Chartered Bank	150.00	150.00	Barclays Capital	150.00	TL Instalment Paid
		150.00	57.65	RCIL	50.00	Fund Transfer
		15.00	15.00	Trade Finance	15.00	Not in Bank book**
		281.63	81.63	Barclays Capital	81.63	TL Instalment Paid
RCOM	Yes Bank	345.00	110.13	Deutsche Bank	100.54	Not in Bank book***
		500.00	500.00	Party Not Traceable	113.53	
		500.00	500.00	RCIL	386.47	Loan Repaid
RCOM	ICBC	75.00	42.10	Not Traceable	42.10	Not Traceable
	<b>Grand Total</b>	<b>3,468.63</b>	<b>1,435.24</b>		<b>1,327.18</b>	

\*Amount not reflecting in RITL bank book and in the bank statement (BOM -97868), an amount of INR 78.80 crores have been transferred as Trade finance on same date. The name of the party could not be ascertained.

\*\*Amount not reflecting in RITL bank book and in the bank statement (BOM -97868), an amount of INR 50.49 crores has been transferred as Trade finance on same date. The name of the party could not be ascertained.

\*\*\*Amount not reflecting in RITL bank book and in the bank statement (HDFC Account No. 2817), same amount of INR 100.54 crores has been transferred to Deutsche Bank.

Source: Sanction Letters, Bank Statements, Bank book  
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# INTER COMPANY LOAN TRANSACTIONS - RCOM AND RITL (2/3)

Out of the loan taken by RITL, INR 73 crores loan were used by RCOM to pay the service tax liability of RCOM.

(INR in Crores)

Entity availing loan	Bank Name	Loan Amount	Transferred by RITL to RCOM	L2 - Entity Name (Amount transferred by RCOM)	Amount	Nature of payment
RITL	HDFC Bank	150.00	73.00	RITL	53.84	Ser Tax Remit - HO

Funds amounting to INR 60.00 crores from the loans taken by RTL from Canara Bank (INR 60.00 crores) were transferred to RCOM and the same amount was transferred to RITL by RCOM as payment against outstanding dues and was utilized to pay RCIL term loan. In this way the loan taken by RTL was utilized to pay the loan of RCIL, in a potential round tripping of funds.

(INR in Crores)

Entity availing loan	Bank Name	Loan Amount	Transferred by RTL to RCOM	L2 - Entity Name (Amount transferred by RCOM)	Amount	Nature of payment	L2 - Entity Name (Amount transferred by RITL)	Amount	Nature of payment
RTL	Canara Bank	60.00	60.00	RITL	60.00	Outstanding dues	RCIL	60.00	Instalment paid

Source: Sanction Letters, Bank Statements, Bank book  
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## INTER COMPANY LOAN TRANSACTIONS - RCOM AND RITL (3/3)

### Management Comments:

Transactions between RCOM and its subsidiaries are to be viewed as a “Single Economic unit” as such the concept of evergreening of loans could not be envisaged.

Actual utilization by RCOM of Rs. 79 cr. is as under :

a)Paid Statutory payment of Service Tax - 35 Cr

b)Paid Rs. 44 cr. to United Bank of India towards LC retirement due on 04.01.2017

The consortium loan availed by RTL has the following end-use as per the Sanction letter:

1. Capital expenditure 2. Operational Expenditure 3. Repayment of existing liabilities other than related party / shareholder loans.

Actual utilization is as given below.

RCIL paid Rs. 58.46 Cr towards International Bandwidth Charges, which is covered under Operational Expenditure as per the sanction letter.

RTL Opex - 1.54 Cr [RTL is the subsidiary of RCOM], spent towards Operational Expenditure as per the sanction letter.

- RCOM being the holding company provides financial support to its subsidiaries for their operations in ordinary course of business as subsidiaries are more akin to operating divisions. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.
- Borrowing of RCOM and its subsidiaries are to be treated as single borrowing i.e. be it in RITL or RCOM or RTL or RCIL are all the same.
- The banks and lenders are fully aware that RCOM group operates as a single economic entity. This is established by the concept of “Borrower Group” created comprising of RCOM, RITL, RTL and RCIL. Assets of the borrower group have been offered as security in favor of all the lenders. Master Security Trustee Agreement (MSTA) was signed in March, 2011 and each company is jointly and severally liable for all the loans of the borrower group. All the existing lenders as of March, 2011 signed the MSTA and lenders of new facilities after march 2011 acceded to the MSTA through Deed of Accession (DOA) .

### BDO Conclusion:

Management agreed that loans taken by RTL was utilized for RCIL OPEX and as per sanction letter, loan taken by RTL was for RTL’s OPEX and not for RCIL or any other group company. Hence, it is considered as non-compliance with the sanction letter and considered diversion of loan funds.

## 5-A.5. INVESTMENTS

## INVESTMENTS NOT PERMITTED BY SANCTION LETTERS (1/3)

Some part of the loan funds were diverted into investments in Mutual Funds and Fixed Deposits. Investments of INR 3,674.85 crores were made from the loans received from various banks. Most of these investments were liquidated immediately and further utilised for payments to related and non-related parties.

During the Review Period, INR 2,586.95 crores and INR 1,087.90 crores of the loans received were invested in Fixed Deposits and Mutual Funds respectively, out of which end utilization of INR 3,644.86 crores was traced. The below table gives the details of the investments made: *(INR in Crores)*

Received by RCOM from	Purpose of Sanctioned Loan (Refer Annexure)-5-A.5.1	Amount invested in Mutual Funds/FD	End Use - Beneficiary (After liquidation of investment)	End Use - Amount
Axis	Cash Flow Mismatches	48.50	Mutual Fund Investment**	48.50
Bank of India	CAPEX, OPEX and repayment	350.00	Fixed Deposit	350.00
		16.45	Mutual Funds	16.45
			Finnese Innovations Payment to banks	9.50 17.25
IDBI	CAPEX, OPEX And Repayment Of Liabilities	65.00	RBTv Reliance Global Mgmt. RTSL RWPL Yes Bank	4.90 0.75 1.60 6.00 25.00
Deutsche Bank AG	CAPEX and payment to DOT	469.69	DOT	469.84
Indian Overseas Bank	Sanction Letter not available	79.08	Mutual Fund Investment**	79.08
IndusInd Bank Limited	OPEX and repayment of liabilities	80.00	Commercial paper	80.00
		820.00	Netizen Engineering	820.00
Standard Chartered Bank		947.13	FD - Sch Banks (Rs.)	947.13
		310.00	Mutual Fund Investment**	310.00
Syndicate Bank	CAPEX, OPEX and repayment of liabilities	100.00	Mutual Fund Investment**	100.00
		111.00	Mutual Fund Investment**	111.00
		278.00	China Development Bank	247.86
<b>Grand Total</b>		<b>3,674.85</b>		<b>3,644.86</b>

- In these instances the trail after liquidation is inconclusive
- # Mutual Fund Investments were funds invested in M.F Investment, Reliance Liquid Fund-Direct-Growth.  
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## INVESTMENTS NOT PERMITTED BY SANCTION LETTERS (2/3)

### Management Comments:

Fund utilisation were as per sanction terms. In some cases Funds were kept in Fixed Deposits / Mutual Fund for temporary period before actual utilisation. Actual utilisation of funds are as under -

Sr.	Bank	Amount	Purpose	Actual Utilisation
1	Axis	13.75	Cash Flow Mismatches	ECB repayment
2	Bank of India	350.00	Capex, Opex and repayment of liabilities	Spectrum fees
3	Barclays bank	300.00	Commercial Paper	Bank Loan repayment
4	Deutsche Bank AG	469.69	CAPEX and payment to DOT	Spectrum fees
5	Indian Overseas Bank	79.08	Capex, Opex and repayment of liabilities	Opex
6	IndusInd Bank Limited	80.00	OPEX and repayment of liabilities	Bank Loan repayment
7	Standard Chartered Bank	2,304.04	Capex and Opex	Capex Rs. 1,894 crore, Spectrum fees Rs.283 crore, Statutory dues Rs. 51 crore and Opex Rs. 52 crore, bank loan repayment Rs. 24
8	Syndicate Bank	423.00	Capex, Opex and repayment of liabilities	Bank Loan repayment
		<b>4,019.56</b>		

Funds were kept in Fixed Deposits / Mutual Fund for temporary period before actual utilisation. It is customary to make sure funds are not idle and earning some interest before utilisation for stated purpose.

Invested on	Bank Name	Rs Cr	Utilisation on
08-May-15	Standard Chartered Bank	947	Various Dates
10-May-13	Indian Overseas Bank	79	14-May-13 & 15-May-13
07-Nov-14	Standard Chartered Bank	100	11-Nov-14
27-Mar-15	Bank of India	350	08-Apr-15
30-Mar-15	Standard Chartered Bank	310	08-Apr-15
02-Mar-15	Syndicate Bank	34	05-Mar-15
02-Mar-15	Syndicate Bank	111	No Investment made
	<b>Total</b>	<b>1,931</b>	



## INVESTMENTS NOT PERMITTED BY SANCTION LETTERS (3/3)

### BDO Conclusion:

Management agrees in their comments that proceeds of loans obtained from multiple banks were invested in Mutual Funds. The duration of investment is not relevant. It may be noted that investment in Mutual Funds increases the risks associated with the loan and is not as per the sanction letter.

## 5-A.6. CONSORTIUM BANKS - ANALYSIS

# 5-A.6.1 SUMMARY OF ALL TRANSACTIONS WITH CONSORTIUM AND NON-CONSORTIUM BANKS

# RCOM | SUMMARY OF ALL TRANSACTIONS WITH CONSORTIUM AND NON-CONSORTIUM BANKS

- ▶ Given below is the summary of all transactions of RCOM with banks in the consortium as well as those which did not form part of the consortium. For the purpose of the below summary, we have considered consortium banks as enlisted in the Master Agreement dated 20 February 2015, wherein SBI is the Lead Banker. For detailed transactions, refer Annexure 5-A.6.1.1. for further details.
- ▶ During the Review Period, a total of 33 banks accounts under the consortium and 117 bank accounts under non-consortium have been summarised. Major transactions of RCOM are with HDFC Bank which is a non-consortium bank comprising of approx. 98% of the total transactions in terms of volume and amount.

	Lenders		Debit Amount		Credit Amount		Number of Debit Transactions		Number of Credit Transactions	
			INR in crores							
Consortium Banks	State Bank of India		-6,455.41		7,463.69		3549		2344	
	IDBI Bank		-1,922.24		2,163.75		582		1250	
	Corporation Bank		-1,005.90		955.28		1327		807	
	Indian Overseas Bank		-565.45		565.72		62		50	
	UNION BANK		-213.88		219.74		18		8	
	UCO Bank		-106.80		36.50		20		3	
	Oriental Bank of Commerce		-1.30		1.25		9		4	
	Syndicate Bank		-0.03		0.06		4		1	
	<b>Total</b>		<b>-10,271.01</b>		<b>11,406.00</b>		<b>5571</b>		<b>4467</b>	
	<b>% of Consortium Transactions</b>		<b>2%</b>		<b>2%</b>		<b>1%</b>		<b>2%</b>	
Non consortium Banks	HDFC Bank		-4,23,646.75		4,23,409.84		355814		76810	
	Standard Chartered Bank		-22,283.13		22,283.72		15623		69403	
	Yes Bank		-11,475.22		11,471.22		18088		75327	
	HSBC		-3,974.13		3,979.19		308		555	
	ICICI Bank		-3,909.41		3,923.81		966		4511	
	Deutsche bank		-3,816.36		3,777.09		130		1076	
	Axis Bank		-3,430.53		3,518.13		121		89	
	DBS		-3,300.73		3,302.11		66		61	
	Indus&Com BKOfChina Ltd		-2,882.29		2,882.84		93		44	
	Other Banks		-11,397.50		11,274.90		2821		1920	
<b>Total</b>		<b>-4,90,116.03</b>		<b>4,89,822.86</b>		<b>394030</b>		<b>229796</b>		
<b>% of Non-Consortium Transactions</b>		<b>98%</b>		<b>98%</b>		<b>99%</b>		<b>98%</b>		
<b>Grand Total</b>		<b>-5,00,387.05</b>		<b>5,01,228.86</b>		<b>3,99,601</b>		<b>2,34,263</b>		

Source: Bank book  
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## RTL | SUMMARY OF ALL TRANSACTIONS WITH CONSORTIUM AND NON-CONSORTIUM BANKS (1/3)

► Given below is the summary of all transactions of RTL with banks in the consortium as well as those which did not form part of the consortium. For the purpose of the below summary, we have considered list of banks as per the Master Agreement dated 20 February 2015, wherein SBI is the Lead Banker. Thus, major transactions of RTL are with HDFC Bank which is a non-consortium bank comprising of approx. 95% of the total transactions in terms of amount and approx. 60% in terms of volume.

	Lenders		Debit Amount		Credit Amount		Number of Debit Transactions		Number of Credit Transactions		
			INR in crores								
Consortium Banks	IDBI Bank		-982.69		973.29		6461		16591		
	SBI Bank		-278.69		279.06		2629		4554		
	Indian Overseas Bank		-66.67		66.73		34		33		
	OBC Bank		-1.91		1.91		8		6		
	Syndicate Bank		-0.05		0.00		24		3		
<b>Total</b>			<b>-1,330.02</b>		<b>1,320.99</b>		<b>9156</b>		<b>21187</b>		
<b>% of Consortium Transactions</b>			<b>3%</b>		<b>3%</b>		<b>9%</b>		<b>6%</b>		
Non consortium Banks	HDFC Bank		-42,184.32		42,137.17		58330		244249		
	PNB Bank		-600.99		599.83		175		148		
	YES Bank		-204.29		203.92		28946		109044		
	Deutsche Bank		-190.92		190.98		1503		3108		
	Bank of Baroda		-32.81		32.81		79		58		
	UTI Bank		-0.17		0.07		59		64		
	ICICI Bank		-0.12		0.05		12		12		
	Bank of America		-0.00		-		1		-		
	<b>Total</b>			<b>-43,213.62</b>		<b>43,164.83</b>		<b>89,105</b>		<b>3,56,683</b>	
	<b>% of Non-Consortium Transactions</b>			<b>97%</b>		<b>97%</b>		<b>91%</b>		<b>94%</b>	
<b>Grand Total</b>			<b>-44,543.63</b>		<b>44,485.82</b>		<b>98261</b>		<b>377870</b>		

Source: Bank book  
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# RTL | SUMMARY OF ALL TRANSACTIONS WITH CONSORTIUM AND NON-CONSORTIUM BANKS (2/3)

## Management Comments:

- Transaction with HDFC Bank are mainly on current account (Collection and payments) relating to operations in normal course of business.
- As far as borrowing is concerned, RCOM Group has always been transacting multilateral banking. Consortium facility was finalised in FY 2015. Even after the said consortium was formed RCOM group has availed loans individually from banks who are members of the above consortium.
- RCOM has taken 57% loan through multilateral banking. In the case of RTL no loans were availed outside the consortium during the review period.
- No loans were availed by RTL between 20 February 2015 to 31 March 2017 other than loans committed to in Consortium agreement.

Sr.	Name of Lender	RCOM	RTL	RITL	
I	<b>Consortium Loans</b>				
	State Bank of India	1,500	125	635	
	UCO Bank *	740	60	-	
	Syndicate Bank	460	40	-	
	Union Bank of India	275	25	-	
	Bank of India	700	50	-	
	Canara Bank	740	60	-	
	Central Bank of India	280	20	-	
	Corporation Bank	235	15	-	
	IDBI Bank Limited	750	300	-	
	Indian Overseas Bank	130	20	-	
	Oriental Bank of Commerce	205	20	-	
	Subtotal	6,015	735	635	
	State Bank of India	565	-	-	
	Union Bank of India	500	-	-	
	Bank of India	633	-	-	
	Subtotal	1,698	-	-	
	II	<b>Loan from Consortium Bank</b>	7,713	735	635
		<b>Non Consortium Loans</b>			
		Axis Bank	700	-	-
Bank of Baroda		1,000	-	-	
Barclays Bank		940	-	-	
Credit Agricole		192	-	-	
DBS Bank		412	-	-	
Dena Bank		250	-	-	
Deutsche Bank		797	-	200	
HDFC Bank		366	-	560	
ICBC Ltd		75	-	-	
ICICI Bank Ltd		600	-	-	
IDFC Bank		600	-	550	
IIFCL		248	-	-	
India Infoline Finance Ltd		900	-	-	
IndusInd Bank		1,500	-	-	
Standard Chartered Bank **		1,119	-	200	
Yes Bank		1,185	-	1,245	
<b>Loan from Non Consortium Bank</b>		10,284	-	2,755	
<b>Total</b>		17,996	735	3,390	
III	<b>% of Loan from Non Consortium Bank</b>	57%	0%	81%	
IV					

\* UCO Bank -Rs. 60 crore loan was not disbursed

\*\* Excluding rollover facilities



# RTL | SUMMARY OF ALL TRANSACTIONS WITH CONSORTIUM AND NON-CONSORTIUM BANKS (3/3)

## BDO Conclusion:

In RTL, out of total transactions, 97% of the transactions were with non-consortium banks and the balance 3% of transactions are with consortium banks. Management of RCOM also agreed with the same.

## 5-A.6.2. UTILISATION OF CONSORTIUM LOANS

## SUMMARY | CONSORTIUM VS NON-CONSORTIUM LOANS (1/3)

(INR in crores)

- ▶ The consortium of banks was formed on 20 February 2015 comprising various banks, among which SBI was the lead banker. Enclosed are details of loans committed to RCOM and RTL as per the Master Agreement of 20 February 2015.
- ▶ Apart from the consortium loans mentioned above, during the same period i.e. from 20 February 2015 to 31 March 2017, the loans were availed by RCOM, RTL and RITL from various banks and NBFC. Refer table alongside.
- ▶ No loans were availed by RTL between 20 February 2015 to 31 March 2017 other than loans committed to in the consortium agreement.

Name of Lender	Consortium Loans		Non-consortium Loans	
	RCOM	RTL	RCOM	RITL
State Bank of India	1,500.00	125.00	565.00	635.00
UCO Bank	740.00	60.00	-	-
Syndicate Bank	460.00	40.00	-	-
Union Bank of India	275.00	25.00	500.00	-
Bank of India	700.00	50.00	632.50	-
Canara Bank	740.00	60.00	-	-
Central Bank of India	280.00	20.00	-	-
Corporation Bank	235.00	15.00	-	-
IDBI Bank Limited	750.00	300.00	-	-
Indian Overseas Bank	130.00	20.00	-	-
Oriental Bank of Commerce	205.00	20.00	-	-
Axis Bank	-	-	850.00	-
Bank of Baroda	-	-	1,000.00	-
Barclays Bank	-	-	940.00	-
Credit Agricole	-	-	192.00	-
DBS Bank	-	-	412.00	-
Dena Bank	-	-	250.00	-
Deutsche Bank	-	-	996.63	-
HDFC Bank	-	-	366.25	560.00
ICBC Ltd	-	-	75.00	-
ICICI Bank Ltd	-	-	600.00	-
IDFC Bank	-	-	-	550.00
IIFCL	-	-	248.00	-
India Infoline Finance Ltd	-	-	900.00	-
IndusInd Bank	-	-	1,500.00	-
Standard Chartered Bank	-	-	7,656.58	3,033.07
Yes Bank	-	-	1,185.00	1,245.00
<b>Total</b>	<b>6,015.00</b>	<b>735.00</b>	<b>18,868.96</b>	<b>6,073.07</b>

The above borrowings includes all term loans, revolving working capital facilities, ECBs and any other credit facility availed.

Source: Sanction Letters, Bank Statements, Bank book, Master Agreement dated 20 February 2015  
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## SUMMARY | CONSORTIUM VS NON-CONSORTIUM LOANS (2/3)

Out of INR 6,015 crores disbursed by the consortium to RCOM, INR 3,034.64 crores (~50% of the total disbursement) were utilised to pay existing loans with other banks.

**1. To repay loans of other consortium lenders:** Out of the loans given by the consortium banks to RCOM, INR 1905.00 crores were utilised to repay the outstanding loans of the banks who were also part of the consortium. The Consortium Agreement allowed the “repayment of existing liabilities”.

Date of Receipt	Lenders Name	Amount	Beneficiary	Amount
28- Feb-2015	Indian Overseas Bank	130.00	Indian Overseas Bank	130.00
28- Feb-2015	Union Bank of India	275.00	ECB (CDB and EXIM)	275.00
26- Feb-2015	State Bank of India	900.00	SBI-32400964043 OD	986.93
26- Feb-2015	State Bank of India	600.00	State Bank of India	505.05
			SBI - Int on Secure CC	8.01
<b>Grand Total</b>		<b>1,905.00</b>		<b>1,905.00</b>

**2. To repay loans to non-consortium lenders:** Out of the loans given by the consortium banks to RCOM, INR 1,275.64 crores were utilised to repay the loans with non-consortium banks.

(INR in Crores)

Date of Receipt	Lenders Name	Amount	Beneficiary	Amount
28- Feb-2015	Syndicate Bank	460.00	Deutsche Bank	4.19
			LIC of India	6.87
27-Mar-2015	Bank of India	350.00	FD - Sch Banks	350.00
29- Aug-2016	State Bank of India	565.00	China Development Bank	186.44
			ICBC	186.44
			The Export Import Bank of China	186.44
30-Jan-2017	Union Bank of India	500.00	Standard Chartered Bank	25.26
			BNP Paribas	330.00
<b>Grand Total</b>		<b>1,875.00</b>		<b>1,275.64</b>

Source: Sanction Letters, Bank Statements, Bank book, Master Agreement dated 20 February 2015

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# SUMMARY | CONSORTIUM VS NON-CONSORTIUM LOANS (3/3)

## Management Comments:

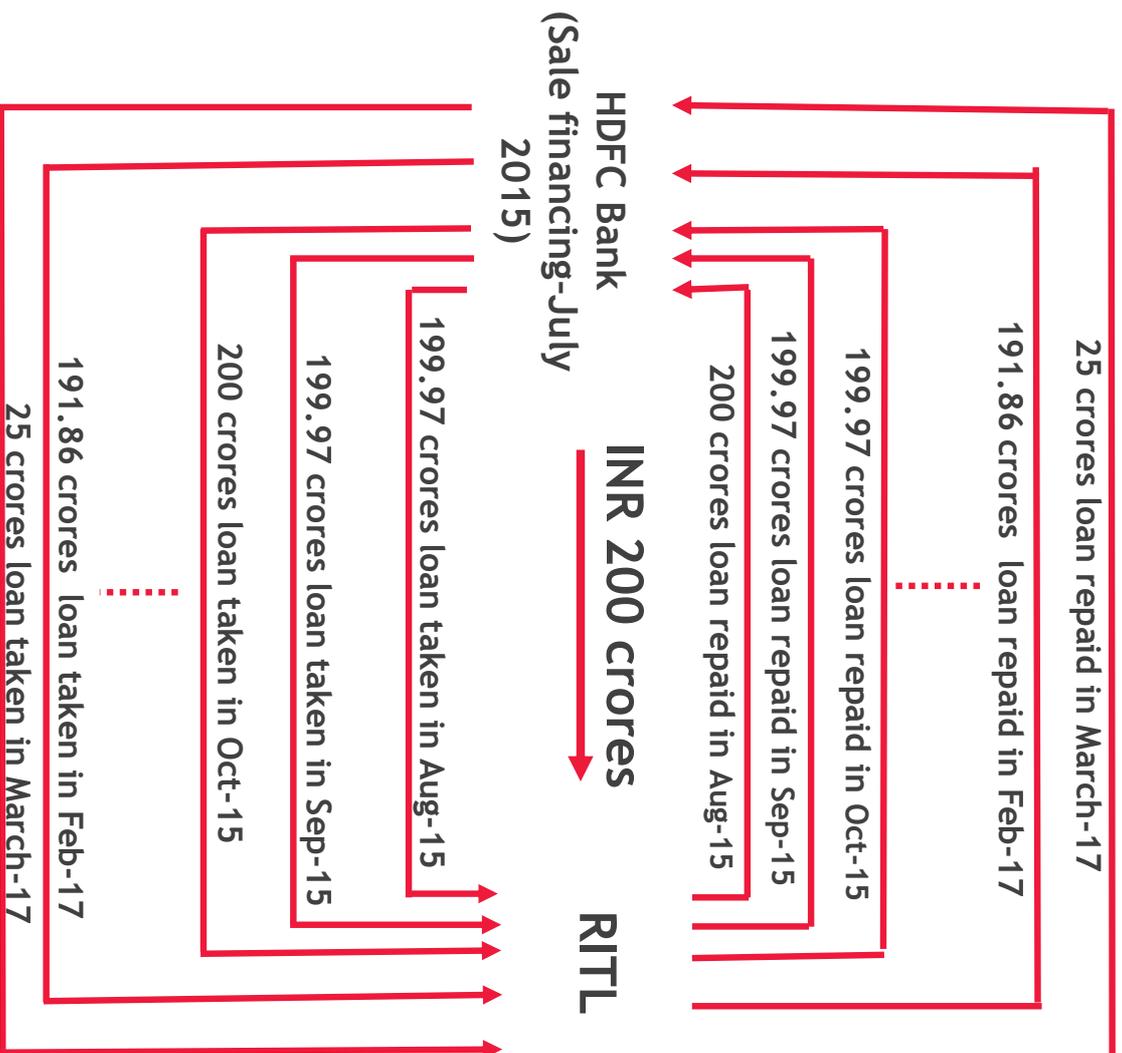
1. SBI sanctioned loan a separate loan of Rs. 1200 cr. as a standalone facility and not part of consortium (RCOM Rs. 565cr., RTIL Rs.635 cr).
2. RCOM used Rs. 565 cr. for payment towards Chinese Bank loans as per the Sanction letter terms.
3. BOI loan placed in FD was further utilized for payment of DOT Spectrum fees.

## BDO Conclusion:

RCOM had utilized funds obtained from consortium banks to pay-off loans of non-consortium banks. INR 559.32 crores was repayment of loan to CDB, ICBC and EIBC which was permitted by consortium and INR 716.32 crores was payment made from funds obtained from consortium lenders to pay non-consortium lenders. Documents permitting repayment to non-consortium banks were not provided.

## 5-A.7. INVOICE FINANCING OF RITL

# MISUTILIZATION OF SALES INVOICE FINANCING (1/3)



- ▶ In July 2015 RITL has discounted bills worth INR 200 crores and transferred the proceeds to RCIL i.e. short-term loan was used to pay related party loans.
- ▶ From subsequent months, it was noted that new bills were discounted to repay the original facility of the previous month. The same can be illustrated as below:

Sanction Letter of Loan financing facility was not provided

Source: Sanction Letters, Bank Statements, Bank book

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# MISUTILIZATION OF SALES INVOICE FINANCING (2/3)

## Management Comments:

- Under Ind AS which is based on IFRS, Holding Company and Subsidiaries are treated as one economic unit. Therefore the RCOM has operated on the basis that liquid funds must be used for the purpose of RCOM group. The banks and lenders are fully aware that RCOM group operates as a single economic entity. This is established by the concept of borrower group created comprising of RCOM, RITL, RTL and RCL. Assets of the borrower group have been offered as security in favor of all the lenders. Master Security Trustee Agreement (MSTA) was signed in March, 2011 and each company is jointly and severally liable for all the loans of the borrower group. All the existing lenders as of March, 2011 signed the MSTA and lenders of new facilities after march 2011 acceded to the MSTA through Deed of Accession (DOA) .
- It is a misconception that RCOM, RITL, RTL and RCL are distinct entities and Borrowing of all these entities are to be treated as single borrowing. Hence borrowing be it in RITL or RCOM or RTL or RCL are all the same.
- RITL is the subsidiary of RCLL and RCLL is subsidiary of RCOM. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. At the time when the transaction happened, this was in ordinary course of business and the Company was neither in SDR nor under IBC.
- *Proceeds of Rs. 200 cr. were received towards Sales Invoice Financing from SCB on 15th July, 2015 for the first time as part of Working Capital facility. There after on due date the loan was repaid to keep the account standard.*
- *On retiring the outstanding working capital facility, fresh facility was availed against new sales invoices in the ordinary course of business. RITL renders passive infrastructure (Tower & fiber) services to RCOM and raises invoices to RCOM for these services. The activity of RITL liquidating sales invoice facility by discounting LC received from RCOM and availing the replenished facility against a new sales invoice are in line with the normal business financing cycles for monthly operations.*
- *Utilization of First time proceeds:*
  1. *RITL paid Rs. 200 crore to its holding company RCLL as ICD on 15th July, 2015 and RCLL paid to its holding Company RCOM.*
  2. *RCOM utilised the fund for payment to DoT Rs. 182 crore for License Fees (Revenue share) and Rs. 18 crore for opex payments.*
- *RITL owns and operates telecommunication towers, Optic Fiber Cable (OFC) network & related assets and provide these passive infrastructure assets on shared basis to wireless and other communications service providers. In normal course of business transactions RITL raises invoices for the aforesaid services utilized by RCOM and usually RCOM makes payment through LC to RITL and RITL discounts the LC payment received.*

## MISUTILIZATION OF SALES INVOICE FINANCING (3/3)

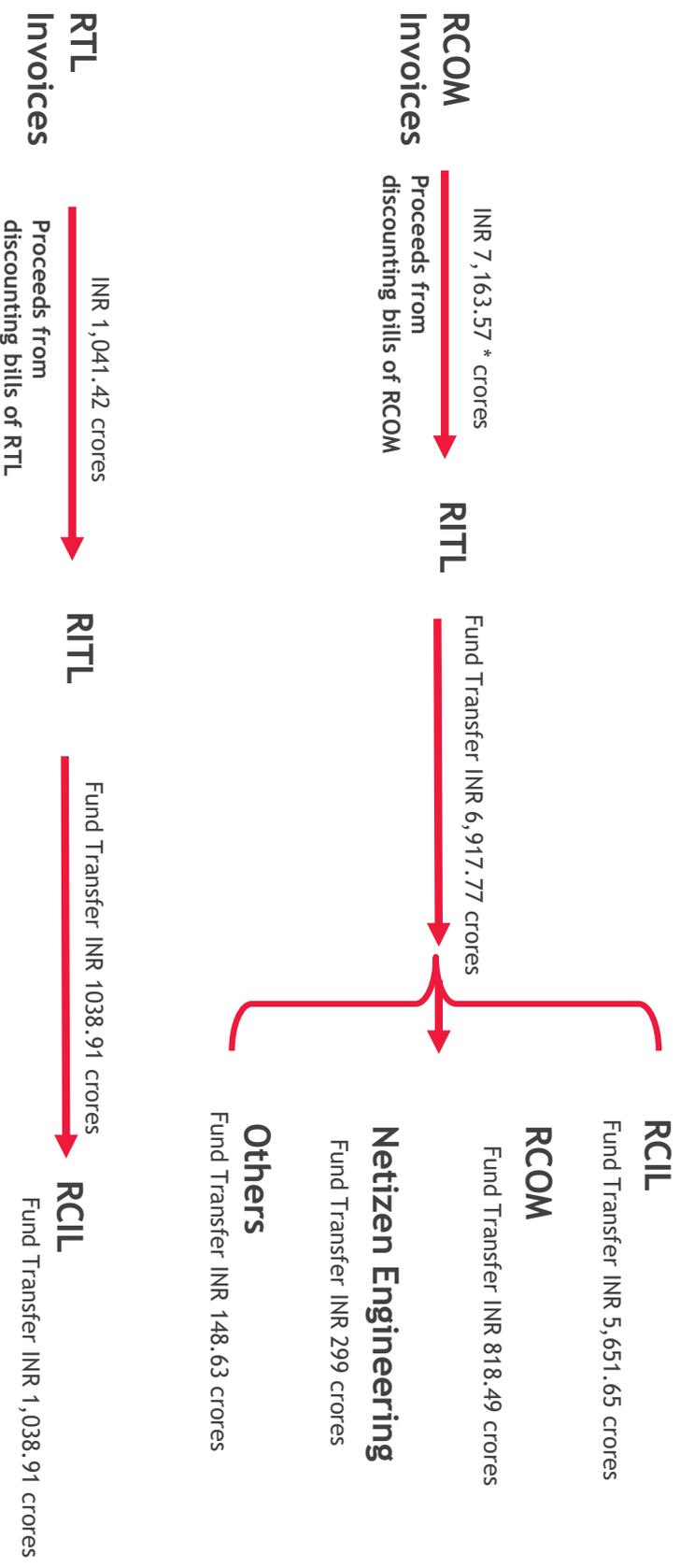
- *The activity of RITL liquidating sales invoice facility by discounting LC received from RCOM and availing the replenished facility against a new sales invoice are in line with the normal business financing cycles for monthly operations. This was normal business transaction and at the time when transactions happened the Company was neither in SDR nor under IBC.*

### **BDO Conclusion:**

Based on the findings during the Forensic Audit to the extent of information made available from the Management, the Lenders, and the Resolution Professional, it was noted that the invoice financing / discounting was used for round-tripping of loans to and / or from related parties. In the absence of supporting documents from the Management till 26 June 2020, these transactions can be classified as diversion of loan funds as per the Master Circular issued by the Reserve Bank of India.

# RITL | BILL DISCOUNTING (1/2)

- ▶ RITL has discounted bills of RCOM worth INR 8,514.70 crores and of RTL worth INR 1,041.42 crores. Out of the proceeds received from RCOM, INR 299 crores was transferred to Netizen. The discounted invoices were not provided by the management.



(\* In RCOM, bills above INR 10 crores have been trailed further)

# RITL | BILL DISCOUNTING (2/2)

## Management Comments:

RITL is the subsidiary of RCIL and RCIL is the subsidiary of RCOM. Transactions / fund transfers between RCOM and its subsidiaries are to be viewed as a single economic unit.

Sr.	Particulars	2014-15	2015-16	2016-17	Total
<b>A</b>	<b>RCOM</b>				
i	LC discounting	2,216	2,882	2,588	7,686
ii	Purchase IV Finance	700	70	59	829
	<b>Sub Total (A)</b>	<b>2,916</b>	<b>2,952</b>	<b>2,647</b>	<b>8,515</b>
<b>B</b>	<b>RTL</b>				
i	Intercompany LC	369	337	335	1,041
	<b>Sub Total (B)</b>	<b>369</b>	<b>337</b>	<b>335</b>	<b>1,041</b>
	<b>Total (C) = (A+B)</b>	<b>3,285</b>	<b>3,289</b>	<b>2,982</b>	<b>9,556</b>

Others INR 148.63 crores utilization :

1. RTL used INR 108.10 crores :
  - a. Loan repaid 50.46 crores
  - b. Opex 57.64 crores

2. Fund transferred from RITL to RCIL and RCIL to RCOM INR 40.53 crores and utilized for OPEX.

## BDO Conclusion:

During the Forensic Audit, it was noted that RITL discounted bills of RCOM worth INR 8,514.70 crores and were able to identify the trail of funds to approximately INR 7,163.57 crores. However, approximately INR 6,769.14 crores (94% of INR 7,163.57 crores) were transferred to connected parties.

In the absence of supporting documents from the Management as response to our observations during the Forensic Audit, it cannot be ascertained if the invoices used for discounting were correct. As per the response given from the Management, it has utilised the funds for meeting the expenses of other group companies and hence qualifies for classifying as diversion per the Master Circular issued by the Reserve Bank of India.

## 5-A.8. POTENTIAL DIVERSION OF FUNDS

# POTENTIAL DIVERSION OF FUNDS - BANK OF BARODA LOAN(1/2)

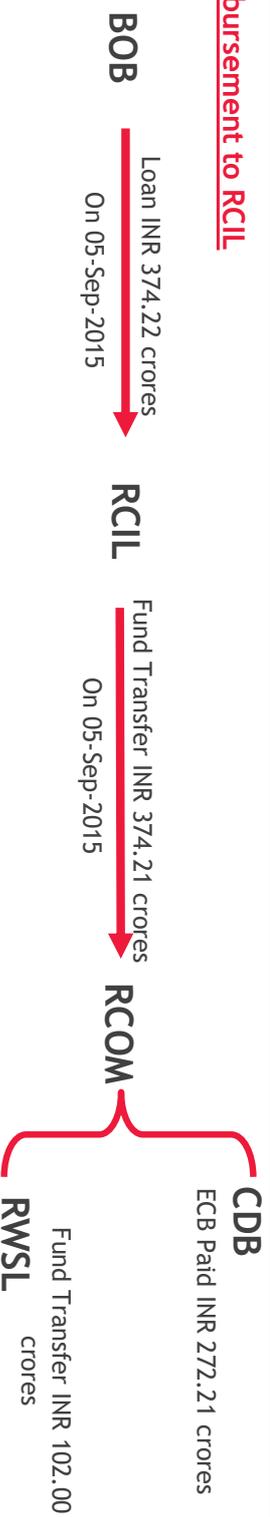
- ▶ RCOM has availed loan facility from Bank of Baroda (BOB) through sanction letter dated 15 December 2016. Total amount of loan sanctioned was INR 228.17 crores (Term Loan I) and INR 1,000 crores Term Loan II (Corporate Loan). Purpose of the Term Loan II (Corporate Loan) facility was for meeting ongoing capital expenditure.
- ▶ On 28 August 2015, INR 95.25 crores was disbursed by Bank of Baroda to Reliance Tech Services Limited (RTSL) instead of RCOM as per the instruction letter given by RCOM. On the same day, RTSL transferred INR 95.24 crores to RCOM. On receipt of funds, RCOM transferred INR 75.00 crores to Reliance Reality Limited and INR 17.64 crores to Reliance Webstore Limited (RWSL). The supporting documents provided to the bank were invoices for annual maintenance expenses.
- ▶ On 5 September 2015, INR 374.22 crores was disbursed by BOB to Reliance Communication Infrastructure Limited (RCIL) as per the instruction letter given by RCOM (Please refer to Annexure 5-A.8.1 for a copy of the letter). On the same day, INR 374.21 crores were transferred to RCOM by RCIL in the form of ICD refund. On receipt of funds, RCOM utilised funds to repay INR 272.21 crores ECB principal amount from China Development Bank (CDB) and INR 102.00 crores to RWSL. The supporting documents provided to the Bank of Baroda for such disbursement was auditor's certificate for pending trade payables / advances.
- ▶ It may be noted that the loan from BOB was for meeting capital expenditure as per the sanction letter, but the above mentioned disbursements amounting to INR 469.45 crores made to RCIL and RTSL for non-capital expenditures.

## Disbursement to RTSL



Loan given by BOB for capital expenditure to RCOM routed through RTSL and further transferred to RRL & RWSL.

## Disbursement to RCIL



Loans given by BOB for capital expenditure to RCOM routed through RCIL and further utilised to repay ECB principal amount from China Development Bank (CDB) and fund transfer to RWSL.

\* Loans were sanctioned to RCOM but disbursed in the accounts of RTSL and RCIL

# POTENTIAL DIVERSION OF FUNDS - BANK OF BARODA LOAN(2/2)

## **Management Comments:**

RRL paid part deposit under protest against the demand of Rs. 1,187 crore from MSEDCL. Matter is subjudice at Hon'ble Bombay High Court.

RCOM utilized for :

- a. IUC Paid - Rs 13 crores
- b. Opex payment - Rs 7 crores

1) RWSL paid Rs 83 crores to RCOM and RCOM utilized for :

- a. CDB Loan - Rs 81 crores
- b. Opex payment - Rs 2 crores

2) RWSL paid Rs 13 crores to RCIL and RCIL utilized for TDS / ST Payment purpose

3\_ RWSL utilized Rs 19 crores for TDS / ST payment purpose

Subsidiaries are more akin to operating divisions. Reliance Communications Limited being the holding company provides financial support to its subsidiary companies for their operation in the ordinary course of business which has been disclosed in the financial statements from time to time.

From the above, it is evident that any transfer of funds between these entities and RCOM are solely for the business of RCOM and have been in the ordinary course of business. RCOM and its subsidiaries are to be viewed as a single economic unit.

## **BDO Conclusion:**

As per sanction letter, transfer of funds to related parties was not permitted and hence utilization of funds by related parties is not relevant. In this case, the loan was utilized to pay-off loans of other banks which was also not permitted. Hence, it amounted to non-compliance with the terms of loan sanction and considered diversion of funds.



## 5-B. CONTRIBUTION BY PROMOTERS

# CONTRIBUTION BY PROMOTERS

## ► Work Steps Performed

- Identification of shareholders of the Target Entities from the Audit Report and from the BSE/NSE portal, for the Review Period;
- Analysis of movement between shareholders of the Target Entities during the Review Period;
- Identification of the nature of transactions between the shareholder companies;
- Analysis of bank books to identify receipts from promoter/s during the Review Period by checking infusion made by the promoters of amounts greater than INR 50 crores (for a single transaction) and trailing the utilization of funds received. The fund trails were verified from the bank statements, wherever available;
- Extraction of shareholder's GL based on Name search of the shareholder (erstwhile name was also considered in case of companies);
- Vendor / customer analysis of the shareholders in the books of the Target Entities, to identify any transaction of materiality that has occurred during the Review Period;
- For identifying Payments made to the Promoters:
  - In case of RCOM: Source of funds transferred to promoters was identified for all transactions above INR 50 crore. However, if the money was received from and paid to the promoters on the same day, such transactions were not considered.
  - In case of RTIL: Source of funds transferred to promoters (RCIL and RCOM) was identified for all transactions above INR 50 crore. However, if the money was received from and paid to the promoters on the same day, such transactions were not considered.
  - In case of RTL : Source of funds transferred to promoters (RCOM) was identified for all transactions above INR 50 crore. However, if the money was received from and paid to the promoters on the same day, such transactions were not considered.

# RCOM | PROMOTER'S CONTRIBUTION (1/6)

1. Shareholding Pattern: Below is the shareholding structure of RCOM during the Review Period:

Shareholders	2013-14		2014-15		2015-16		2016-17	
	No. of Shares	% of Holding						
1 AAA Communication Pvt Limited	72,31,10,172	35.03%	72,31,10,172	29.05%	72,31,10,172	29.05%	72,31,10,172	29.17%
2 AAA Industries Pvt Limited	30,00,00,000	14.53%	30,00,00,000	12.05%	30,00,00,000	12.05%	30,00,00,000	12.10%
3 ADA Enterprises and Ventures Pvt Ltd	30,00,00,000	14.53%	30,00,00,000	12.05%	30,00,00,000	12.05%	30,00,00,000	12.10%
4 Jai Anmol A Ambani	16,69,759	0.08%	16,69,759	0.07%	16,69,759	0.07%	16,69,759	0.07%
5 Jai Anshul A Ambani	100	0.00%	100	0.00%	100	0.00%	100	0.00%
6 Shrikrishna Tradecom LLP	15,00,000	0.07%	15,00,000	0.06%	15,00,000	0.06%	15,00,000	0.06%
7 Shreeji Comtrade LLP	15,00,000	0.07%	15,00,000	0.06%	15,00,000	0.06%	15,00,000	0.06%
8 Reliance Innoventures Pvt Ltd	1,23,79,001	0.60%	1,23,79,001	0.50%	1,23,79,001	0.50%	1,23,79,001	0.50%
9 Kokila D Ambani	46,65,847	0.23%	46,65,847	0.19%	46,65,847	0.19%	46,65,847	0.19%
10 Anil D Ambani	18,59,171	0.09%	18,59,171	0.07%	18,59,171	0.07%	18,59,171	0.07%
11 Tina A Ambani	16,50,832	0.08%	16,50,832	0.07%	16,50,832	0.07%	16,50,832	0.07%
12 Reliance ADA Group Trustees Pvt Ltd (Trustees of RCOM ESOS Trust)	2,12,79,000	1.03%	2,12,79,000	0.85%	-	-	-	-
13 Reliance Capital Ltd	2,96,95,295	1.44%	2,96,95,295	1.19%	2,96,95,295	1.19%	2,96,95,295	1.20%
14 Telecom Infrastructure Finance Private Limited	0	0.00%	8,66,66,667	3.48%	8,66,66,667	3.48%	8,66,66,667	3.50%
<b>Promoter Holding</b>	<b>1,39,93,09,177</b>	<b>67.80%</b>	<b>1,48,59,75,844</b>	<b>59.70%</b>	<b>1,46,46,96,844</b>	<b>58.85%</b>	<b>1,46,46,96,844</b>	<b>59.09%</b>
Others	66,47,17,704	32.20%	1,00,30,03,901	40.30%	1,02,42,82,901	41.15%	1,02,42,82,901	40.91%
<b>Total shares</b>	<b>2,06,40,26,881</b>	<b>100.00%</b>	<b>2,48,89,79,745</b>	<b>100.00%</b>	<b>2,48,89,79,745</b>	<b>100.00%</b>	<b>2,48,89,79,745</b>	<b>100.00%</b>

- During the Review Period, promoters have diluted their holding in RCOM to the extent of 8.71% of total shares - from 67.8% in 2013-14 to 59.09% .
- In 2015-16, Reliance ADA Group Trustees Private Limited (Trustees of RCOM ESOS Trust) sold all its shares.
- 8,66,66,667 shares were allotted to Telecom Infrastructure Finance Private Limited on Conversion of Warrants on 20 January 2015 for which INR 1,300 crores were received as on that date. It was utilized for investment of INR 769.99 crores in mutual funds and payment to banks of INR 527.18 crores.

Source: Audited Financials BSE website  
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## RCOM | PROMOTER'S CONTRIBUTION - RCAP (2/6)

2. Summary of the receipts from and payments to promoters, during the Review Period as per bank books of RCOM":  
(INR in crores)

FY	Payments made by RCOM	Receipts in RCOM	Net Payments
2013-14	5.00	5.00	-
2014-15	0.54	-	-0.54
2015-16	2,023.68	2,101.91	78.23
2016-17	1,222.93	1,879.08	656.14
<b>Total</b>	<b>3,252.16</b>	<b>3,985.98</b>	<b>733.83</b>

- Total amount of receipt by RCOM from RCAP was INR 3,985.98 crores during the Review Period out of which INR 3,966.74 crores (99% of the receipts) were in the form of Term Loans.
- Total payment by RCOM to RCAP was INR 3,252.16 crores, during the Review Period out of which INR 3,230.75 crores (99% of the total payments to RCAP) were in the form of repayments of the above mentioned Term Loans.

### 3. Utilisation of funds received from RCAP

- Below are the utilisation details of funds (more than INR 50 crores in a single transaction) received from Reliance Capital Limited:  
(INR in crores)

Beneficiary type	Nature of payment	Beneficiary	Amount
Bank	Loan Payment	China Development Bank	556.86
		BNP Paribas	250.00
		Standard Chartered Bank	245.66
<b>Subtotal</b>			<b>1,052.52</b>
Connected Party	Fund Transfer	Reliance Webstores Pvt.Ltd.	337.05
		Reliance Realty Limited	290.00
		Chlorosulf Private Limited	150.00
		Reliance Communications Infrastructure Limited	66.00
		Reliance Telecom Limited	23.00
<b>Subtotal</b>			<b>866.05</b>
		<b>Grand Total</b>	<b>1,918.57</b>

- It was noted from the transactions that amount received from Reliance Capital Limited was utilised to pay bank loans of INR 1,052.52 crores during 2013-17. Also, INR 866.05 crores was transferred to related group entities and connected parties.

Source: Bank Statements, Bank book, Information provided by Management

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## RCOM | PROMOTER'S CONTRIBUTION - RCAP (3/6)

### 4. Payments made to Promoters: Total funds transferred to Reliance Capital Limited were in the form of Term Loans.

INR 3,252.16 crores were paid by RCOM to Reliance Capital Limited out of which INR 1,433.88 crores were sourced from below mentioned parties. (Transactions of INR 50 crores and above were trailed to identify source of the funds transferred to Reliance Capital Limited. Also, transactions where amount received from Reliance Capital Limited were transferred back on the same day were not taken into analysis.)

It was noted from the analysis that INR 500 crores and INR 330 crores were obtained from RWSL and Standard Chartered Bank and transferred to Reliance Capital Limited.

Source	Amount
Reliance Webstores Private Limited	500.00
Standard Chartered Bank	330.00
Reliance Big TV Private Limited	241.00
Reliance Jio Spectrum	200.00
Reliance Communications Infrastructure Limited	94.35
Reliance Telecom Limited	68.54
<b>Total</b>	<b>1,433.88</b>

(INR in crores)

### Management Comments:

During the period under review, there is no dilution in the Promoters holding. The change in number of shares held by the promoter group is due to the allotment of 42,49,52,864 shares. (33,82,86,197 shares to Qualified Institutional Buyers on July 02, 2014 and 8,66,66,667 shares on January 20, 2015 to Reliance Telecom Infrafinest Private Limited, formerly known as Telecom Infrastructure Finance Private Limited).

## RCOM | PROMOTER'S CONTRIBUTION - RCAP (4/6)

The Company allotted 33,82,86,197 equity shares of Rs 5/- each at a offer price of Rs. 142.14 per equity share (including a Share premium of Rs 137.14 per equity share) under Qualified Institutional Placement (QIP) to Qualified Institutional Buyers on July 2, 2014. Earlier on August 07, 2014, Promoter entity Reliance telecom Infrainvest Private Limited agreed to invest Rs 1,300 Crore in RCOM by subscription of warrants on preferential issue and then the Company allotted 8,66,66,667 Warrants entitling the subscribers to subscribe to equivalent number of Equity Shares of Rs 5/- each at a price of Rs 150/- per Warrant (including Share premium of Rs 145/- per Equity Share) aggregating to Rs 1,300 crore under preferential allotment to the Promoter Group entity (Reliance telecom Infrainvest Private Limited) and allotted 8,66,66,667 equity shares to the Promoter Group entity, against said Warrants on January 20, 2015. Due to this, the Paid-up share capital of the Company was increased from Rs 1032.01 crore to Rs 1244.49 crore.

The Promoters holding till December 2015 includes 2,12,79,000 Equity Shares held by Reliance ADA Group Trustees Private Limited in its capacity as the trustees only for and on behalf of "RCOM Employee Stock Option Scheme (ESOS) Trust". The said Trust makes available the required Equity Shares of the Company against the exercise of the Options by the respective Grantees from time to time and acts only as a trustee for this scheme. The Trust holds the required Equity Shares in terms of applicable provisions of the Companies Act as well as SEBI Guidelines for ESOS. The above-mentioned Share holding by Reliance ADA Group Trustees Private Limited has been considered as a "person deemed to be acting in concert" (For and behalf of RCOM ESOS) Trust, only and it should not be considered as a part of Promoters holding in RCOM.

This holding of RCOM ESOS Trust is included as part of promoters holding as a matter of abundant caution and to comply with provisions on Listing Agreement only. This Shares held by Reliance ADA Group Trustees Pvt Ltd (Trustees of RCOM ESOS trust), have been shown as Non-Promoter Non-Public shares as per the Listing Regulations with effect from December 1, 2015.

The names of some of the Promoter entities have been changed as follows (please refer the same for better understanding of promoter share holding):

Earlier Name	Current Name
Telecom Infrastructure Finance Private Limited	Reliance Telecom Infrainvest Private Limited
AAA Communication Private Limited	Reliance Communications Enterprises Private Limited
AAA Industries Private Limited	Reliance Wind Turbine Installators Industries Private Limited
ADA Enterprises and Ventures Private Limited	Reliance Ornatus Enterprises and Ventures Private Limited

## RCOM | PROMOTER'S CONTRIBUTION - RCAP (5/6)

Overall summary of Promoters Contribution received and utilisation during the review period (FY 13-14 to FY 16-17) thereof is given in the table below -

Party Name	FY 16		FY 17		Total		Outstanding as on 31st Mar, 17
	Recd	Repaid	Recd	Repaid	Recd	Repaid	
Reliance Capital Ltd	1,961	1,856	2,389	1,671	4,350	3,527	824
Chlorosulf Pvt. Ltd.	-	-	2,663	2,198	2,663	2,198	465
Reliance Cleangen Ltd.	101	101	1,275	150	1,376	251	1,125
Kunjbhari Developers P.Ltd	-	-	160	-	160	-	160
<b>Total</b>	<b>2,062</b>	<b>1,957</b>	<b>6,487</b>	<b>4,019</b>	<b>8,549</b>	<b>5,976</b>	<b>2,574</b>

### Utilisation of Funds Received -

Party Name	Directly by the Company				End utilisation of funds through Subsidiaries				Total
	Payment to Banks	Statutory Dues/ License Fees	Opex Payments	Repaid to RCAP *	Payment to Banks	Statutory Dues/ License Fees	Opex Payments		
Reliance Capital Ltd	2,024	95	118	1,630	119	216	148	4,350	
Chlorosulf Pvt. Ltd.	1,677	235	242	-	162	255	92	2,663	
Reliance Cleangen Ltd.	1,061	55	84	-	141	-	35	1,376	
Kunjbhari Developers P.Ltd	27	-	-	-	33	100	-	160	
<b>Total</b>	<b>4,789</b>	<b>385</b>	<b>444</b>	<b>1,630</b>	<b>455</b>	<b>571</b>	<b>275</b>	<b>8,549</b>	

\* Repaid to RCAP includes regrouped loan of Rs.524 crore.

- Amount of promoters' contribution with further assignment as on 31 March 2017 INR 2,574 crore is still outstanding and forms part of the financial claims filed with RP of INR 7,976 crore by the promoter group entities.
- All the above payments were made in the ordinary course of business. Repayment of Bank loan and interest made to keep account standard. Statutory payments are made for ensuring compliance and opex payments are made for continuity of operations.
- Funds were temporarily obtained from promoter entities for making payments to banks, critical opex & statutory payments on due date. As and when the funds were available, loans taken from promoter entities were repaid. It may be noted that at the time when transactions had happened, RCOM was neither in SDR nor under IBC.



## **RCOM | PROMOTER'S CONTRIBUTION - RCAP (6/6)**

### **BDO Conclusion:**

Basis our sample review of transactions, majority of the funds received from promoters was used for payments to banks and related parties. Promoters did not contribute in the form of equity during the Review Period, but they provided loans which were repaid subsequently. The management has not provided any documentation in support of their response.

## RITL | PROMOTER'S CONTRIBUTION (1/3)

5. Shareholding Pattern: During FY 2013-14 to FY 2016-17, RCIL was holding 80% of shares of RITL. As observed from the table below, there is no change in the shareholding pattern (equity and preference) of RITL for the Review Period.

► Below is the shareholding pattern of RITL for the Review Period -

(INR in crores)

	2013-14		2014-15		2015-16		2016-17	
Equity Shares	No. of Shares	% of Holding						
Reliance Communications Infrastructure Limited	2,22,64,15,796	79.71%	2,22,64,15,796	79.71%	2,22,64,15,796	79.71%	2,22,64,15,796	79.71%
Reliance Globalcom BV, the Netherlands	30,00,04,130	10.74%	30,00,04,130	10.74%	30,00,04,130	10.74%	30,00,04,130	10.74%
Reliance Telecom Infrastructure (Cyprus) Holdings Limited	13,37,50,582	4.79%	13,37,50,582	4.79%	13,37,50,582	4.79%	13,37,50,582	4.79%
Others	13,29,71,360	4.76%	13,29,71,360	4.76%	13,29,71,360	4.76%	13,29,71,360	4.76%
<b>Total</b>	<b>2,79,31,41,868</b>	<b>100.00%</b>	<b>2,79,31,41,868</b>	<b>100.00%</b>	<b>2,79,31,41,868</b>	<b>100.00%</b>	<b>2,79,31,41,868</b>	<b>100.00%</b>
<b>Preference Shares</b>	<b>2013-14</b>		<b>2014-15</b>		<b>2015-16</b>		<b>2016-17</b>	
Reliance Communications Limited	4,00,00,000	100.00%	4,00,00,000	100.00%	4,00,00,000	100.00%	4,00,00,000	100.00%

► During the review of bank book of RITL for 2013 till 2017, following were the transactions with shareholders of RITL:

(INR in crores)

Promoters	Payments	Receipts	Balances
Reliance Communications Limited	1,745.31	15,486.78	13,741.47
Reliance Communications Infrastructure Limited	8,104.41	3,495.13	-4,609.29
<b>Total</b>	<b>9,849.72</b>	<b>18,981.91</b>	<b>9,132.18</b>

It was noted that RITL has paid RCIL INR 4,609.29 crores (net) during the Review Period. RCOM had paid INR 13,741.47 crores to RITL. Of the total funds received 83% (INR 8514.70 crores) of the total funds received from RCOM were in the form of bill discounting and 74% (INR 10,391.25 crores) of the funds transferred by were RCIL were in the form of Fund Transfers.

Source: Bank Statements, Bank book, Information provided by Management, Audited Financial Statements

## RITL | PROMOTER'S CONTRIBUTION (2/3)

- ▶ Funds received from RCOM<sup>1</sup> amounting to INR 12,452.95 crores were analysed (which covered 80% of total funds received by RITL from RCOM). It was found that out of the total funds received from RCOM, RITL transferred 71% total funds to RCIL (the other promoter).
- ▶ Of the funds received from RCIL<sup>1</sup> INR 2057 crore were traced (which covered 59 % of the funds received from RCIL). It was found that out of those INR 755 crores were transferred to Netizen Engineering Private Limited.
- ▶ Below is the summary of money trail of funds received from RCOM and RCIL by RITL:

(INR in crores)

Source Name	Beneficiary	Amount
Reliance Communications Limited	Reliance Communication Infrastructure Limited	8,913.02
	Reliance BPO Private Limited	1,801.00
	Barclays Capital	685.00
	Unsecured Loans From Banks & Others	525.36
	Netizen Engineering Private Limited	208.60
	Service Tax Remittable - Head Office	143.91
	Reliance Big TV Limited	90.00
	Sales IV Fin (Loan)	50.46
	Reliance Realty Limited	25.00
	Globalcom IDC Limited	10.60
<b>Subtotal</b>		<b>12,452.95</b>
Reliance Communication Infrastructure Limited	Netizen Engineering Private Limited	755.43
	Reliance Realty Limited	600.00
	Reliance Big TV Limited	250.00
	Unsecured Loans From Banks & Others	178.13
	Reliance Capital Limited	175.00
Globalcom IDC Limited	71.54	
Reliance Communications Limited	26.91	
<b>Subtotal</b>		<b>2,057.01</b>
<b>Total</b>		<b>14,509.96</b>

<sup>1</sup>Only transactions above INR 50 crores were considered for analysis.

Source: Bank Statements, Bank book, Information provided by Management  
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## RITL | PROMOTER'S CONTRIBUTION (3/3)

6. **PAYMENTS TO PROMOTERS:** Total INR 8,104 crores and INR 1,745 crores were paid to Reliance Communication Infrastructure Limited and Reliance Communication Limited respectively. Funds transferred to these promoters were trailed and source of funds were identified for transactions of INR 50 crores and above. Funds received from one promoters and transferred to another promoter were not considered.

Beneficiary	Source Name	Source Type	Amount (in crores)
Reliance Communication Infrastructure Limited	Reliance Capital Limited	TL from RCAP	427.22
	Unsecured Loans-Banks/Other	TL from HDFC	340.00
	Netizen Engineering Private Limited	FT	313.00
	Unsecured Loans-banks/Other	FT from RCIL 1857 To RITL 11397	291.00
	Sales IV Fin (Loan)	Invoice Financing	238.09
	Sec TL-banks-INR	TL from Yes Bank	200.00
	Reliance Telecom Limited	Received Against outstanding	119.26
	Sundry Creditors-Manual Posting	RTL Bill Discounted	105.88
	Unsecured Loans-Banks/Other	TL from Barclays	100.00
	Sec TL - Banks-INR	TL from Yes Bank	100.00
Reliance Communication Infrastructure Limited	Reliance Jio Infocomm Limited	Advance Rent	77.24
	Reliance Capital Limited	TL from RCAP After Processing Fees	72.47
	Reliance Communications Limited	RCOM Bill Discounted	54.15
<b>Subtotal</b>			<b>2,438.29</b>
Reliance Communication Limited	Unsecured Loans-Banks/Other	ICD From RCIL	340.00
	Reliance Telecom Limited	Received Against Outstanding	111.00
Netizen Engineering Private Limited	Received Against Interest		62.00
<b>Subtotal</b>			<b>512.99</b>
<b>Grand Total</b>			<b>2,951.29</b>

**Management Comments:**

RCIL is holding Company of RITL and RCOM is ultimate holding company of RCIL. These are the transactions between RCOM and its subsidiaries and therefore not to be treated as promoter contribution. Further, fund transfer between RCOM and its subsidiaries are to be viewed as a single economic unit.

**BDO Conclusion:**

The above table provides a summary of transactions with promoters of RITL. RITL promoters did not infuse any equity during the Review Period. All the contribution was in the form of short-term loans which was explained as above.

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports  
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## RTL | PROMOTER'S CONTRIBUTION (1/3)

7. Shareholding Pattern: Reliance Telecom Limited is a subsidiary of RCOM.

- RCOM holds 78.8% share in RTL and RILL holds 21.2% shares in RTL. In FY 2014-15 bonus shares were issued by RTL. Also, RCOM and Reliance Communications Tamil Nadu Limited (RCTNL) holds preference shares in the company.
- There is no equity infusion by the promoters in RTL during the Review Period.

(INR in crores)

	2013-14		2014-15		2015-16		2016-17	
Equity Shareholders	No. of Shares	% of holding						
Reliance Communications Ltd	2,75,80,100	78.80%	6,69,80,100	78.80%	6,69,80,100	78.80%	6,69,80,100	78.80%
Reliance Realty Limited	74,19,900	21.20%	1,80,19,900	21.20%	1,80,19,900	21.20%	1,80,19,900	21.20%
<b>Total</b>	<b>3,50,00,000</b>	<b>100%</b>	<b>8,50,00,000</b>	<b>100%</b>	<b>8,50,00,000</b>	<b>100%</b>	<b>8,50,00,000</b>	<b>100%</b>
<b>Preference Shares</b>								
Reliance Communications Ltd	4,50,00,000	100%	4,50,00,000	100%	4,50,00,000	100%	4,50,00,000	100%
Reliance Communications Tamil Nadu Limited	1,34,77,000	100%	1,34,77,000	100%	1,34,77,000	100%	1,34,77,000	100%

- Total payment by RTL to RCOM during the Review Period was INR 3,742.47 crores and total receipts were INR 537.83 crores. RCOM is the only promoter during the Review Period who has transactions with RTL.
- (INR in crores)

Name of Promoter	Payment	Receipts	Net
RCOM	3,742.47	537.83	3,204.64

## RTL | PROMOTER'S CONTRIBUTION (2/3)

### Management Comments:

RCOM is holding Company of RTL. These are the transactions between RCOM and its subsidiaries and therefore not to be treated as promoters contribution. Further, fund transfer between RCOM and its subsidiaries are to be viewed as a single economic unit.

As regards settlement of invoices by RTL to RCOM, these are the transactions are in ordinary course of business. RCOM has UASL, NLD and ILD License and RTL has UASL and UL Licenses to provide telecom services. As per prevailing regulatory framework, both companies having Interconnection of their Network and handing over telecom traffic to each other for carriage and terminating Voice traffic. Carriage and terminations of Voice traffic on other telecom operators network requires certain charges to be paid as "Interconnect Charges" (IUC). The rates of IUC is prescribed by Telecom Regulatory Authority of India (TRAI) from time to time.

The interconnect charges paid (cash basis) by one operator to another operator are deductible from Gross Revenue to arrive at Adjusted Gross Revenue (AGR) for payment of License Fee. Hence RCOM has paid IUC charges to RTL towards its payable which RTL has paid back to RCOM to settle its IUC payable.

- ▶ Of the INR 537.83 crores, 92% of the receipts (INR 490.36 crores) were in the form of "Fund Transfers".
- ▶ Utilization of funds against transaction of more than INR 10 crores were analyzed and 25% of total funds received from RCOM were traced. It was found out of the total funds received by RTL from RCOM, 47% was transferred to China Development Bank.
- ▶ Below table gives the summary of utilization of funds received from RCOM to RTL:

Beneficiary Name	Nature of Payment	Amount (in crores)
China Development Bank	Loan Repayment	60.00
IDBI Bank Ltd	Fund Transfer	10.00
Reliance Tech Services Pvt Ltd	Invoice Payment	32.72
Reliance Webstore Ltd	Invoice Payment	7.66
Vodafone Mobile Services Ltd		17.00
<b>Total</b>		<b>127.38</b>

## RTL | PROMOTER'S CONTRIBUTION (3/3)

- ▶ Total INR 3,742.47 crores were paid to RCOM during the Review Period. INR 653.63 crores transferred to RCOM were trailed and source of funds were identified for transactions of INR 50 crores and above.
- ▶ It was noted that funds transferred to RCOM by RTL against dues / outstanding / invoice were originally received from RCOM in the form of ICD.

Beneficiary	End Use	Amount (in crores)
	Paid Against Dues	52.20
	Payment Against Invoice	125.00
Reliance Communications Limited	Payment Against Outstanding	381.53
	Roaming + BB Settlement	94.90
<b>Total</b>		<b>653.63</b>

### BDO Conclusion:

The above gives a summary of transactions with promoters of RTL. RTL promoters did not infuse any equity during the Review Period. All the contribution was the form of short-term loans which was explained above.

## 5-C. REVENUE

- Summary
- Data Limitation
- Work Performed and Sample Selection

# REVENUE Summary

## 1. Reliance Communications Limited (RCOM)

The revenue data for RCOM is broadly categorized under:

- Enterprise Business - consists of wireline business
- Wireless Business - consists of Prepaid and Post-paid line service
- IUC and ILLD - consists of revenue from other operators for usage of telecom ports
- Other income consisting of interest and other miscellaneous

The summary of year-wise revenue (as per *Annexure-5-C.1.*) is as follows:

(In INR Crores)

Particulars	2013-14	2014-15	2015-16	2016-17	Total
Revenue from Operations	11,176.72	10,801.30	9,973.56	8,823.41	40,774.99
Other Income	1,269.01	335.14	320.63	331.57	2,256.34
Total Income	12,445.73	11,136.44	10,294.19	9,154.98	43,031.34

## 2. Reliance Infratel Limited (RITL)

The revenue data for RITL is broadly categorized under:

- Tower Rental business
- Optic Fibre Cable

The summary of year wise revenue (as per *Annexure-5-C.2.*) is as follows:

(In INR Crores)

Particulars	2013-14	2014-15	2015-16	2016-17	Total
Revenue from Operations	7,659.71	5,857.61	4,738.81	6,052.45	24,308.57
Other Income	131.30	57.33	10.55	39.18	238.37
Total income	7,791.01	5,914.94	4,749.36	6,091.63	24,546.94

# REVENUE Summary

## 3. Reliance Telecom Limited (RTL)

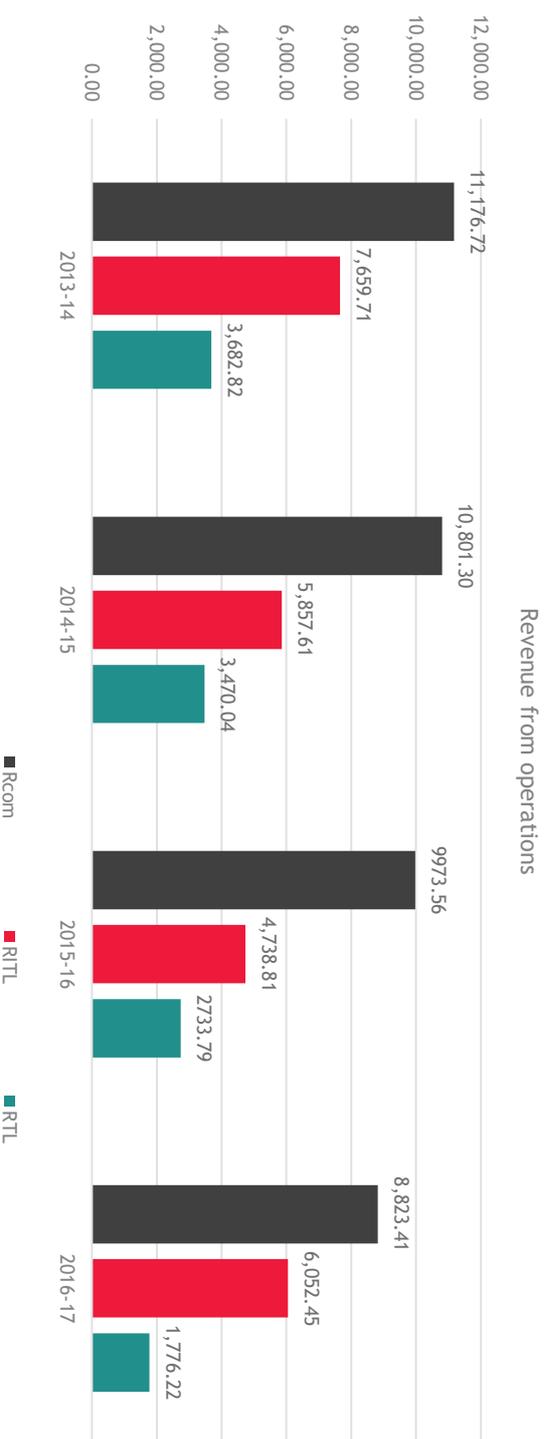
The revenue data for RTL is broadly categorized under:

- Wireless Business - Consisting of Prepaid and Post-paid line of service
- IUC and ILD - comprising of revenue from other operators for usage of telecom ports

The summary of year wise revenue (as per *Annexure-5-C.3.* ) is as follows:

(In INR Crores)

Particulars	2013-14	2014-15	2015-16	2016-17	Total
Revenue from Operations	3,682.82	3,470.04	2,733.79	1,776.22	11,662.87
Other income	56.43	15.48	18.42	7.99	98.31
<b>Total Income</b>	<b>3,739.25</b>	<b>3,485.52</b>	<b>2,752.20</b>	<b>1,784.20</b>	<b>11,761.18</b>



Source: Information provided by Management, SAP Reports  
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# REVENUE

## Data Limitation (1/2)

Data from the billing software - ADC, Intelligent Network and Intech (source data) through which data is posted in SAP for all three entities RCOM, RITL and RTL for the Review Period is not available to authenticate the basis for booking revenue.

The Call Data Records (CDR) which captures the customer usage data at source is also not available for these three entities.

### ▶ **Reliance Communications Limited (RCOM)**

The following data is not available for reviewing the authenticity of revenue booking:

- **Enterprise Business**  
CDR for the Review Period
- **Wireless Business**  
Backup supporting (for excel file summary of prepaid and post paid revenue provided by the management) for authenticating the genuineness of the transaction for GLs (list as per *Annexure 5-C.4*) comprising INR 19,207.42 crores of wireless business revenue (44.63% of total revenue) for the Review Period (April 2013 to March 2017) will not be made available, as per our mail confirmation dated 24 October 2019.

- **IUC and ILD**  
Backup supporting for IUC and ILD for determining genuineness of the transaction is not available with the management.

### ▶ **Reliance Infratel Limited (RITL)**

Only Invoices for related party transactions were received on 25 October 2019, although the complete working /supporting's for sample transactions was not made available for these documents. Since majorly the transactions are related / connected entity transactions, the invoices are raised on and received from these entities and are thus not sufficient to check the authenticity of revenue booked based on these documents.



# REVENUE

## Data Limitation (2/2)

### ► Reliance Telecom Limited (RTL)

The following data is not available for reviewing the authenticity of revenue booking:

- **Wireless Business**  
Backup supporting (for excel file summary of prepaid and post paid revenue provided by the management) for authenticating the genuineness of the transaction for GLs (list as per *Annexure 5-C.5.*) comprising INR 8,773.07 crores of wireless business revenue (75% of total revenue) for the Review Period (April 2013 to March 2017) will not be made available as per our mail confirmation dated 24 October 2019.

- **IUC and ILD**  
Backup data for IUC and ILD for determining genuineness of the transaction is not available with the management and hence management didn't provide for forensic review.

# REVENUE

## Work Performed and Sample Selection (1/3)

### ► Reliance Communications Limited (RCOM)

The revenue data for RCOM has been reviewed based on the Trial Balance groupings for the Review Period (April 2013 to March 2017), based on which 247 revenue GLs amounting to INR 43,031.33 crores have been identified.

The breakup for revenue as per the data available is mentioned as follows:

Line of business	Amount (INR Crores)	Remarks
Enterprise business	NA*	ADC workings as well as billing details in excel have been provided, basis of the same cannot be ascertained. Authenticity of transactions (Revenue booking) could not be ascertained due to non-availability of ADC feed and CDR for review period.
Wireless	19,207.42	Excel files summary (without customer wise breakup) for prepaid and post-paid revenue booking from 2013-14 to 2016-17 was provided. Authenticity of transactions (Revenue booking) could not be ascertained due to non-availability of original software, client wise bifurcation and CDR for review period.
IUC / ILD	10,353.31	Excel file summary for IUC / ILD business from 2013-14 to 2016-17 was provided. Authenticity of transactions (Revenue booking) could not be ascertained due to non-availability of original software and CDR for review period.

### Work Steps

- Out of 247 GLs, revenue GLs in which INR 50 crores or more has been booked during our Review Period were selected
- 46 GLs amounting to INR 39,704.00 crores were extracted for review **Annexure 5-C.6.**

\* The breakup for enterprise business revenue and common business revenue GLs is not made available. The breakup for the total revenue of INR 43,031.33 crores will be based on these bifurcations which were not provided by the management.



# REVENUE

## Work Performed and Sample Selection (2/3)

### ► Reliance Infratel Limited (RITL)

The revenue data for RITL has been reviewed based on the Trial Balance groupings for the review period (April 2013 to March 2017), based on which revenue amounting to INR 24,308.57 crores is identified.

The general ledger codes forming a part of our revenue analysis have been mentioned in *Annexure 5-C.7*.

#### Work Steps

- Based on the data, related party transactions and high value ledger codes have been selected covering **90.9%** of the total revenue of RITL for the Review Period.
- Further, sample transactions (above INR 5 crores) have been selected from each ledger which cover at least 80% (INR 15,482.64 crores out of INR 19,877.54 crores) of the data were selected as mentioned above.
- For sample transactions, only invoices raised to RCOM, RTL and RJIO by RITL are provided by the management. Authenticity of transactions could not be ascertained as supporting for the invoice was not provided.

# REVENUE

## Work Performed and Sample Selection (3/3)

### ► Reliance Telecom Limited (RTL)

The revenue data for RTL has been reviewed based on the trial balance groupings for the review period (April 2013 to March 2017), based on which 107 revenue GLs amounting to INR 11,761.17 crores have been identified.

### Work Steps

- The GLs were further bifurcated into two major lines of service namely:

Line of business	Amount (INR Crores)	Remarks (as per management)
Wireless	8,773.07	Excel files summary ( without customer wise breakup) for prepaid and post-paid revenue booking from 2013-14 to 2016-17 was provided . Authenticity of transactions (Revenue booking) could not be ascertained due to non-availability of original software, client wise bifurcation and CDR for the Review Period.
IUC/ ILD and Common GLs	2,988.10	Excel file summary for IUC / ILD business from 2013-14 to 2016-17 was provided. Authenticity of transactions (Revenue booking) could not be ascertained due to non-availability of original software and CDR for the Review Period.
<b>Total</b>	<b>11,761.17</b>	

# REVENUE

## Management Comments:

### RCOM & RTL

Telecom business is having millions of individual subscribers and CDR data runs into crore for a single day. As per telecom license mandate, CDRs are to be retained for last 12 months at any point of time. RCOM being telecom operator is required to have multiple switches to handle the customer traffic. CDRs generated by the switches are in binary format. CDR files(TT) are generated frequently by these switches say every 15mins or size of TT file. TT files are generated based on fulfillment of conditions defined above. These switch files are placed in switch servers. Such CDR files are polled by Mediation software by pinging the switch located across India. Mediation then converts the switch files from binary into Ascii format which can be read by down stream systems. Mediation then applies business rules to derive the ratable CDRs. such ratable CDRs are pushed to down stream system for rating purposes. Rating system does carry the customer reference data which includes tariff plan/rate plan/rates/ bill cycle frequency etc. Periodically these ratable CDRs are rated using reference data by billing systems. At bill cycle run all rated CDRs are summarised and converted into an Invoice. Invoices are again summarised into a revenue summary to be uploaded into SAP by picking up the accrued revenue for the month

Month wise revenue file is already provided which is tallied with the Audited Financial Statements / quarterly results.

These revenues are also subject to special audit by DoT and CAG audit which is being carried out every year on regular intervals.

Month wise revenue file, ADC/ IN Feed is already provided which is tallied with the Audited Financial Statements / quarterly results. SAP revenue GL dumps along with supporting data from billing summaries generated by Intec billing system has been provided.

We have provided all information relating to revenue except CDR data as the same is not retained beyond one year as per DoT License conditions. Party wise wireless retail revenue is not available as billing systems are shut down pursuant to discontinuance of wireless operations in November 2017.

RITL - Details of revenue month wise customer wise have been provided for the review period which is tallied with the Audited Financial Statements. Computation of revenue tower wise, customer wise along with location details have been provided on sample basis.

## BDO Conclusion:

Adequate data was not provided in relation to revenue of the Company and hence, we are unable to comment on the veracity of the revenue of these companies. The Management informed that the revenue recording systems and much of the staff involved in revenue accounting was not available. The data provided was also given without adequate supporting documents. Hence, our procedures were limited to the extent of data made available.

# 5-D. MOVEMENT IN UNSECURED LOANS

# ICD MOVEMENT

## ► Objective:

To analyse the sources of ICD and their utilisation in the books of RCOM, RTL and RITL.

## ► Work Steps Performed:

- Analysing the trial balance for ICD received and outstanding in the books of by RCOM, RTL & RITL.
- Obtained a list of bank book GLs based on Trial balances provided by the Management of RCOM, RTL and RITL.
- These Trial balances were mapped to the Annual Audited Financials for our review period to ascertain the completeness of bank book transactions.
- Bank books were extracted from SAP and were consolidated company-wise.
- Reversal entries were removed.
- Obtained a list of ICDs availed by RCOM & RITL during the period.
- Tracing the end-use ultimate beneficiary of the ICD received & advances repaid from the bank books to ascertain diversion of funds. Also traced the sources of funds to repay ICDs and to give advances to related parties.
- Fund Trail has been prepared based on best effort basis from the extracted SAP bank books of RCOM, RTL and RITL as maintained by the Management. The fund trail was verified from the bank statements wherever available.
- Method adopted was on the basis of FIFO, wherever appropriate. However, in certain other cases, mapping of transactions have been performed based on similar amounts on best effort basis.
- Same date transactions have been mapped, wherever applicable and in case of split of transactions, trailing has been done up to three consecutive days of transaction, subject to the transaction amount.
- Nature of utilization or source of funds was determined based on the narrations i.e. the “Text” column generated through SAP reports of the bank book.
- Summarizing the inflow and outflow of ICDs based on the ICDs received and also advances given and repaid to parties
- In case of ICDs received and repayments of ICD, we have traced the utilisation of the ICDs to the extent of:
  - RCOM - all transactions
  - RTL - date wise amounts greater than INR 50 crores
  - RITL - INR 50 crores and above (single transaction)



# ICD MOVEMENT

## ► Accounting Practice

- Based on the trial balance, ICD received ledger was picked for analysis.
- The Management follows the practice of recording entries of ICD received in the respective party ledger and subsequently transferring them to the pool account name “ICD Received” (GL no 2730000 in RCOM and RTL, GL no 2720000 in RITL). Thus, balances of various parties (till the amount is repaid) remain in the pool account which makes it difficult to identify the individual balances of each party.
- However, it maybe noted, in case of funds received in the nature of ICD, from parties and not transferred to the pool account, the same has not been considered for analysis in the nature of ICD.
- As confirmed by the Management, ICD received in RCOM, RITL & RTL by various parties in the ICD Ledger are exhaustive. ICD in other form or ledger was not considered for transaction analysis.

# 5-D.1. ICDS OF RCOM

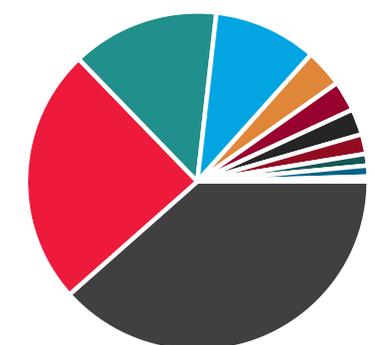
## RCOM | ICD SUMMARY (1/8)

- ▶ Given below is a summary of ICDs received during the review period. Out of INR 4,810 crores of ICD given by four parties, utilisation of INR 4,750 crores have been traced as in the ensuing slide. Out of INR 1,271 crores repaid to these parties the source of funds of INR 1,175.40 crores have been traced.
- ▶ These ICDs were taken majorly from March 2016 till the end of the Review Period. As understood from the Management, there were no instances of ICD prior to March 2016 (except for ICD received from Cleangen on 7 October 2015). (INR in Crores)

Party Name	ICD received	Utilised amount traced	ICD Repaid	Source traced
Chlorosulf Pvt Ltd	2,663.00	2,622.09	2,198.00	2,206.95
Kunjibhari Developers Pvt. Ltd	160.00	159.27	-	-
Reliance Cleangen Limited	1,337.25	1,303.96	251.00	160.00
Reliance Industries Ltd	650.00	647.59	-	-
<b>Grand Total</b>	<b>4,810.25</b>	<b>4,732.91</b>	<b>2,449.00</b>	<b>2,416.95</b>

Of the ICD for INR 4,810.25 crores received by RCOM, INR 2,528.63 crores have been paid to connected parties and INR 1,884.23crores was paid to banks for repayment of various loans. This covers 93.42% of the funds trailed.

### Payments to connected parties



- Chlorosulf Pvt Ltd
- Reliance Communications Infrastruct
- Terene Fibres India Pvt Ltd
- Reliance Infratel Ltd
- Reliance Telecom Limited
- Reliance Webstores Pvt.Ltd.
- Reliance Cleangen Limited
- Reliance Tech Services Limited
- Reliance Capital Limited
- Reliance Big TV Pvt. Ltd.
- Reliance Jio Infocomm Limited
- Reliance Realty Limited
- Reliance Integrated Services Pvt. Ltd
- Reliance Infocomm Ltd. Employe

- Alongside is a summary of the payments made to major connected parties to which ICD funds from the above 4 entities have been paid to.
- These are in the nature of ICD, Fund transfers, Loans paid to banks/ FI etc.

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports, ICD Contracts

# RCOM | ICD RECEIVED (2/8)

► Given below is the utilisation of ICD received by RCOM during the period FY 2013-14 to FY 2016-17:

(INR in Crores)

Received from	Receipt Amount	End Use	End Use - Amount
Chlorosulf Pvt Ltd	2663	Connected Entities	1,914.96
		Entry not traceable	31.29
		Name not traceable in bank statement	24.17
		NCD	10.75
		Payments to banks	445.81
		Statutory dues	88.37
		Third Party	106.73
Kunjihari Developers Pvt. Ltd	160	Connected Entities	132.39
		Payments to banks	26.88
		Connected Entities	446.59
Reliance Cleangen Limited	1337.25	Entry not traceable	10
		Name not traceable in bank statement	32.21
		NCD	15.87
		Payments to banks	798.63
		Third Party	0.66
		Connected Entities	34.68
Reliance Industries Ltd	650	Payments to banks	612.91
<b>Grand Total</b>	<b>4,810.25</b>		<b>4,732.91</b>

(Note : Kindly refer annexure 5-D.1 for detailed breakup of payment to connected parties, third parties and banks)

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports, ICD Contracts  
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# RCOM | ICD RECEIVED (3/8)

## 1. Chlorosulf

- Out of the total ICD received of INR 2,663 crores from Chlorosulf Private Limited, major funds amounting to INR 963 crores were paid back to Chlorosulf. Out of which INR 800 crores was transferred to RCOM HDFC (33760) OD A/c and was on the same date or up to T+2 was transferred back to Chlorosulf.
- INR 382.30 crores were paid to RCIL as fund transfers.

## 2. Reliance Cleangen

- Out of the ICD received from Cleangen, INR 198.50 crores were transferred to RCIL as fund transfers, INR 140 crores were paid to RITL in the form of LC payment. INR 615.38 crores were repaid towards Yes Bank obligations and INR 183 crores to various other bank's obligations.

## 3. Reliance Industries Limited

- INR 650 crores obtained were utilised to pay China Development bank to the extent of INR 612.91 crores.

## 4. Kunjibhari Developers Pvt Ltd.

- INR 160 crores obtained from Kunjibhari Developers Private Limited were utilised to pay Reliance Realty Limited to the extent of INR 100 crores.

## RCOM | ICD REPAID (4/8)

- ▶ Given below is the source from which ICDs were repaid to the below parties from which ICDs were received during the period FY 2013-14 to FY 2016-17:

(INR in Crores)

ICD Refunded to	Amount of refund	Source	Source Amount
Chlorosulf Pvt Ltd	2,198.00	Connected Entities	2118.95
		Payments to Third Party	88.00
		<b>Total</b>	<b>2,206.95</b>
Reliance Cleangen Limited	251.00	Connected Entities	140.00
		Loans from Banks	70.00
		<b>Total</b>	<b>210.00</b>
<b>Grand Total</b>	<b>2,449.00</b>		<b>2,416.95</b>

### 5. Repayment to Chlorosulf

- Repayments made to Chlorosulf of INR 1,020 crores are majorly out of funds from connected entities i.e., INR 326.40 crores are from RCIL in the nature of fund transfers. INR 200 crores were received from Netizen engineering in lieu of refund of Capital advances, INR 200 crores were received from RTSL in the nature of ICD refund.

### 6. Repayment to Cleangen

- Repayments made to Cleangen were made out of bank loans obtained from Standard Chartered Bank to the extent of INR 70 crores.

(Note : Kindly refer annexure 5-D.1 for detailed breakup of payment from connected parties, third parties and banks)

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports, ICD Contracts  
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## RCOM | ICD REPAID (5/8)

### Chlorosulf :

Promoter company Chlorosulf infused funds of Rs. 2,663 crore and the same has been utilised as under -

- Payment to banks Rs 1,839 crore ,
- Statutory dues Rs. 490 crore
- Opex Rs.334 crore

Amounting to Rs. 2,198 crore has been repaid back to Chlorosulf during review period. In some cases OD account balances has been used to repay Chlorosulf.

### Reliance cleangen:

Promoter company Reliance Cleangen infused funds of Rs. 1,376 crore and the same has been utilised as under -

- Payment to banks Rs 1,202 crore ,
- Statutory dues Rs. 55 crore
- Opex Rs. 119 crore

Amounting to Rs. 251 crore has been repaid back to Reliance Cleangen during review period.

### Reliance Industries Limited :

Funds received from Reliance Industries Limited Rs. 650 crore was utilised for payment to banks Rs. 649 crore and Rs. 1 crore opex payment.

### Kunjibhari Developers Pvt Ltd.:

Promoter company Kunjibhari infused funds of Rs. 160 crore and the same was utilised for payments to banks Rs. 60 crore and Rs. 100 crore utilised for payment of Licence fees to DOT.

# RCOM | ICD (6/8)

## Management Comments:

Overall summary of ICDs received and utilisation during the review period (FY 13-14 to FY 16-17) thereof is given in the table below -

Party Name	FY 16		FY 17		Total		Outstanding as on 31st Mar, 17
	Recd	Repaid	Recd	Repaid	Recd	Repaid	
Reliance Capital Ltd	1,961	1,856	2,389	1,671	4,350	3,527	824
Chlorosulf Pvt. Ltd.	-	-	2,663	2,198	2,663	2,198	465
Reliance Cleangen Ltd.	101	101	1,275	150	1,376	251	1,125
Reliance Industries Ltd	-	-	650	-	650	-	650
Kunjibhari Developers P.Ltd	-	-	160	-	160	-	160
<b>Total</b>	<b>2,062</b>	<b>1,957</b>	<b>7,137</b>	<b>4,019</b>	<b>9,199</b>	<b>5,976</b>	<b>3,224</b>

## Utilisation of Funds Received -

Party Name	Directly by the Company				End utilisation of funds through Subsidiaries				Total
	Payment to Banks	Statutory Dues/ License Fees	Opex Payments	Repaid to RCAP *	Payment to Banks	Statutory Dues/ License Fees	Opex Payments		
Reliance Capital Ltd	2,024	95	118	1,630	119	216	148	4,350	
Chlorosulf Pvt. Ltd.	1,677	235	242	-	162	255	92	2,663	
Reliance Cleangen Ltd.	1,061	55	84	-	141	-	35	1,376	
Reliance Industries Ltd	625	-	-	-	24	-	1	650	
Kunjibhari Developers P.Ltd	27	-	-	-	33	-	-	160	
<b>Total</b>	<b>5,414</b>	<b>385</b>	<b>444</b>	<b>1,630</b>	<b>479</b>	<b>571</b>	<b>276</b>	<b>9,199</b>	

\* Repaid to RCAP includes regrouped loan of Rs.524 crore.

- All the above payments were made in the ordinary course of business.
- Repayment of Bank loan and interest made to keep account standard. Statutory payments are made for ensuring compliance and opex payments are made for continuity of operations.
- Funds were temporarily obtained from promoter entities for making payments to banks, critical opex & statutory payments on due date. As and when the funds were available, loans taken from promoter entities were repaid. It may be noted that at the time when transactions had happened, RCOM was neither in SDR nor under IBC.

# RCOM | ICD (7/8)

Utilisation of ICD received by RCOM during the period FY 2013-14 to FY 2016-17 are as under:

Received from	Receipt Amount	End Use	End Use - Amount
Chlorosulf Pvt Ltd	2,663.00	Subsidiaries	509.00
		Payment to banks	1,677.00
		Opex Payments	242.00
		Statutory dues	235.00
	<b>Total</b>		<b>2,663.00</b>
Reliance Cleanngen Limited	1,337.25	Payment to banks	1,061.25
		Subsidiaries	176.00
		Opex Payments	45.00
		Statutory dues	55.00
	<b>Total</b>		<b>1,337.25</b>
Reliance Industries Ltd	650.00	Payment to banks	625.00
		Subsidiaries	25.00
		<b>Total</b>	<b>650.00</b>
Kunjbihari Developers Pvt. Ltd	160.00	Subsidiaries	133.00
		Payment to banks	27.00
<b>Grand Total</b>	<b>4,810.25</b>	<b>Total</b>	<b>4,810.25</b>

End utilization by subsidiaries of Rs 509 crore :

1. Payment to Bank - Rs 162 crore
2. Statutory Payment - Rs 255 crore
3. Opex Payment - Rs 92 crore

End utilization by subsidiaries of Rs 176 crore :

1. Payment to Bank - Rs 141 crore
2. Opex Payment - Rs 35 crore

End utilization by subsidiaries of Rs 25 crore :

1. Payment to Bank - Rs 24 crore
2. Opex Payment - Rs 1 crore

End utilization by subsidiaries of Rs 133 crore :

1. Payment to Bank - Rs 33 crore
2. License Fees - Rs 100 crore

## RCOM | ICD (8/8)

All the above payments made in the ordinary course of business. Repayment of Bank loan and interest made to keep account standard. Statutory payments are made for ensuring compliance and opex payments are made for continuity of operations. RCOM being the holding company provides financial support to its subsidiary companies for their operation in the ordinary course of business Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

### BDO Conclusion:

From the above observations from the Forensic Audit and information provided by the Management, the lenders, and the Resolution Professional till 26 June 2020, the ICDs were used as a mechanism to route money through related parties. The accounting practice followed as mentioned elsewhere makes it very difficult to trace the source and end-utilization of individual ICDs due to non-availability of data and confirmation from other group companies / related parties regarding the end-utilisation.

## 5-D.2. ICDS OF RTL

## RTL | ICD SUMMARY (1/8)

► Given below is a summary of ICDs received during the Review Period. Out of INR 16,864.93 crores received by RTL, major funds were received from RCOM. Accordingly we attempted tracing transactions as summarized below:

(INR in Crores)

Company	Nature	ICD received	Utilised amount traced	ICD Repaid	Source traced
RCOM	Bank Transfer	12,917.33	8,702.21	11,732.67	6,224.28
BPO	Bank Transfer	2,500.00	2,500.00	-	-
RITL	Bank Transfer	1,200.00	1,200.00	2,500.00	2,500.00
RWSL	Bank Transfer	130.74	130.74	-	-
RTSL	Bank Transfer	93.81	93.81	93.81	93.81
Others	Bank Transfer	23.05	-	378.59	-
<b>Total</b>		<b>16,864.93</b>	<b>12,626.76</b>	<b>14,705.07</b>	<b>8,818.09</b>
Netizen	Adjustment	-	-	855.86	-
RCOM	Adjustment	958.97	-	825.00	-
RWSL	Adjustment	-	-	698.52	-
Others	Adjustment	1,557.56	-	2,149.22	-
<b>Total</b>		<b>2,516.53</b>		<b>4,528.60</b>	
<b>Grand Total</b>		<b>19,381.46</b>		<b>19,233.67</b>	

- Of the funds received as ICDs from various parties INR 11,755.22 crores have been paid to connected parties.
- Adjustment of INR 855.86 crores balance from Netizen Engineering is on account of balance transfer (adjustment) in the books of RTL, thereby increasing the receivable balance.
- Adjustments made in the balance of RCOM are due to regrouping / rectification entries.
- Out of INR 698.52 crores, INR 455.73 crores are in lieu of payments to RCOM ICD by adjusting the receivable balance of RWSL.
- Payable balance of INR 1,557.56 crores and receivable balance of INR 2,149.22 crores are on account of balance transfers of unknown parties which have funded RTL prior to the Review Period.

## RTL | ICD RECEIVED (2/8)

- ▶ Given below is the source from which ICDs were received and paid to the below mentioned parties during the period FY 2014-15 to FY 2016-17:

(INR in Crores)

Source Name	Source Amt (Trailed)	Nature	End Use - Amount
RCOM	8,804.81	Connected party payment	7,831.10
		Third Payment	651.41
		Payment to bank	197.10
		Statutory Payment	22.60
		<b>Total</b>	<b>8,702.21</b>
RBPO	2,500.00	Connected party payment	2500.000
		<b>Total</b>	<b>2,500.00</b>
RITL	1,200.00	Connected party payment	1,200.00
		<b>Total</b>	<b>1,200.00</b>
RTSL	93.81	Connected party payment	93.81
		<b>Total</b>	<b>93.81</b>
RWSL	130.74	Connected party payment	130.74
		<b>Total</b>	<b>130.74</b>
<b>Total</b>	<b>12,729.36</b>		<b>12,626.76</b>

For trailing the ICDs received only those with transactions with value of INR 50 crores (sum of transactions in a day) were selected. Hence, out of the INR 12,917.33 crores received from RCOM funds worth INR 8,804.81 crores were trailed to find the end use. INR 23.05 crores from Other Parties were not trailed.

Out of total ICD received of INR 16,864.93 crores, INR 11,803.36 crores were paid to connected parties.

(Note : Kindly refer annexure 5-D.3 for detailed breakup of payment to connected parties, third parties and banks)

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports  
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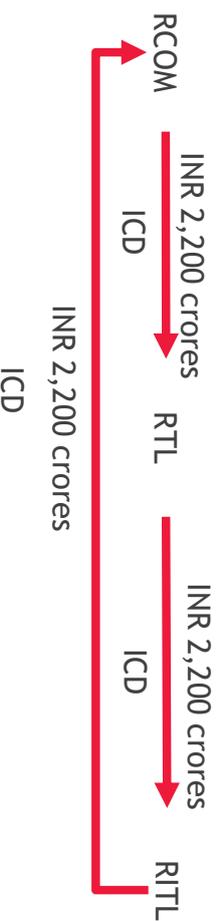


# RTL | ICD RECEIVED (3/8)

## 7. ICD from RCOM

Out of the total ICDs from RCOM amounting to INR 12,917.33 crores, funds worth INR 8,804.81 crores were trailed and below are the major utilisation of the ICDs:

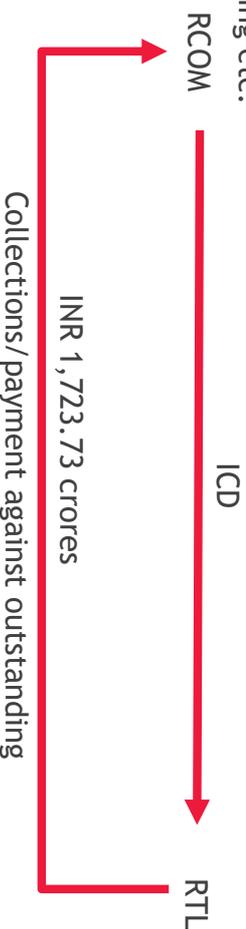
- i. Paid to RITL (INR 4,391.19 crores)
  - INR 2,200 crores were received on 23 September 2016 from RCOM, which were transferred to RITL. These funds were paid back to RCOM in the nature of ICD on the same date.



- On 27 June 2013, INR 337 crores paid to RITL as payment against outstanding were received from RCOM as an ICD.
- Funds received from RCOM in RTL amounting to INR 260 crores as ICD were transferred to RITL as Advance refund. These funds were further advanced to RBTV as ICD.
- Approximately INR 688.67 crores were paid to RITL as LC Payment.

## ii. Paid to RCOM (INR 1,723.73 crores)

- Out of amounts received from RCOM as ICD INR 1,723.73 crores was routed back to RCOM, in the form of collections, payments against outstanding etc.



Bifurcation of amounts into collections and payment against outstanding is not known. Since, description was not available in all fields.

# RTL | ICD RECEIVED (4/8)

- iii. Paid to RCTN (INR 600 crores)
  - On 31 March 2014, INR 600 crores received from RCOM as ICD were paid to RCTN as ICD.
- iv. Paid to RTSL (INR 567.18 crores)
  - INR 200 crores received from RCOM as ICD were paid to RTSL as refund of advance whereas INR 367.18 crores were paid to RTSL against outstanding dues.
- v. Paid to Netizen Engineering (INR 200 crores)
  - On 10 November 2015, INR 200 crores received from RCOM as ICD were paid to Netizen as capital advance.
- 8. **ICD from RBPO**
  - ICD received from RBPO on 20 January 2016 of INR 2,500 crores was given as an ICD to RCOM which were transferred to Netizen Engineering.

## 9. ICD from RITL

- ICD received from RITL on 24 January 2017 was repaid to RCOM amounting to INR 1,200 crores was routed in the following manner:



- As observed, the source of the above trail is RCIL which has been routed through the Target Entities and have finally been paid to RWSL in the nature of dues outstanding.

## 10. ICD from RWSL

- ICD received from RWSL on 14 March 2015 amounting to INR 130.74 crores were utilised to repay outstanding \* dues to RCOM (INR 31.41 crores), RITL (INR 91.86 crores), RCIL (INR 7.47 crores)

\* Several on account transfers were made between RTL, RCOM, RITL and RCIL. So, the specific nature is not known

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports

## RTL | ICD REPAID (5/8)

- ▶ Given below is the source from which ICDs were repaid to the below parties from which ICDs were received during the period FY 2013-14 to FY 2017-18:

(INR in Crores)

ICD Refunded to	Amount of refund	Source	Source Amount
RCOM	6,558.45	Received from Connected Entities	6,183.68
		receipts from Bank loans	132.48
		Receipts from Third Parties	27.85
		<b>Total</b>	<b>6,344.01</b>
RITL	2,500.00	Received from Connected Entities	2,500.00
		<b>Total</b>	<b>2,500.00</b>
RTSL	93.81	Received from Connected Entities	93.81
		<b>Total</b>	<b>93.81</b>
<b>Grand Total</b>	<b>9,152.27</b>	<b>Grand Total</b>	<b>8,937.83</b>

### 11. ICD repaid to RCOM

- ICD received from RBPO of INR 2,500 crores was given as an ICD to RCOM.
- INR 1,200 crores paid to RCOM of ICD to RTL.
- INR 1,699 crores received as collection from RWSL were repaid to RCOM on account of ICD.
- INR 331.68 crores were repaid to RCOM out of advance repaid by Sapphire Cable & Services Pvt Limited on 20 January 2016 and INR 50 crores on account of INR receipt of outstanding dues.
- INR 250 crores were received against outstanding from Netizen and were utilised to repay ICD funds to RCOM.

### BDO Conclusion:

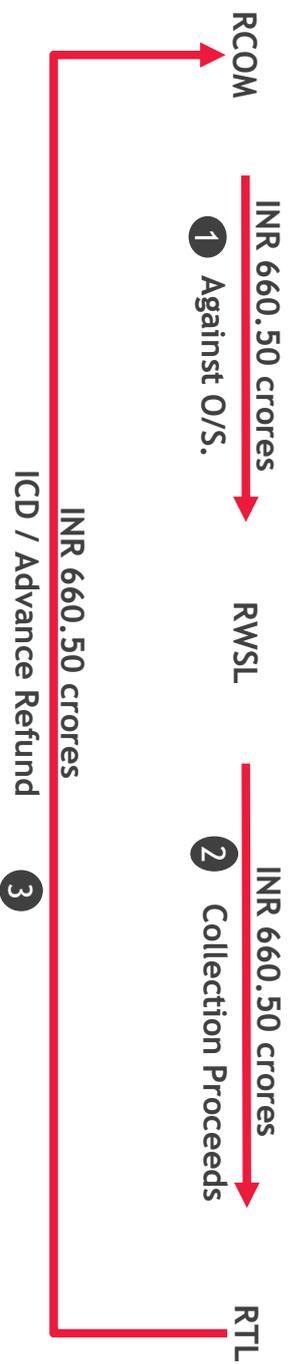
From the above observations from the Forensic Audit and the information provided by the Management, the lenders, and the Resolution Professional till 26 June 2020, the ICDs were used as a mechanism to route money through related parties. The accounting practice followed as mentioned elsewhere makes it very difficult to trace the source and end-utilization of individual ICDs due to non-availability of data and confirmation from other group companies / related parties regarding the end-utilisation.

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports

# RTL | ICD REPAID (6/8)

## A. Collections from RWSL

- RCOM paid INR 660.50 crores to RWSL against outstanding dues.
- RWSL utilized this amount to pay RTL as collection proceeds and RTL subsequently transferred the entire amount back to RCOM as outstanding ICD payable.
- Therefore, an amount received as revenue / collections by RTL from RWSL were ultimately received by RCOM. Thus, it can be inferred that the debtors / sales may be fictitious as the amount paid as collection proceeds of RTL were recycled from RCOM.
- The transaction is depicted in a flow-chart: RCOM used intraday limit of INR 100 crore in HDFC A/C 2817 to transfer the funds to RWSL. Later, when RTL paid the same amount to RCOM, the intraday limit gets refurbished allowing RCOM to make a fresh payment to RWSL. This was repeated multiple times and the overall the transactions accumulated to INR 660.50 crores, Transaction of 660.5 crores was done in two tranches INR 160.5 crores in May 2016 and INR 500 crores in January 2017.



Source: Bank Statements, Bank book, Information provided by Management, SAP Reports

# RTL | ICD REPAID (7/8)

## A. Collections from RWSL

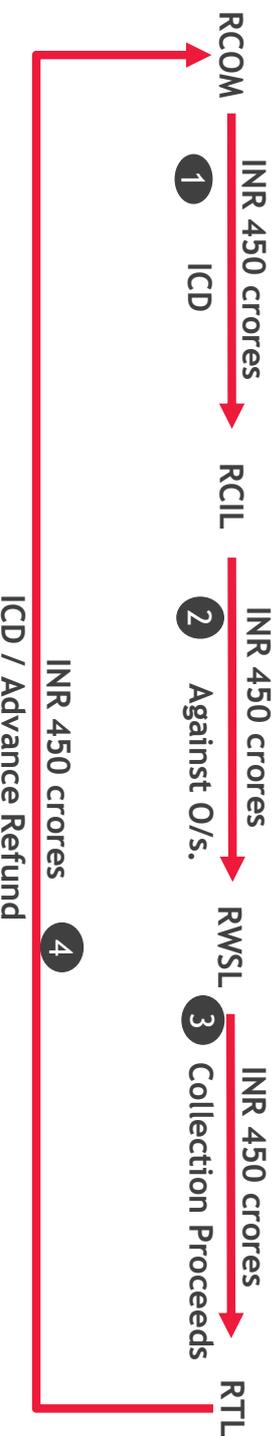
BDO_Account_Number	Date 1	Perticulars	Chq Number	Debit	Credit	Balance
00600310002817	18 May 2016	00600310003056-AGST OUTSTANDING NETBANK,MUMBAI	605186212345	80,00,00,000.00		-81,26,24,069.52
00600310002817	18 May 2016	RELIANCE TELEC-ICD REFUND NETBANK,MUMBAI	605186213150		80,00,00,000.00	-1,51,92,289.52
00600310002817	18 May 2016	00600310003056-AGST OUTSTANDING NETBANK,MUMBAI	605186220064	80,50,32,438.00		-82,02,24,727.52
00600310002817	18 May 2016	RELIANCE TELEC-ICD REFUND NETBANK,MUMBAI	605186221178		80,50,32,000.00	-1,51,92,727.52
BDO_Account_Number	Date 1	Perticulars	Chq Number	Debit	Credit	Balance
00600310002817	24 January 2017	00600310003056-AGAINST DUES	701242127148	1,00,00,00,000.00		-93,82,92,940.23
00600310002817	24 January 2017	RELIANCE TELEC-ADVANCE REFUND	701242128747		1,00,00,00,000.00	6,17,07,059.77
00600310002817	24 January 2017	00600310003056-AGAINST DUES	701242130264	1,00,00,00,000.00		-93,82,92,940.23
00600310002817	24 January 2017	RELIANCE TELEC-ADVANCE REFUND	701242131303		1,00,00,00,000.00	6,17,07,059.77
00600310002817	24 January 2017	00600310003056-AGAINST DUES	701242168531	1,00,00,00,000.00		-93,82,92,940.23
00600310002817	24 January 2017	RELIANCE TELEC-ADVANCE REFUND	701242169489		1,00,00,00,000.00	6,17,07,059.77
00600310002817	24 January 2017	00600310003056-AGAINST DUES	701242169804	1,00,00,00,000.00		-93,82,92,940.23
00600310002817	24 January 2017	RELIANCE TELEC-ADVANCE REFUND	701242170766		1,00,00,00,000.00	6,17,07,059.77
00600310002817	24 January 2017	00600310003056-AGAINST DUES	701242171474	1,00,00,00,000.00		-93,82,92,940.23
00600310002817	24 January 2017	RELIANCE TELEC-ADVANCE REFUND	701242173008		1,00,00,00,000.00	6,17,07,059.77

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports

# RTL | ICD REPAID (8/8)

## B. COLLECTIONS FROM RWSL

- RCOM paid INR 450 crores to RCIL as ICD.
- RCIL used the above amount to pay RWSL against outstanding dues.
- RWSL utilized the above amount to pay RTL as collection proceeds and RTL has transferred the entire amount back to RCOM on account of outstanding ICD payable.
- Therefore, the amount received as collection proceeds by RTL from RWSL were ultimately received by RCOM. Thus, it can be inferred that the debtors / sales may be fictitious as the collection proceeds of RTL were not from actual collections received.
- The transaction is depicted in a flow-chart : RCOM used intraday limit of INR 100 crore in HDFC A/C 2817 to transfer the funds to RWSL. Later, when RTL paid the same amount to RCOM, the intraday limit gets refurnished allowing RCOM to make a fresh payment to RWSL. Overall the transactions accumulated to INR 450 crores



Bank Name	Date 1	Particulars	Debit	Credit	Balance
HDFC Bank	23 December 2015	00600310002807-ICD NETBANK,MUMBAI	1,20,00,00,000.00		-85,00,85,300.00
HDFC Bank	23 December 2015	RELIANCE TELEC-ICD REFUND NETBANK,MUMBAI		1,20,00,00,000.00	34,99,14,700.00
HDFC Bank	23 December 2015	00600310002807-ICD NETBANK,MUMBAI	1,20,00,00,000.00		-85,00,85,300.00
HDFC Bank	23 December 2015	RELIANCE TELEC-ICD REFUND NETBANK,MUMBAI		1,20,00,00,000.00	34,99,14,700.00
HDFC Bank	23 December 2015	00600310002807-ICD NETBANK,MUMBAI	1,20,00,00,000.00		-85,00,85,300.00
HDFC Bank	23 December 2015	RELIANCE TELEC-ICD REFUND NETBANK,MUMBAI		90,00,00,000.00	4,99,14,700.00

From the above, it can be concluded that RCOM has utilised its intra-day limits to finance RWSL to pay collection proceeds worth INR 1,110.50 (660.50 + 450.00) crores to RTL. As a result, debtors of RTL were reduced to that extent. So, the possibility of debtors being fictitious cannot be ruled out.

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports

## 5-D.3. ICDS OF RITL

## RITL | ICD SUMMARY (1/7)

► Given below is a summary of ICDs received by RITL, during the period FY 2013-14 to FY 2016-17. Out of INR 20,188.14 crores received by RITL, majority of funds were received from RCIL. Accordingly, we have traced transactions as summarized below:

(INR Crores)

Party Name	Nature	ICD received	Utilised amount traced	ICD Repaid	Source traced
RCIL *	Bank Transfer	17,383.73	8,674.09	14,829.20	12,019.26
RCAP	Bank Transfer	1,863.35	1,600.17	1,487.35	
RCOM	Bank Transfer	815.12	662.68	6,642.10	5,731.92
Reliance Share & Stock Brokers Private Limited	Bank Transfer	125.00	125.00	125.00	
Sapphire	Bank Transfer	0.93	-	-	-
Netizen Engineering	Bank Transfer	-	-	51.74	61.74
Unknown	Bank Transfer	-	-	205.00	
<b>Grand Total</b>		<b>20,188.14</b>	<b>11,061.94</b>	<b>23,385.40</b>	<b>17,812.93</b>
RCOM	Adjustment	6,006.25	-	-	-
Netizen Engineering	Adjustment	66.67	-	-	-
RCIL	Adjustment	814.33	-	2,459.71	
Sapphire	Adjustment	-	-	0.93	
<b>Grand Total</b>		<b>6,887.25</b>		<b>2,460.64</b>	

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports

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# RITL | ICD RECEIPTS (2/7)

- During the Review Period, INR 20,188.14 crores were received as ICD from various parties, out of which we have trailed INR 11,189.48 crores for the end utilisation of these ICDs.

Name	Receipts	Party	End Use	Amount
Reliance Communications Infrastructure Limited	8,790.24	Connected Parties		6,795.87
		Payment to banks		811.81
		Statutory Payment		933.67
		Loss on forex realisation - S.Cr		70.00
Reliance Capital Limited	1,609.11	Invoice Financing		62.73
		Connected Parties		1,523.18
		Others		35.00
		Payment to banks		32.00
Reliance Communications Limited	665.13	Statutory payment		9.99
		Connected Parties		400.13
		Payment to banks		199.60
		Invoice Financing		62.95
Reliance Share & Stock Brokers Private Limited	125.00	Connected Parties		125.00
<b>Grand Total</b>	<b>11,189.48</b>			<b>11,061.94</b>

(Note : Kindly refer annexure 5-D.2 for detailed breakup of payment to connected parties, third parties and banks)

ICD transactions with value of INR 50 crores were selected to find the end use. Hence, out of the INR 20,188.14 crores received from various parties, funds worth INR 11,189.48 crores were trailed.

## 12. ICD from RCIL

i. Paid to Netizen Engineering (INR 1,417 crores)

Out of INR 8,790.24 crores receipt from RCIL, which were considered for our trail, INR 2,187.59 crores were paid to Netizen Engineering Private Limited as ICD/ Loan to Netizen, Capital advances etc.

ii. Paid to Reliance Communications Limited (INR 1,579.65 crores)

Major funds paid to RCIL were transferred to RCOM as Advance to RCOM, loans repaid etc..

iii. Paid to RCIL (INR 1,115.89 crores)

INR 1,115.89 crores were paid back to RCIL as fund transfers.

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports  
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## RITL | ICD RECEIPTS (3/7)

**iv. Paid to RBTV**

On 30 March 2017, INR 190 crores were paid to RBTV Advance refunded.

**v. Paid to RCAP**

INR 150 crores were paid to RCAP out of the funds received from RCLL.

**13. ICD from RCAP**

**i. Paid to Reliance Capital Limited (INR 600 crores)**

Out of INR 1,609 crores received from RCAP, which were considered for our trail, INR 600 crores were repaid back to RCAP on the same date. There is a possibility that these funds transfer took place to maintain the OD limit of RITL with HDFC bank.

**ii. Paid to Reliance Communications Infrastructure Limited (INR 829.18 crores)**  
INR 839.18 crores were paid to RCLL as fund transfers.

**15. ICD from RCOM**

**i. Paid to Reliance Realty Limited (INR 400.13 crores)**

INR 400.13 crores were paid to RRL as ICD to the company.

Paid to DBS (INR 199.60 crores)

On 26 August 2016, INR 199.60 crores were paid to DBS bank as ECB repayment.

## RITL | ICD REPAYMENTS (4/7)

- ▶ Given below is the source from which ICDs were repaid to the below parties from which ICDs were received during the period FY 2013-14 to FY 2016-17:

(INR Crores)

Repayment of ICD	Amount (Trailed)	Nature of receipts	Source Amount
Reliance Communications Infrastructure Limited	12,252.18	Received from Connected Parties	10,018.64
		Receipts from Bank Loans	1,035.65
		Received from third party / others	969.36
		Receipts from Invoice Finance	62.84
		<b>Total</b>	<b>12,086.49</b>
Reliance Communications Limited	5,774.06	Received from Connected Parties	5,566.70
		Income Tax Refund	73.00
		Receipts from Invoice Finance	25.00
		<b>Total</b>	<b>5,664.70</b>
Netizen Engineering	61.74	Receipts from Connected Parties	61.74
		<b>Total</b>	<b>61.74</b>
<b>Grand Total</b>	<b>18,087.92</b>		<b>17,812.93</b>

(Note : Kindly refer annexure 5-D.2 for detailed breakup of payment from connected parties, third parties and banks)

For trailing the ICDs received, only those with transactions with value of INR 50 crores were selected. Hence, out of the INR 23,385.40 crores received from various parties, funds worth INR 18,087.92 crores were trailed to find the end-use.

### 16. Paid to RCIL

#### i. From RCOM (INR 5,039.85 crores)

Out of the amounts trailed which were paid to RCIL, INR 5,039.85 crores were out of the funds received from RCOM - INR 1,822.52 crores were on account of given, while INR 3,217.32 crores were on account of bill discounting.

#### ii. From Netizen Engineering (INR 1,547 crores)

INR 1,547 crores received from Netizen Engineering as ICD / Loan was transferred to RCIL as advance.

# RITL | ICD (5/7)

## Management Comments

Rs. 552.55 crore (Rs. 305.4 crore and Rs. 247,15 crore) were received by RITL from RCIL. There are no unnamed parties in ICD account and party details are available in SAP.

Sr.	Company	Receipt	Repayment
1	RCIL *	17,593.90	17,878.42
2	RCOM - related to Vendor / Customer accordingly transferred	668.62	6,674.87
3	RCAP	1,863.35	1,487.35
4	Reliance Share & Stock Brokers P.Ltd	125.00	125.00
5	Sub Total [A]	20,125.87	26,040.64
6	Assignment		
6.1	RCOM-RCIL	200.00	
6.2	RCIL-Netizen	66.67	
6.3	RCIL-Sapphire		0.93
7	Transfer to Vendor & Customer accounts of RCOM	6,006.25	
8	Transfer Vendor / Customer of RCIL (net)		1,845.38
9	Sub Total [B]	6,272.92	1,846.31
10	Opening Balance as on 01st April, 2013	5,869.80	
10.1	RCOM	2,718.94	
10.2	RCIL	3,150.86	
10.3	RCAP	-	
11	Closing Balance as on 31st March, 2017	4,381.63	
11.1	RCOM	2,718.94	
11.2	RCIL	1,286.70	
11.3	RCAP	376.00	

\* Repayment includes Rs. 1,600 crore paid to RBPO on behalf of RCIL

# RITL | ICD (6/7)

## Management Comments

RITL, a subsidiary of RCIL and RCOM is the ultimate holding Company of RITL. RITL provides passive telecommunication infrastructure services to RCOM.

RCOM being the ultimate holding Company provides financial support to RITL as well as makes payment on account of services availed in the ordinary course of business. RCIL being the holding company also provides financial support to RITL for its operations in the ordinary course of business.

The payments by RITL to RCOM and RCIL were towards ICD repayment after appropriating the balances in current account towards operations. Further, transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. Summary of transactions with RCOM and RCIL is given in the table below-

Particulars	RCOM
<b>Opening Balance as on 01st April, 2013</b>	<b>-3,888</b>
Long Term Loan	-2,719
Preference Share Yield	-1,006
Vendor / Customer	-163
Billing towards services	13,337
Reimbursement of expenses	-1,412
Pref Share Yield/ Written back (net)	979
Amount received	-15,683
Payments made	8,406
Others - Insurance, Inventory etc	74
Assignment (net)	752
<b>Closing Balance as on 31st March, 2017</b>	<b>2,565</b>
Long Term Loan	-2,719
Preference Share Yield	-27
Advance given by RITL	5,311

Particulars	RCIL
<b>Opening Balance as on 01st April, 2013</b>	<b>-2,896.45</b>
Loan	-3,150.86
Vendor / Customer	254.41
Billing towards services	2,292.42
Reimbursement of expenses	-594.61
Expenses towards services received	-3,420.18
Amount received	-21,088.77
Payments made	25,978.64
Others	2.40
Assignment (net)	-1,565.73
<b>Closing Balance as on 31st March, 2017</b>	<b>-1,292.29</b>
Loan	-1,286.69
Vendor / Customer	-5.59

Netizen is a Contractor and specializes in execution of turnkey projects relating to Fiberisation of Towers, Upgrade of Utility assets and Strengthening of Towers so as to enable multi tenancy sharing by multiple operators The advances were extended in ordinary course of business for roll out of the Capex projects

# RITL | ICD (7/7)

## Management Comments

The Company has received ICD from RCAP Rs. 1,863.35 crore and repayment of Rs. 1,487.35 crore made during the review period. Outstanding balance as on 31st March, 2017 were Rs. 376 crore.

The referred Rs. 600 crore comprises of 3 transactions of Rs. 200 crore each repaid on due date and new loan taken thereafter. The loans were repaid on due date to keep the account standard in the ordinary course of business and further at the time when the transactions took place, the Company was neither in SDR nor under IBC.

As specified in above revised table, there was opening balance in ICD received account from RCOM and RCIL. There are no unknown / unidentified parties in ICD account and party details are available in SAP. Party details of ICD account available in SAP have been shown to BDO team and they have agreed to remove the observation. Accordingly management comment will also be removed / revised.

As summarised in table, fund transfer from RCOM to RITL were initially routed through ICD account and subsequently transferred to the respective vendor and customer account since pertaining to the on account of business transactions.

RITL, a subsidiary of RCIL and RCOM is the ultimate holding Company of RITL. RITL provides passive telecommunication infrastructure services.

RCOM and RCIL had provided financial support to RITL for its operation in the ordinary course of business and the ICDs have been repaid by RITL as and when the funds were available. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

There are no unknown / unidentified parties in ICD account and complete party details are available in SAP.

## BDO Conclusion:

From the above observations from the Forensic Audit and the information provided by the Management, the lenders, and the Resolution Professional till 26 June 2020, the ICDs were used as a mechanism to route money through related parties. The accounting practice followed as mentioned elsewhere makes it very difficult to trace the source and end-utilization of individual ICDs due to non-availability of data and confirmation from other group companies / related parties regarding the end-utilisation.

## **5-E. TRANSACTIONS OF SUBSTANTIAL AMOUNTS**

**5-E.1.A. NETIZEN ENGINEERING PRIVATE LIMITED**

**5-E.2.B. ISSUE OF PREFERENCE SHARES IN LIEU OF DUES**

**5-E.3.C. PARTY WISE OBSERVATIONS**

## TRANSACTIONS OF SUBSTANTIAL AMOUNTS

The following slides explain transactions of RCOM, RITL and RTL which involve substantial amounts. Transactions with debtors and creditors (as mentioned in the respective Trial Balances) involving movements of funds above INR 100 crores were selected for detailed review. The following observations give details of the parties involved and specifically the transactions with following parties are explained:

- I. Netizen Engineering Private Limited
- II. Reliance Communications Tamil Nadu Limited
- III. Independent TV Limited
- IV. Reliance Realty Limited
- V. Kunjbihari Developers Private Limited
- VI. Tenormac Enterprises Private Limited
- VII. Reliance Alpha Services Private Limited
- VIII. Reliance ADA Group Private Limited
- IX. Reliance Cleangen Limited
- X. Reliance Unicorn Enterprises Private Limited
- XI. Reliance Tech Services Limited
- XII. Sapphire Cable And Services Pvt Ltd
- XIII. Reliance Communications Infrastructure Limited
- XIV. Reliance Webstore Limited
- XV. Creative Ashtech Private Limited
- XVI. Telebroad Enterprises Private Limited
- XVII. Reliance BPO Private Limited
- XVIII. Reliance Jio Infocomm Limited
- XIX. Reliance Globalcom BV
- XX. Reliance Telecom Limited
- XXI. Reliance Infratel Limited



## DATA LIMITATION & DISCLAIMER

**Ledger Analysis:** For ledger analysis, only data from 2014-15 to 2016-17 has been considered. The data for the year 2013-14 was stored on two different servers out of which access was granted to only one server. We had requested for access to data of 2013-14 on 8 August 2019 and with reminders subsequently, however, the access to the other server was granted on 5 December 2019, which was beyond our initial cut-off date for data given to RCOM. Hence, the data could not be analysed and presented.

**Book Narrations:** Wherever applicable we relied on the narration as given in SAP to analyse the transactions.

## 5-E.1. TRANSACTIONS OF SUBSTANTIAL AMOUNTS

### A. Netizen Engineering Private Limited

# TRANSACTIONS WITH NETIZEN (1/6)

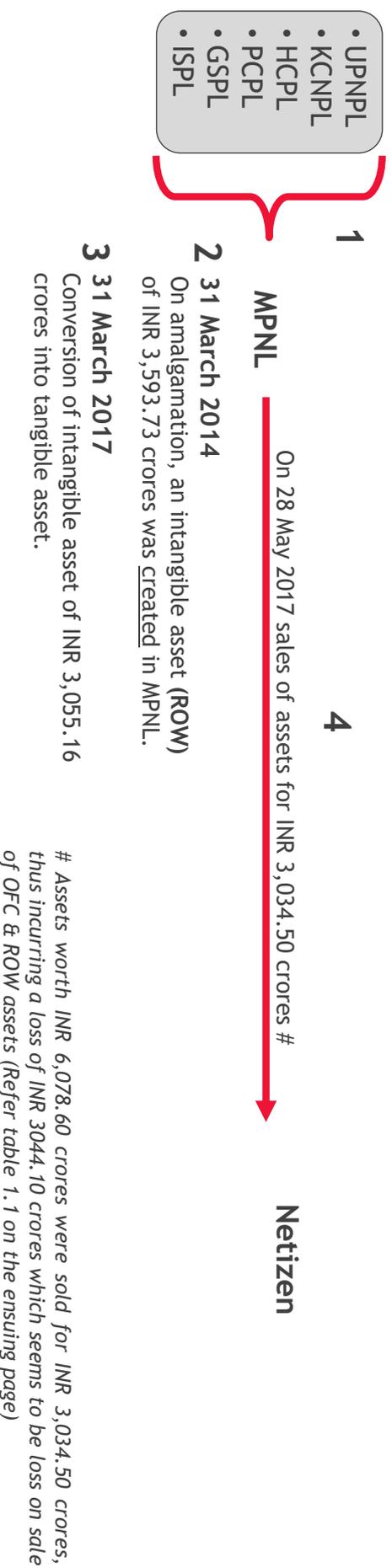
Capital Advances of INR 5,525 crores from RCOM to Netizen were settled for asset worth INR 2,037 crores.



On 28 May 2017, RCIL, from Netizen, acquired optic fibre cable along with ROW in select states across the country for a value of INR 3,036 crores against capital advance granted earlier by the company and RITL and transfer to RCIL by way of Business transfer on the same day.

## \* Modus for creation of Assets (ROW)

- No purchase and sale of assets were noted in the audited financials of Netizen. However, as per agreements, these assets were in the possession of Netizen.
- These assets were purchased from MPNL by Netizen and assets were created in the books of MPNL on the basis of valuation of ROW assets in the books of the six companies. However, no intangible assets were found in the books of the six amalgamating companies. Thus, the creation of a fictitious asset in the books of MPNL cannot be ruled out.



Source: Business Transfer Agreements Bank Statements, Bank book, Information provided by Management, SAP Reports, Valuation Report  
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# TRANSACTION BETWEEN MPNL & NETIZEN & RCIL (2/6)

Table 1.1 Summary of Business Transfer Agreements between MPNL & Netizen and Netizen & RCIL

Particulars	Assets sold by MPNL to Netizen on 28 May 2017		Assets sold by Netizen to RCIL on 28 May 2017	
	MPNL	Netizen Received	RCIL	
Fixed Assets ( Right of Way)	3,041.24	Sold to RCIL	3,039.14	
Other receivable - Tenormac Enterprises Private Limited	3,042.00	3,042.00	0	
Sundry Debtors	0.68	Sold to RCIL	0.68	
Sundry Creditor -RITL	-4.92	Sold to RCIL	-4.92	
Unearned Income	-0.40	Sold to RCIL	-0.40	
<b>Net value of Assets transferred</b>	<b>6,078.60</b>			
Purchase Consideration (As per Business transfer Agreement)	3,034.50			
Loss on sale of assets (As per the books of MPNL)	3,044.10			

- ▶ From the above, it can be inferred that the RoW Assets were sold by MPNL at a loss of INR 3,044 crores along with Receivable Balance of Tenormac and sundry balances. However, in the books of Netizen the receivables from Tenormac is reflected as on 31 March 2018 only at full value of INR 3,042 crores. This implies that the loss on sale of asset is wholly on account of the RoW assets. The same assets (RoW) were sold to RCIL for INR 3,039.14 crores but no profit / loss recognized by Netizen.
- ▶ RCIL acquired these assets from Netizen and subsequently impaired the asset to by INR 1,000 crores in the year of purchase, thereby reducing the book value of assets. This indicates that Netizen sold an over valued asset to RCIL, thus by adjusting the balances due and the balance value of INR 2,270 crores were held as assets for sale in the books of RCIL in the year 2017-18.
- ▶ Given the above transaction series, the possibility of a fictitious asset / over valuing the asset in the first instance cannot be ruled out

Source: Business Transfer Agreements Bank Statements, Bank book, Information provided by Management, SAP Reports

# TRANSACTION BETWEEN MPNL & NETIZEN & RCIL (3/6)

## Management Comments

As Netizen acquired and sold the OFC undertaking through business transfer agreements, this being a trading transaction cannot be reflected in fixed asset schedule as addition / deletion as per accounting norms. Profit on said transaction is recognized in the Statement of Profit & Loss.

In MPNL, book value of OFC assets was Rs. 3,035 crore and sold at the same value, hence no loss on account of sale of OFC assets. Further, NEPL also recorded OFC assets at the same value and not recorded any receivables. RCIL has also recorded the said OFC assets at Rs. 3037 crore.

In accordance with the Court approved Scheme of Amalgamation, Giga Solutions Pvt Limited, Infomagic Solutions Pvt Limited, Kerala Communication Network Pvt Limited, Punjab Cybernet Pvt Limited, Haryana Cybernet Pvt Limited and Uttar Pradesh Network Pvt Limited were amalgamated with MP Network Private Limited (MPNL) with effect from Appointed date 31st March 2014. By virtue of the Court approved Scheme, assets relating to Right of Way / Work (RoW) of about 36,000 route km in 6 States were to be accounted at fair value and consequently accounted at Rs 3,594 crore as on 1st April 2014 based on Fair Valuation report of a registered Valuer. Copy of fair valuation report and Court Approved Scheme were already provided and attached as Annexure 1& 2

In May 2017, MPNL sold the OFC undertaking comprising of Right of Work (RoW) of about 36,000 route km in 6 States to NEPL at its book value of Rs 3,035 crore. as per table given :

Value as per fair valuation report on 01st April, 2014 3,594

Less: Depreciation @ 5%

FY 2014-15 180

FY 2015-16 180

FY 2016-17 180

FY 2017-18 up to May, 17 20

Total Depreciation 560

**Net Book value 3.034.5**

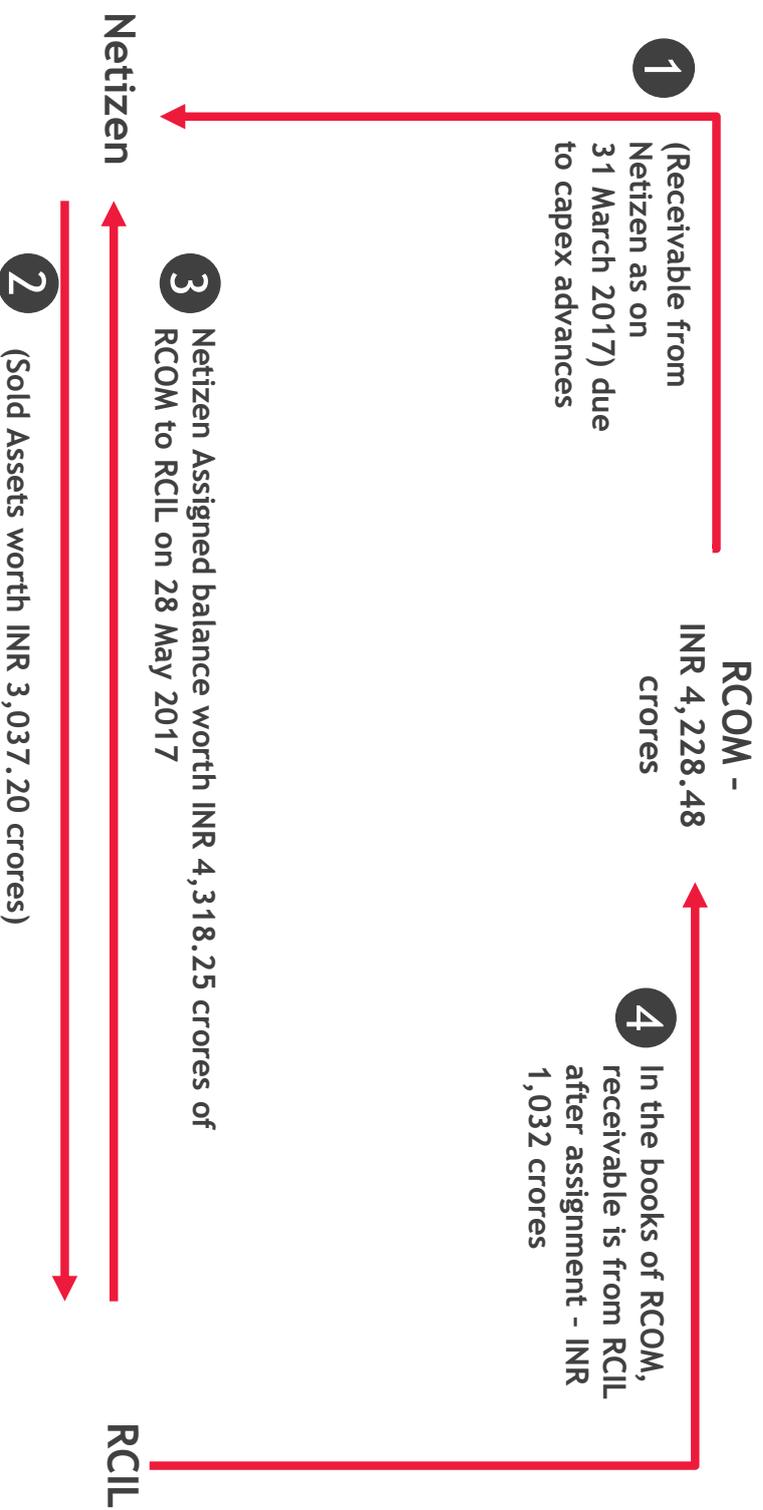
In MPNL, book value of OFC assets was Rs. 3,035 crore and sold at the same value, hence no loss on account of sale of OFC assets. Further, NEPL also recorded OFC assets at the same value and not recorded any receivables. RCIL has also recorded the said OFC assets at Rs. 3037 crore. This is also substantiated from the financial statements of Netizen, which does not show any increase in receivable of Tenormac from March 17 to March 18,

# TRANSACTION BETWEEN MPNL & NETIZEN & RCIL (4/6)

## Management Comments:

MPNL sold at a loss is incorrect, as it sold at book value of Rs. 3,035 crore as given in table above. In December 2017 RCOM group entered into a binding agreement for sale of fiber assets with RJIO and accordingly the fiber assets classified as assets held for sale in financial statements of March 2018 and provision of Rs. 1,000 crore was created against assets held for sale in accordance with Ind AS.

# IMPACT OF TRANSACTIONS BETWEEN RCOM, NETIZEN & RCIL (5/6)



- ▶ Receivable balance of Netizen as on 31 March 2017 was INR 4,228.48 crores in RCOM's books and was due to capex advances to Netizen and adjustment of other receivable balances into Netizen Ledger. Since Netizen could not repay the advance amount, this balance was assigned by transferring asset to RCIL.
- ▶ These assets acquired in the books of Netizen from MPNL were not reflected in the fixed asset schedule in the Audited Financials (FY 2017-18) of Netizen. However, as per the BTA between Netizen and RCIL, these assets were transferred to RCIL. Thus, the receivables originally from Netizen is now the receivable balance from RCIL.

Source: Business Transfer Agreements Bank Statements, Bank book, Information provided by Management, SAP Reports  
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## TRANSACTION BETWEEN MPNL & NETIZEN & RCIL (6/6)

### Management Comments:

NEPL acquired and sold the OFC undertaking through business transfer agreements, this being a trading transaction cannot be reflected in fixed asset schedule as addition / deletion as per accounting norms. RCIL by acquiring the OFC undertaking of Rs.3,037 crore has adjusted receivable from NEPL to that extent.

## BACKGROUND OF M.P. NETWORK LIMITED (1/3)

Corporate Identity Number(CIN)	U72200MH2000PLC221312
Previous Names	NIL
Registered Address	6 <sup>th</sup> Floor, Plot No. 82 Nagin Mahal, Veer Nariman Road, Churchgate, Mumbai, MH - 400020
Incorporation date	01 March 2000
Type of Service	Consultancy fees (as at March 2016) Information and communication (as at March 2017)

### ► Shareholders of MPNL & ONPL

MPNL was 100% subsidiary of RCOM (up to 10 February 2014) after which MPNL became 100% subsidiary of Orissa Network Private Limited (ONPL). Post 10 February 2014, ONPL was held majorly by Netizen India Private Limited (27.30%) and Netizen Engineering Private Limited (27.60%). Refer Annexure-5-E.1.1.

### ► Relationship between ONPL,MPNL & Netizen

Directors of these three companies namely Netizen, MPNL and ONPL are current employees of RCOM and it's group companies.

Employee details in RCOM Group				Common Directorships			
Employee Number	Name	Designation in RCOM	Business	Date of Joining	Netizen	MPNL	ONPL
20000059	Anil Kalya	Vice President	Enterprise	21 March 2000	✓	✓	
20031265	Tunu Sahu	Manager	Corporate Staff	10 January 2008	✓		
20020654	Sanjeev Modi	Senior Vice President	Infratel	18 December 2006	✓		
20017812	Ramanan Laxminarayan	Senior Vice President	Shared Services	09 June 2006		✓	
20004292	Gaurang Shah	Vice President	Corporate Staff	30 September 2002	✓		✓
20017723	Hitesh Chawda	Vice President	Corporate Staff	05 June 2006		✓	
20003242	Jaywant Prabhu	Vice President	Enterprise	15 July 2002		✓	✓
21003109	Divyang Tahkker	Vice President	Enterprise	03 March 2014		✓	

# BACKGROUND OF M.P. NETWORK LIMITED (2/3)

## ▶ Common Registered office address & Contact details

The registered office of ONPL is same as that RCOM i.e. H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai - 400710  
Also, the contact details of ONPL and RCOM are the same i.e. 022-30386286. Refer Annexure 5-E.1.2.

## ▶ Ownership of Right of Way (RoW)

- On 31 March 2014, the following companies were amalgamated into MPNL:
  - Uttar Pradesh Network Private Limited,
  - Kerala Communications Network Private Limited,
  - Haryana Cybernet Private Limited,
  - Punjab Cybernet Private Limited,
  - Giga Solutions Private Limited
  - Info magic Services Private Limited
- The Right of Way was valued by a valuer<sup>1</sup> on 31 March 2014 at INR 3,593.73 crores. (It may be noted that in the valuation report the attached communications issued by local government authority are addressed to RCOM, RITL and the above mentioned amalgamating companies) The cost (book value) of RoW asset could not be ascertained as it did not appear in any of the 6 companies books prior to amalgamation.
- These companies held **no tangible or intangible assets** as on 31 March 2014 (as per the audited financials). Instead in FY 2012-13, Uttar Pradesh Network Private Limited (UPNPL) had been assigned assets and liabilities of **INR 4,654 crores** from Netizen. The assigned underlying asset and liability could not be ascertained.
- However, on amalgamation with MPNL, the books of MPNL (as on 31 March 2015) show an intangible asset (Right of Way) of INR 3,593.73 crores. At the time of amalgamation, as per the MGT-9 (Extract of the Annual Return) for the year ended 31 March 2015, the principal business activity of MPNL is disclosed as *Consultancy fees*, which is not in line with the business of acquiring right of way assets from the six companies upon merger.

1 - The effective date of Amalgamation was 05 November 2014 (as per order of High Court) and appointed date was 31 March 2014.

2- Valuation report dated 31 March 2014 issued by Annol Sekhri Consultants Pvt. Ltd.

## TRANSACTION BETWEEN MPNL & NETIZEN (3/3)

- ▶ In FY 2016-17, MPNL sold the entire intangible asset at book value of INR 3,055 crores. In the same year, MPNL purchased tangible asset of INR 3,065 crores. The nature and purpose of these assets could not be ascertained. The parties to which intangible assets was sold and from which tangible assets was purchased are not known.
- ▶ In FY 2017-18, as per the audited financials of MPNL, the value of the tangible asset of INR 3,065.60 crores and a receivable asset of INR 3,042 crores was sold at a loss of INR 3,044.10 crores. The receivable asset was taken in the books of Netizen at the same value, while the tangible asset was sold to RCIL. This could mean that the real value of the asset was substantially lower than what it was acquired for and the loss on sale is associated only with the tangible asset. Refer ensuing page for assets and liabilities sold from MPNL to Netizen and further to RCIL.
- ▶ However, as per the BTA between MPNL and Netizen<sup>1</sup> dated 28 May 2017, MPNL sold its Optic Fibre Cable (OFC) business to Netizen for INR 3,034.5 crores. OFC undertaking means the entire business of MPNL related to optic fibre cable along with all related assets (tangible and intangible), liabilities and employees.
- ▶ Subsequently, on the same day Netizen transferred these assets to RCIL for INR 3,037 crores vide BTA between Netizen and RCIL<sup>1</sup> dated 28 May 2017.
- ▶ Netizen neither held any fixed assets (tangible and intangible) as on 31 March 2016, 31 March 2017 and 31 March 2018 nor had any transactions during the year which shows movement of assets, as per the audited financial statements filed with the MCA. However, the BTAs between MPNL & Netizen, dated 28 May 2017, and between Netizen & RCIL, dated 28 May 2017, mention that the assets in ownership & possession of Netizen, as on that date, were transferred to RCIL for INR 3,037 crores, which do not appear to be in concert with the audited financials of Netizen.

Thus, assets which were non-existent in the books of the six companies appeared on amalgamation in the books of MPNL as an intangible asset. MPNL sold these intangibles and a tangible asset was purchased (as disclosed in the audited financials of MPNL), the principal business activity being consultancy. These assets were further sold to Netizen at a loss of INR 3,044.10 crores and Netizen further sold the asset to RCIL. (Refer Annexure-5.E.1.3)

### Netizen (Netizen)

(INR in Crores)

Particulars	2015-16	2016-17	2017-18
Tangible Assets	NIL	NIL	NIL
Intangible Assets	NIL	NIL	NIL
Other Current Liabilities	7,106.79	5,868.55	6,175.42

### M.P. Networks (MPNL)

(INR in Crores)

Particulars	2015-16	2016-17	2017-18
Tangible Assets	NIL	3065	NIL
Intangible Assets	3,244	NIL	NIL
Other Current Liabilities	3,604	3,604	6,657

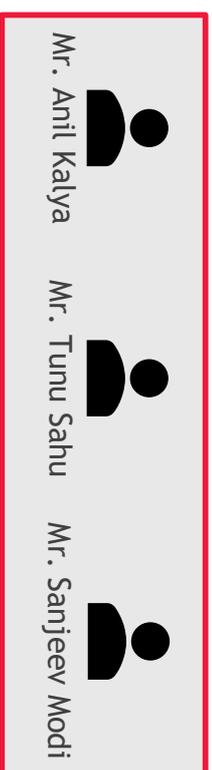
<sup>(1)</sup> BTA agreements between MPNL & Netizen and subsequently between Netizen & RCIL were executed in Noida (Uttar Pradesh) and have been kept at Delhi. These agreements have been executed on a Rs. 100/- Stamp Paper. The signed copy of agreements is not provided to us.

# BACKGROUND OF NETIZEN (1/4)

<b>Corporate Identity Number (CIN)</b>	U74110MH2000PTC127631
<b>Previous Names</b>	Reliance Cyber Logarithm Pvt Ltd Reliance Infocom Engineering Pvt Ltd
<b>Address</b>	Manek Mahal, Flat No.19& 20. 6th FL., 90, Veer Nariman Road, Churchgate, Mumbai MH 400020 IN
<b>Type of Services</b>	As per Financials, company is into construction services of long-distance underground telecommunications transmission lines
<b>Incorporation Date</b>	07 July 2000

## RELATIONSHIP BETWEEN NETIZEN AND RCOM

During our review period, it was noted that three directors of Netizen are employees of RCOM. Details of the same are as below:



Directors of Netizen  
Employees of RCOM



### Details of persons who are employees in RCOM

Employees at RCOM			
Employee Number	Name	Designation	Date Of Joining Status
20000059	Anil Kalya	Vice President	21 March 2000 Active
20031265	Tunu Sahu	Manager	10 January 2008 Active
20020654	Sanjeev Modi	Senior Vice President	18 December 2006 Active

### Details of persons who are Directors in Netizen

Directorship at Netizen				
DIN	Name	Designation	Appointment Date	Cessation Date
06460981	Anil Kalya	Director	17 June 2014	29 July 2019
02021223	Tunu Sahu	Director	24 September 2008	04 May 2018
08109280	Sanjeev Modi	Director	04 May 2018	-

# FINANCIAL SUMMARY (2/4)

## COMMON RELATIONSHIP BETWEEN NETIZEN AND RCOM

- **SHAREHOLDERS** - As on March 2017, six companies are shareholders of Netizen. Employees of RCOM who are directors in Netizen have interest in these shareholders (companies) of Netizen. Shareholding details as below:

		FY 2016-17		
SN	Name	No of Shares	% of holding	Companies are related/held by employees of RCOM
1	Reliance Globalcom Management Pvt Ltd	1,900	19 %	✓
2	Renovision Systems Pvt Ltd	1,400	14 %	✓
3	Reliance Integrated Service Pvt Ltd	1,900	19 %	✓
4	MP Network Pvt Ltd	1,500	15 %	✓
5	West Bengal Network Pvt Ltd	1,500	15 %	✓
6	Sapphire Cable & Services Pvt Ltd (erstwhile Reliance Next Link Pvt Ltd)	1,800	18 %	✓
		10,000	100 %	

Source-MCA Records

## STATUTORY AUDITOR'S COMMENTS ON FINANCIALS OF NETIZEN FOR FY 2016-17:

### ► AUDITOR:

Emphasis of Matter -

“We draw attention to Note 2.21 in the financial statements regarding accumulated losses exceeding the Net Worth of the Company and the financial statements being prepared on going concern basis. Our opinion is not modified in this respect:”

“The accumulated losses of the Company exceed its paid-up capital resulting in an erosion of its net worth. The accounts have been prepared on going concern basis, on the understanding that the other body corporate here by undertakes directly or indirectly to provide the Company with such financial support as they may require to continue the business activities.”

Similar comments were made by Auditors for FY 2014-15 & FY 2015-16

# FINANCIAL SUMMARY (3/4)

## COMPARISON OF PURCHASES IN RCOM/RTL/RTL BOOKS AND REVENUE IN NETIZEN'S BOOKS:

- On perusal of the invoices booked in the ledger of Netizen in the books of RCOM, RITL & RTL and the Revenue recorded in the Financials of Netizen, discrepancy was observed for the year FY 2016-17. Refer below table for the same:  
(INR in crores)

Particulars	FY 2014-15	FY 2015-16	FY 2016-17
(A) Purchase Invoices by RCOM, RITL & RTL from Netizen *	212.98	1,088.72	1,739.04
(B) Total Revenue of Netizen(as per Netizen financials)	408.66	1,477.15	1,521.19
(C)=(A)/(B) Excess booked in books of RCOM, RITL & RTL	52%	74%	114%

\* (as per Netizen's Ledger in RCOM, RITL & RTL) - Basis value excluding taxes.

- From the above, it can be concluded that majority of the revenue of Netizen is from RCOM & RITL.
- In the FY 2016-17, RCOM, RITL and RTL have booked invoices worth INR 1,739.04 crores whereas Netizen has booked INR 1,521.19 crores as revenue. The majority of the revenue of Netizen is from RCOM during the years 2014-15 and 2015-16. Also, it was noted that there is discrepancy during 2016-17 in the revenue reported in Netizen where the purchases of RCOM is higher than the total revenue of Netizen

## Fund-outflow basis FS Review

Netizen Ledger account (in RCOM's book) vis-à-vis Financials of Netizen:

(INR in crores)

Year	Netizen Ledger in RCOM, RITL & RTL Total Payout (gross) from RCOM, RTL & RITL as advances	Netizen Financial Statement Advance from customer	Payment to body corporates
2014-15	2,523.03	2,121.45	1,435.82
2015-16	6,349.60	6,780.57	5,620.48
2016-17	599.56	5,462.46	5,270.44

- From above, it appears that funds received from the Target Entities by Netizen are paid to body corporates viz. Sapphire Cable & Services Private Limited & Tenormac Enterprise Private Limited which had balance outstanding as at March 2016 of INR 2,092 crores & 2,594 crores respectively. Refer Annexure -5-E.1.4. for the break up of all parties.

Source-SAP Report, Audited Financial Statements

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# FINANCIAL SUMMARY (4/4)

## FINANCIAL POSITION OF NETIZEN

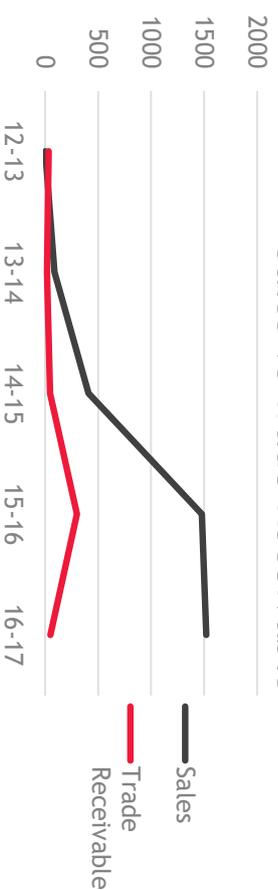
(INR in crores)

Year	Net Worth	Sales	Total		Employee benefit expenses	Inventory	Short Term		Long Term	Short Term
			Fixed Assets	Assets			Term	Term		
2013-14	-1,764.29	87.57	-	5.84	643.17	1,072.25	668.00	2,020.48		
2014-15	-4,043.54	408.66	-	3.70	698.26	2,129.11	668.00	3,797.41		
2015-16	-5,364.83	1,477.15	-	0.74	311.00	6,286.12	708.00	5,523.97		
2016-17	-5,652.20	1,521.19	-	0.69	40.50	6,125.49	700.53	7,108.98		

- ▶ It was also observed Netizen has no employee benefit expenses commensurate with the nature and size of business. As per the EPF1 website, Netizen had filed EPF for 7 employees as on 31 March, 2017. For May 2019, Netizen had 3 employees. However, there was a sudden increase in the number of employees in August 2019 & September 2019 to 1,590 & 1,875 respectively. Considering that most of the transactions of Netizen are with RCOM which was under insolvency during August 2019, the nature of business of Netizen and its business appears suspicious. Refer Annexure-5.E.1.5
- ▶ As observed in the financials, it appears that Netizen accepts borrowings and transfers them to other body corporates.

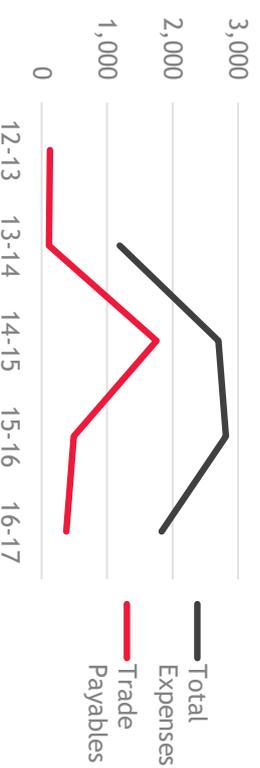
- ▶ The Net worth of Netizen shows a decreasing trend and is INR 5,652.20 crores in FY 2016-17.
- ▶ Short-term borrowings show an increasing trend, which shows that Netizen borrows from body corporates.
- ▶ Netizen had no fixed assets (tangible or intangible asset) during the year.

### Sales vs Trade Receivable



- ▶ As observed, sales are on cash basis rather than credit basis.
- ▶ RCOM/RTIL being the major customer are advancing money to Netizen at a faster rate.

### Costs vs Trade Payables



- ▶ As observed, while the total expenses are on an increasing trend, the trade payables are declining which implies that vendors are paid at a faster rate.

Source-SAP Report, Audited Financial Statements

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# TRANSACTION BETWEEN MPNL & NETIZEN & RCIL

## Management Comments

In accordance with the Court approved Scheme of Amalgamation, Giga Solutions Pvt Limited, Infomagic Solutions Pvt Limited, Kerala Communication Network Pvt Limited, Punjab Cybernet Pvt Limited, Haryana Cybernet Pvt Limited and Uttar Pradesh Network Pvt Limited were amalgamated with MP Network Private Limited (MPNL) with effect from Appointed date 31st March 2014. By virtue of the Court approved Scheme, assets relating to Right of Way / Work (RoW) of about 36,000 route km in 6 States were to be accounted at fair value and consequently accounted at Rs 3,594 crore as on 1st April 2014 based on Fair Valuation report of a registered Valuer. Copy of fair valuation report and Court Approved Scheme were already provided and attached as Annexure 1 & 2

In the books of MPNL, there has been no purchase and sale during FY16-17 except purchase of fiber assets of Rs. 10 crore. Addition and deletion of Rs, 3,055 crore is on account of reclassification of intangible assets into tangible assets and in the nature of contra accounting entry. Further this is not relevant as it is in the books of MPNL.

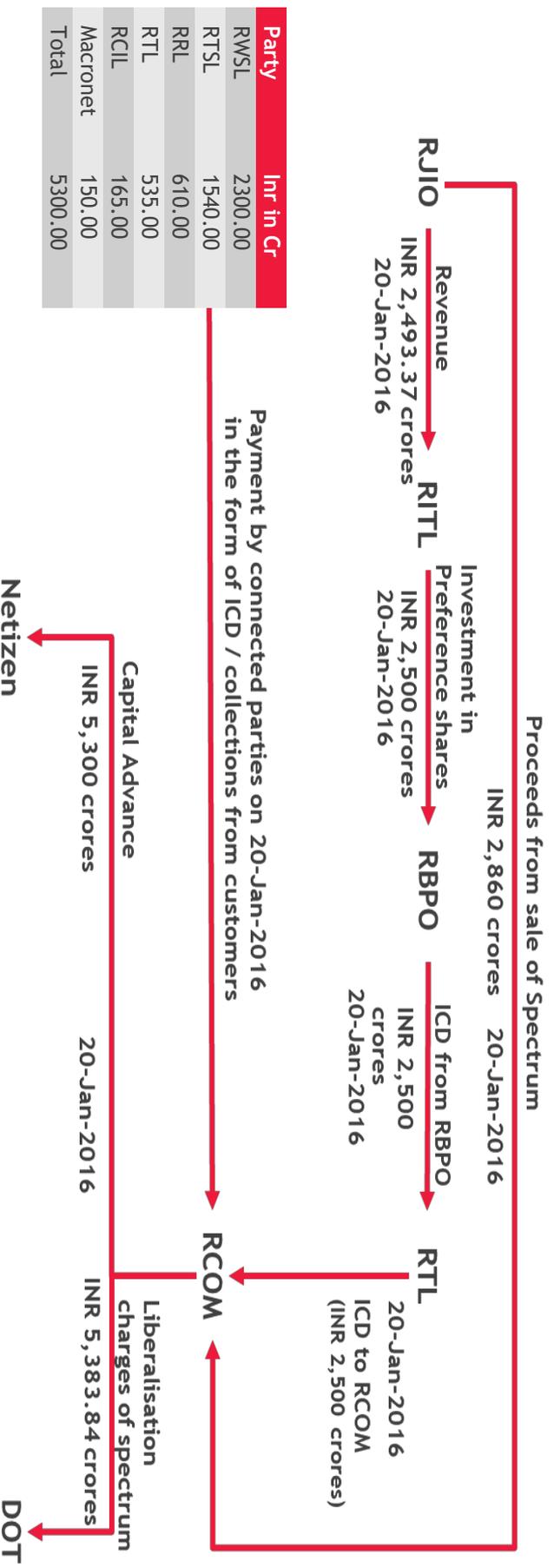
Netizen acquired and sold the OFC undertaking through business transfer agreements, this being a trading transaction cannot be reflected in fixed asset schedule as addition / deletion as per accounting norms. RCIL has not recorded any receivables and recorded only OFC assets.

Increase in number of employees in August and September 2019 is not relating to RCOM operations and therefore not relevant.

# Utilisation of funds by Netizen

# TRANSACTION BETWEEN MPNL & NETIZEN & RCIL (1/2)

- ▶ On 20 January 2016, RCOM gave INR 5,300 crores to Netizen as Capital Advances. From the audited financials of Netizen, it appears that these funds were further transferred to Sapphire (INR 2,092.31 crores), Tenormac (INR 1,120 crores), Telebroad (INR 366 crores) and balance funds to other entities. These funds were utilized in the following manner by Sapphire and Tenormac for payment of Infrastructure & Marketing expenses and for vendor payments.
- ▶ On analysis of the source of these funds it was observed that these funds were received from RJIO through a series of transactions in the books of various companies viz. RITL, RBPO, RTL and further transferred to RCOM.



# TRANSACTION BETWEEN MPNL & NETIZEN & RCIL (2/2)

## Management Comments:

On 20th January, 2016, RJIO paid Rs. 2,860 crore to RCOM towards sale of Spectrum and Rs. 2,493 crore to RITL towards Fiber IRU revenue. RITL paid Rs. 2,500 crore to RBPO and RBPO paid to RTL. RTL refunded the LCD of Rs. 2,500 crore to RCOM. Thus RCOM received Rs. 5,360 crore on 20th January, 2016.

RCOM paid Capital advances of Rs. 5,300 crore to Netizen on 20th January 2016 and the same was received by RCOM against receivables on the same day and the said amount was ultimately paid for Spectrum liability to Department of Telecommunications (DoT), Government of India on 20th January, 2016.

RCOM had paid capital advances to Netizen on 20th January 2016, it is important to note that the funds were received back on the same day as discharge of receivables from third parties and the said amount was ultimately paid for Spectrum liability to Department of Telecommunications (DoT), Government of India on the same day i.e. 20th January, 2016.

Further, it was necessary to acquire Optical Fiber assets including RoW for the purpose of monetization of Fibre assets. Reliance Communication Infrastructure Limited (RCIL), the holding company of RITL, in the past had built all the fiber network and being the holding company of RITL would also be made a counter signing party in respect of any asset transfer agreement pertaining to sale of OFC assets.

On 28<sup>th</sup> May, 2017, RCLL acquired the Optic Fiber assets including RoW from NEPL for a value of Rs 3,037 crore and capitalized the said assets. So as to reflect true and fair position in the financial, RCOM and RITL assigned the Capital advances given to NEPL of Rs 4,318 crore and Rs 612 crore respectively to RCLL, in order to reflect capital Advances where capitalisation of assets was completed by the Company. The above was also necessitated based on business requirement to enhance the monetisation value of fiber assets and therefore transactions carried out in ordinary course of business. Rjio had bid of Rs. 3,000 crore for Optic Fiber including RoW, over and above Rs. 4,214 crore accounted earlier as Indefeasible right of use.

In summary these journal entries are made in the books of RCOM, RITL and RCLL to reflect true and fair position to account capital advance where capitalisation of assets were completed as these entities are wholly owned subsidiaries of RCOM and together formed one entity under the same group. Thus these entries does not reflect any cash flow during the review period.

This was the normal transaction of Business at that time as the company was neither covered under IBC nor the concept of priority payment could be envisaged.

# TRANSACTIONS WITH NETIZEN - LEDGER ANALYSIS (1/6)

	Ref.	RCOM	RITL	RTL	Total
Balance as at 01 April 2014		-5.29	688.10	-0.00	682.81
Invoicing	A	-1,968.80	-1,071.95	-	-3,040.75
Bank Payment *	B	7,291.79	2,880.41	200.00	10,372.20
Bank Receipts	C	-816.99	-2,303.66	-610.96	-3,731.61
<u>Transactions with Connected Entities</u>					
Sapphire Cable & Services Pvt Ltd	1	-	91.98	-	91.98
Reliance Tech Services Limited	2	102.00	-	325.00	427.00
Reliance Realty Ltd	3	165.00	-	-	165.00
Reliance Communications Limited		-	648.00	-	648.00
Reliance Telecom Limited	4	215.00	640.86	-	855.86
Reliance Infratel Ltd	5	-648.00	-	-	-648.00
Inter Co. Pay-RIEL *		0.03	-	-	0.03
Inter Co. Rec-RIEL		-95.35	-	13.55	-81.80
ICD received- Adjustments		-	-	-855.86	-855.86
Other adjustments - net		-10.90	52.04	-0.99	40.15
Interest receivable on ICD & advances		-	-	91.74	91.74
Balance as at 31 March 2017		4,228.48	1,625.78	-837.52	5,016.74

## A. Invoicing to Netizen

- In the books of RITL, as per PO listing for Netizen, POs worth INR 975.69 crores were made in the SAP system (out of which INR 204.81 crores pertains to 41,000 KM Ducts Delivery to RJIO), whereas invoicing as per ledger was INR 1,071.95 crores. There were only 6 POs all of which were created in 4 days only in the review period of four years.
- In the books of RCOM, PO worth INR 1,721.41 crores were created in the system (out of which INR 85.20 crores pertains to Fiber Pair delivery to RJIO P1) whereas the invoice value as per ledger was INR 1,968.80 crores (including taxes). There were only 12 POs all of which were created on only 5 days in the review period of four years.

\* Payments made to Netizen from Inter Co. Pay-RIEL have been considered under the head Bank payments

Source : SAP Reports, Information provided by Management  
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# TRANSACTIONS WITH NETIZEN PVT LTD (2/6)

## Management Comments:

Transaction up to March, 2018 of Netizen Engineering have been considered so as to present the complete position. Transaction details for the period April, 14 to March, 18 in the books of RCOM, RITL and RTL are as under -

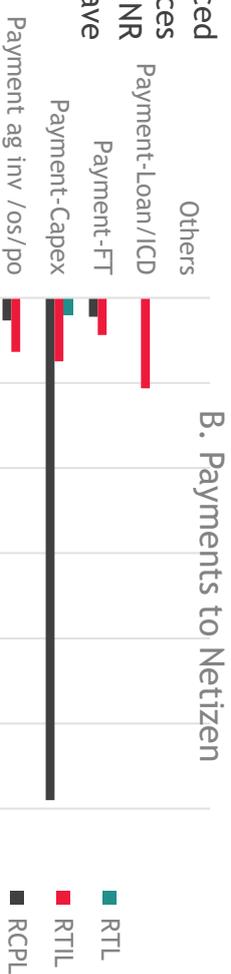
Particulars	RCOM	RITL	RTL	Total
<b>Opening Balance as on 01st April, 2014</b>	-5	420	-0	415
<b>Add:</b>				
Payment (Net)	6,648	694	-306	7,036
<i>Paid</i>	7,381	3,127	200	10,708
<i>Received (net)</i>	-733	-2,433	-506	-3,671
Transferred from / to subsidiaries/ others	-166	648	307	789
<i>Reliance Tech Services Ltd.</i>	102		325	427
<i>Reliance Realty Ltd.</i>	165			165
<i>Reliance Telecom Ltd.</i>	215			215
<i>Reliance Infratel Ltd.</i>				
<i>Reliance Communication Ltd.</i>		648	-215	433
<i>Reliance Webstore Ltd.</i>			197	197
Sapphire Cable & Services Pvt. Ltd.		92		92
Rjio		110		110
<b>Less:</b>				
Capitalisation	-2,159	-1,355	-	-3,514
Reliance Communication Infrastructure Ltd.	-4,318	-612		-4,930
<b>Closing Balance as on 31st March, 2018</b>	-0	-3	1	-2
<b>Net receivable/(Payable)</b>				

- PO / WO created for the services to be availed in the books of RITL on 4 days pertains to 4 different periods / financial years and in the books of RCOM on 6 days pertains to different periods / financial years . Hence the observation that PO is created on only 4 days & 5 days in RITL and RCOM respectively is not correct.

# TRANSACTIONS WITH NETIZEN - LEDGER ANALYSIS (3/6)

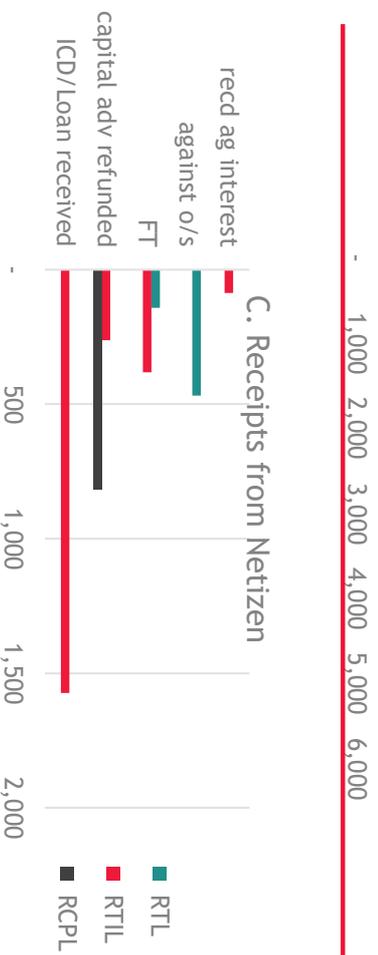
## B. Payments to Netizen

During the Review Period, INR 10,372.20 crores were advanced to Netizen, these were majorly in the form of capex advances amounting to INR 5,901.10 crores, INR 745.68 crores & INR 200.00 crores from RCOM, RITL, RTL respectively. RITL gave advances of INR 1,061.83 crores to Netizen as an ICD.



## C. Receipts from Netizen

During the Review Period, INR 3,731.61 crores were received from Netizen, out of which INR 1,573 crores were received by RITL towards ICD from Netizen. Capital advances were refunded to RCOM & RITL to the tune of INR 816.60 crores & INR 262.31 crores respectively.



## D. Adjustment of Balances

Receivable balances aggregating to ~INR 1,556.56 crores were added / adjusted to the receivable balance of Netizen, thus increasing the balance receivable to INR 5,016 crores. This balance was later adjusted against an asset having value INR 3,037 crores in the books of RCIL (a subsidiary of Netizen).

## Transactions with Connected Parties

### 1. Sapphire Cable & Services Private Limited:

In the books of RITL, there was an opening balance of INR 211.86 crores in FY 2014-15. Also, payment of INR 250 (Fund Transfer) during 2014-17 was made by RITL to Sapphire. Net receivable balance of INR 79.98 crores of Sapphire was assigned to Netizen, there by reducing the receivable balance of Sapphire and increasing the balance of Netizen. Post the assignment, there was a closing payable balance of INR 15.70 crores in the books of RITL. The impact of assignment was that opening receivable balance in the books of RITL was converted to payable closing balance

## TRANSACTIONS WITH NETIZEN - LEDGER ANALYSIS (4/6)

### 2. Reliance Tech Services Limited

Receivable balance of RTSL approximately INR 102 crores and INR 325 crores in the books of RCOM and RTL respectively were assigned to Netizen thereby reducing the receivable balance of RTSL and increasing receivable balance to Netizen in the RCOM and RTL.

**RCOM** - In the books of RCOM, there was an opening receivable balance of INR 7.26 crores as on 1 April 2014 and payment and receipt of INR 3,596.47 and INR 3,52.76 crores (Fund Transfer). Post assignment of INR 102 crores, the closing payable balance of RTSL was INR 35.68 crores.

**RTL** - In FY 2014-17 total payments were INR 534.26 crores and expense of INR 174.10 crores was booked. In FY 2015-16, an assignment of receivable balance of INR 325 crores to Netizen was made through which receivable balance was reduced. There was a closing receivable balance of INR 28.97 crores in FY 2016-17.

### 3. Reliance Realty Limited

In 2014-15, there was an opening receivable balance of INR 228.17 crores in the books of RCOM. Payment of INR 2,004.49 crores was made in the form of Fund Transfer and ICD during the Review Period. Also, there were receipts of INR 1,920.15 crores as Repayment of Loan and ICD during the review. There was an assignment of INR 165 crores in the ledger of RRL in the books of RCOM through which receivable balance was assigned to Netizen and reducing receivable balance of RRL and increasing balance of Netizen. The closing balance of RRL was INR 185.03 crores receivable balance.

Total INR 671.98 crores assignment of receivable was made to Netizen by above stated entities. Assignments made amongst RCOM, RTTL and RTL were not considered for analysis.

*Extract of ledgers (INR in Crores )*

Particulars	RCOM		RTTL		RTL	
	Reliance Tech Services Limited	Reliance Realty Limited	Sapphire Cable & Services Private Limited	Reliance Tech Services Limited		
Opening Balance	7.26	228.17	211.86			6.19
Bank Payment	3,596.47	2,004.49	250.43			534.26
Bank Receipt	3,552.76	1,920.15	108.06			-
Assignment to Netizen		102.00	165.00			325.00
Closing Balance	35.68	185.03	(15.70)			28.97

# TRANSACTIONS WITH NETIZEN - LEDGER ANALYSIS (5/6)

## Management Comments:

- ❑ Receivables from Netizen in the books of RTSL (Rs. 102 crore) and RRL (Rs. 165 crore ) were transferred to RCOM so that the capital advance can be adjusted against capex orders issued by RCOM thus ensuring adjustment of receivables from Netizen.
- ❑ Receivables from Netizen in the books of RTSL (Rs. 325 crore) was transferred to RTL so that advance can be adjusted against capex orders to be issued. Further, the entire receivable of Rs. 29 crore from RTSL was fully recovered in the subsequent year.
- ❑ Receivables from Sapphire was transferred to the account of Netizen in the books of RITL based on consent of both the parties so that the capital advance to Netizen can be adjusted against capex orders issued thus ensuring adjustment of receivables from Netizen.

# TRANSACTIONS WITH NETIZEN - LEDGER ANALYSIS (6/6)

## 4. Reliance Telecom Limited:

There was an assignment of INR 215 crores and INR 641 crores of receivable balance of RTL in the books of RCOM and RITL respectively. These assignments resulted in reduction of receivable balances in the books of RCOM and RITL and increase in the receivable balance of Netizen.

## 5. Reliance Infratel Limited

There was an assignment of INR 648 crores of receivable balance of RCOM in the books of RITL. These assignments resulted in reduction of receivable balances in the books of RCOM and RITL and increase in the receivable balance of Netizen.

### Management Comments:

Assignment of Rs. 215 crore ~ RTL transferred the receivable from Netizen to RCOM amounting to Rs. 215 crore in FY 2016-17. In FY 2017-18 receivable from RWSL was adjusted against the payable of Netizen, thereby both receivable and payables were squared off. Assignment of Rs. 641 crore with RITL was reversed in the next year i.e. FY 2017-18, therefore the effect stand nullified.

RCOM paid Capital advances of Rs. 5,300 crore to Netizen on 20th January 2016 and the same was received by RCOM against receivables on the same day and the said amount was ultimately paid for Spectrum liability to Department of Telecommunications (DoT), Government of India on 20th January, 2016.

# TRANSACTIONS WITH NETIZEN

## BDO Conclusion:

From the review of the transactions during the Forensic Audit and to the extent of information made available till release of this Report, it was noted that Netizen had received a Capex advance of INR 5,525 crores (net) from RCOM during FY 2015-16. In 2017-18, Netizen acquired two assets (one tangible worth INR 3,041.24 crores and a receivable worth INR 3,042 crores) from MPNL one of which was immediately transferred to RCIL. The basis of valuation of these assets is not clear. The loss on sale of asset to RCIL (INR 3,044.10 crores) can be related to the assets sold to RCIL (which was later impaired by INR 1,000 crores). On transfer of this asset, RCOM transferred the Capex advance it had given to Netizen to receivable balance from RCIL. In addition, multiple other accounts have been assigned to Netizen account to reduce receivable balance in the books of RCOM and RTL.

The financial background of Netizen is not commensurate with the scale of activities as shown in the books of RCOM. Further, Netizen and RCOM appear to be closely connected entities.

The above scheme of transactions i.e. granting of advances to a connected entity, Netizen (derived basis financial statement analysis), amounting to INR 5,525 crores (net), transfer of assets from related entity to Netizen and subsequent assignment of the receivable to another group company, RCIL, appears suspect in nature. Further, in the absence of valuation report / other supporting documents for the assets acquired from Netizen by RCIL, the basis of valuation and veracity of the assets cannot be ascertained.

## SITE VISIT

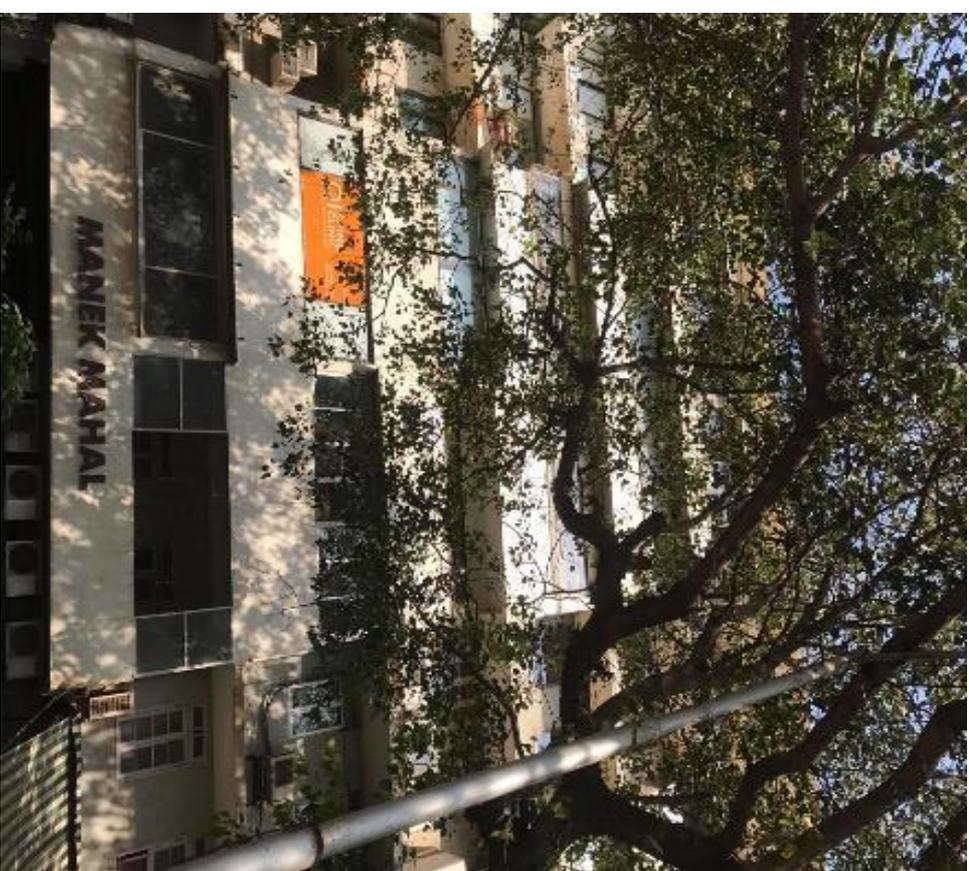
- ▶ Location of Visit - Manek Mahal, Veer Nariman Road, Churchgate, Mumbai 400020.
- ▶ Registered office of -
  1. Netizen Engineering Private Limited (erstwhile Reliance Infocom Engineering Private Limited)
  2. Sapphire Cable & Services Private Limited (erstwhile Reliance Next Link Private Limited) (Shareholder of Netizen)
  3. Tenormac Enterprises Private Limited (erstwhile Macronet Mercantile Private Limited)
  4. Reliance Alpha Services Private Limited (erstwhile Reliance Share & Stock Brokers Private Limited)
  5. Reliance Unicorn Enterprises Private Limited (erstwhile Chlorosulf Private Limited)
  6. Telebroad Enterprises Private Limited (erstwhile Macronet Private Limited, Macronet Infrastructure Private Limited)
  7. Reliance BPO Private Limited
  8. Reliance Integrated Services Private Limited

### ▶ Observation -

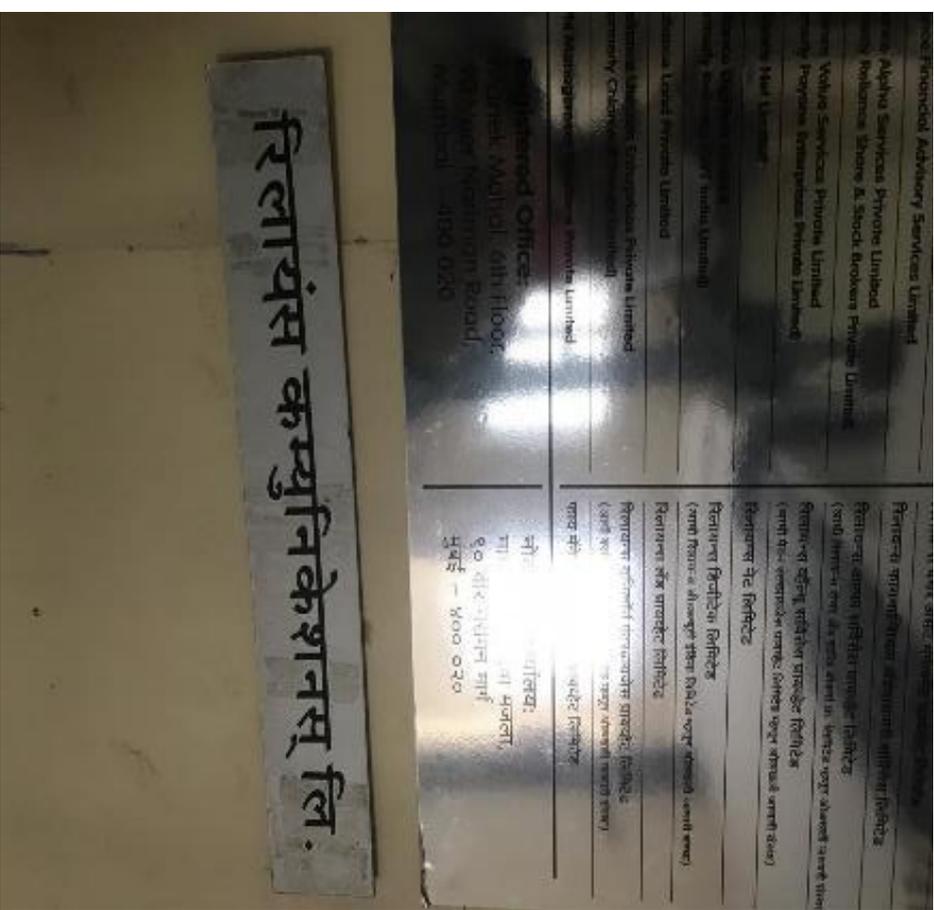
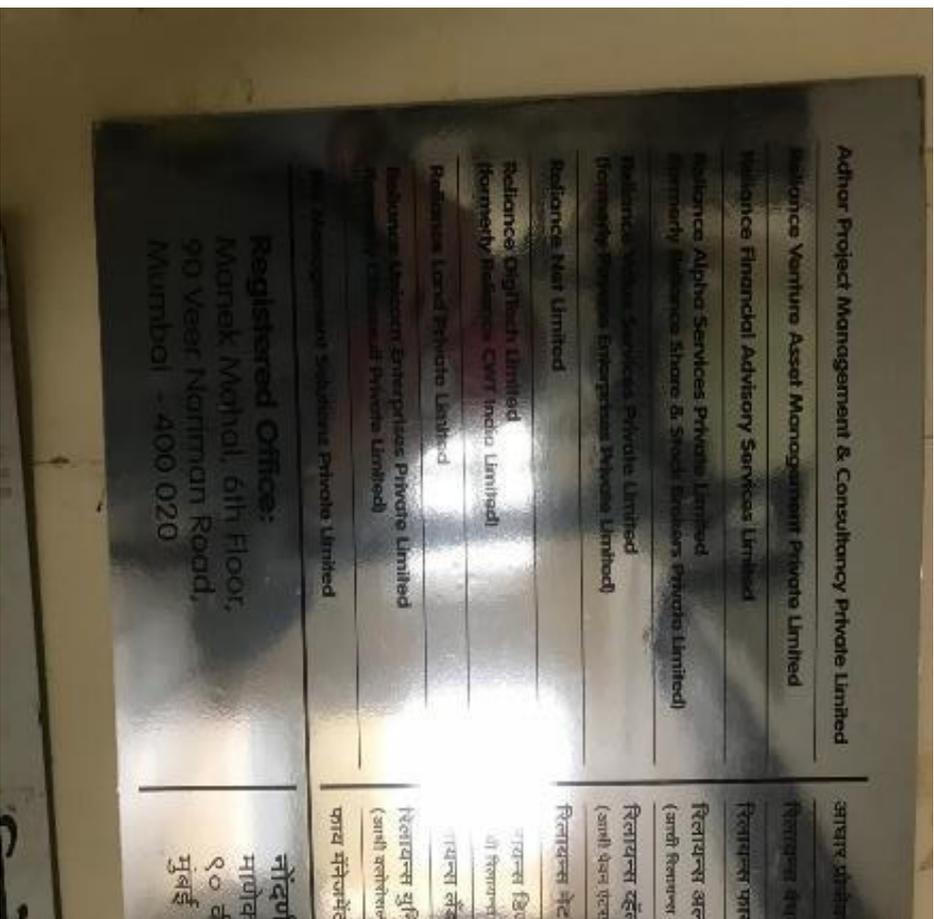
As per public domain, above mentioned companies have their registered office at the location of visit. However, on site visit existence of above mentioned companies could not be established at the given premises. Instead, we found that other companies registered on the same address were pertaining to Reliance Group. There was no proper office infrastructure arrangement and no employees at the office. One watchman / guard present at the location informed us that the place was closed since 4 years and nobody came there. The name plate of RCOM was found at the site. List of the other companies we identified at the location were -

1. Adhar Project Management & Consultancy Private Limited
2. Reliance Venture Asset Management Private Limited
3. Reliance Alpha Services Private Limited
4. Reliance Net Limited
5. Reliance Digitech Limited
6. Reliance Land Private Limited
7. Phi Management Solutions Private Limited
8. Reliance Unicorn Enterprises Private Limited (formerly Chlorosulf Private Limited)

# SITE VISIT



# SITE VISIT



# TRANSACTIONS WITH NETIZEN

## Management Comments:

1. Right of Way/ Work (RoW) is required from State Government authorities for carrying out trenching and ducting and creating Optic Fibre Cable (OFC) Assets in various States. RoW is essential (valuable asset) without which OFC assets cannot be created and also further repair / maintenance work cannot be carried out.
2. Giga Solutions Private Limited, Infomagic Solutions Private Limited, Kerala Communication Network Private Limited, Punjab Cybernet Private Limited, Haryana Cybernet Private Limited and Uttar Pradesh Network Private Limited had RoW of about 36,000 route km in 6 States as given in the Table below.

	Name of Circle	Inter City Route KM	Intra City Route KM	Total Route KM
1	Uttar Pradesh	7,669	4,963	12,632
2	Haryana	2,205		2,205
3	Punjab	4,134		4,134
4	Kerala	6,105		6,105
5	Maharashtra	8,086	214	8,300
6	Mumbai	76	2,669	2,745
7	Total	28,275	7,846	36,121

3. In accordance with the Court approved Scheme of Amalgamation, Giga Solutions, Infomagic Solutions, Kerala Communication Network, Punjab Cybernet, Haryana Cybernet and Uttar Pradesh Network Pvt Limited were amalgamated with MP Network Private Limited (MPNL) with effect from Appointed date 31st March 2014. By virtue of the Court approved Scheme, assets relating to Right of Way / Work (RoW) of about 36,000 route km in 6 States were to be accounted at fair value and consequently accounted at Rs 3,594 crore as on 1st April 2014 based on Fair Valuation report of a registered Valuer. Copy of fair valuation report and Court Approved Scheme were already provided and attached as Annexure 1&2
4. In May 2017, MPNL sold the OFC undertaking comprising of Right of Work (RoW) of about 36,000 route km in 6 States to NEPL at its book value of Rs 3,035 crore. RCOM and RITL on 28th May, 2017 assigned the outstanding Capital advances receivable from NEPL of Rs 4,318 crore and Rs 612 crore respectively to RCIL. Thereafter, on 28 May 2017, RCIL acquired the said RoW assets from NEPL for a value of Rs 3,037 crore. Thus, the payable got adjusted against the advances and the assets were acquired without any cash outflow. In MPNL, book value of OFC assets was Rs. 3,035 crore and sold at the same value. Hence there was no loss on account of sale of OFC assets. Further, NEPL also recorded OFC assets at the same value and not recorded any receivables. This is also substantiated from the financial statements of Netizen, which does not show any increase in receivable of Tenormac from March 17 to March 18. Hence, the observation that NEPL has recorded value of receivable is totally wrong.

## TRANSACTIONS WITH NETIZEN

### Management Comments:

5. Thus the observations are not factual and the valuable assets have been created against capital advances. In this regard, further additional information is given.

Particulars	2014-15	2015-16	2016-17	2017-18	Total
Opening Balance	415	879	6,371	4,539	415
<b>Add:</b>					
Payment (Net)	641	6,786	-382	83	7,128
Paid	2,770	7,249	598	90	10,708
Received/net	-2,129	-463	-980	-7	-3,579
Transferred from subsidiaries/ others		325	267	307	899
<b>Less:</b>					
Capitalisation	-177	-1,619	-1,718	-	-3,514
Transferred to RCIL				-4,930	-4,930
<b>Net receivable/ (Payable)</b>	<b>879</b>	<b>6,371</b>	<b>4,539</b>	<b>-2</b>	<b>-2</b>

RCOM and RITL during the years FY 2014-15 to FY 2017-18 had extended Capital advance of Rs. 7,128 crore (net of refunds) to Netizen

Out of the net capital advance of Rs.7,128 crore and amount transferred from subsidiaries of Rs. 899 cr, capitalisation of Rs. 3,514 crore was completed in RCOM & RITL. Invoice wise details of capitalisation are given in Annexure - 3

RCIL, wholly owned subsidiary of RCOM, in May 2017 was intending to acquire OFC assets from Netizen.

RCOM and RITL transferred capital advance of Rs. 4,318 crore and 612 crore respectively to RCIL and RCIL acquired the OFC assets of Rs. 3,037 crore on 28th May 2017 from Netizen against the said receivables, which was necessary for the purpose of monetisation of fiber assets resulting in net receivable of Rs. 2,272 crore (including balance of Rs. 379 cr) from Netizen. As of March, 2017 an equivalent amount was also payable to Netizen by RCIL. Subsequently, to give effect of the earlier resolution plan submitted to Joint Lenders Forum (JLF), payable of Rs. 2,272 crore by RCIL was transferred to RCOM

The receivable in the books of RCIL can be transferred to RCOM as on date and settled against the payable. Considering the same, there would be no receivable from Netizen in the books of RCOM group.

# TRANSACTIONS WITH NETIZEN

## Management Comments:

RCIL instead of paying Netizen against the purchase of OFC assets paid RCOM Rs. 2,651 crore during May'17 to Mar'18 . Thus the recoverability from Netizen in the books of RCOM was ensured.

This was the normal transaction of Business at that time, as the company was neither covered under IBC nor the concept of priority payment could be envisaged.

In this regard, Invoices, Service Entries, work orders, job completion certificates for capitalisation of Rs 3,514 crore have been provided.

Valuation report of an Independent Valuer and agreement between Netizen & RCIL in respect of purchase of OFC assets of Rs. 3,037 crore have been provided.

Netizen Engineering Pvt Limited (hereinafter referred as NEPL) is a Contractor and specializes in execution of turnkey projects relating to Fibreisation of Towers, Upgrade of Utility assets and Strengthening of Towers so as to enable multi tenancy sharing by multiple operators. NEPL was incorporated in July 2000 and has more than 15 years experience in executing various Turnkey projects in Telecom space. Further, NEPL has also been involved in Rectification and Replacement / Upgrade of various existing routes and upgrade of Tower assets. NEPL in turn would be appointing various sub contractors to execute the projects within the time frame involved. NEPL has about 600 Sub Contractors in its panel for execution of various telecom projects such as

- Trenching and Ducting (T&D).
- Laying and Blowing of Cables.
- Strengthening of Towers (replacing Angles, brackets, tightening of nuts and bolts, Pole mounts) for enhancing tenancies.
- Building Towers
- Upgrade of Utility assets
- In building Coverage solutions at various malls, hotels and hospitals etc.

# TRANSACTIONS WITH NETIZEN

## Management Comments:

As part of the project activity, NEPL carries out the following

Sourcing of materials and inviting quotations.

- Identification and Selection of Vendors.
- Vendor Relationship / management.
- Negotiation of best prices.
- Finalization of Sub Contractors
- Supervision of Work of Contractors
- Monitoring project milestones.
- Certification of Work done.
- Ensuring adequate Insurance coverage of Assets involved till execution of turnkey project

Reliance Communications Limited (RCOM) group appointed NEPL as the Contractor to carry out projects relating to Telecom space.

Capital Advances were extended in ordinary course of business for roll out of the following Capex projects:

- Enhancing Fiber Readiness to meet 3 G & 4 G requirement of Wireless Business
- Fiber Re-routing and Aerial to underground conversion due to Infrastructure Expansion capacity, underlying rights of way
- Dark Fiber and Duct Delivery to other Operator
- Core, Collector and MAN Network Upgrade
- MCN (Media Conversion Nodes) Infra Upgrade to prepare for Distributed Data Centre (DDC) Readiness
- Sites Preparation for 4G Rollout
- Duct Replacement programme for Future use
- Up gradation of tower Infrastructure to standard operating conditions

# NETIZEN - PROJECT DETAILS\*

Management Comments:

## **PROJECT WISE DETAILS**

### **1. Fiber Connectivity to BTS Towers**

BTS sites need to be connected on Fiber to meet requirement of exponential data growth. Detailed Activity at Back end for planning of route, Fiber Connectivity plan, Route walk and Survey for Route optimization, DGPS (Digital Position System) Survey and Underground utility information capturing, Planning optimization and Issuance of Released For Construction (RFC) drawings are required to be performed in advance as Stage - 1 of the network build exercise.

In stage 2, on the basis of the available RFC, the Construction Material Procurement activity will start and material will be made available at respective state or city and Right of Way (ROW) application with various authorities will be placed for permission for activity. In Stage-3, the actual Construction activity will start with vendor finalization, receipt of ROW permission and construction activity in route with site integration in field with Network.

Activities for Fiber connectivity to BTS towers:

- a. Survey of the cable routes with clearly indicating the length and mode/ methodology like open cut conventional/ Unconventional (Trench less method) and survey report will also specify clearly surface type, depth at pit/ duct/ coupler locations, their offsets, duct colour, manhole/ hand hole offset with 3 point reference, type of construction/ methodology, the major landmarks along the routes like shops, buildings, etc.
- b. Marking of the ROW boundary and current road expansion boundary to relay OFC in safe area.
- c. The alignment of the trench to be marked for centre line and shall set out all other work to ensure that, the excavated trench is as straight as possible.
- d. Excavation of trench, in city limits as well as in built up areas, shall resort to use of manual labour only to ensure no damage is caused to any underground or surface installations belonging to other public utility services and/ or private parties. However, along the Highways and cross country, mechanical means of excavation (JCB, Poclain, Tractors etc) shall be used, provided that no underground installations exist in the path of excavation and has to follow the guidelines set out for Excavation of trench and also arranges approvals required, if any, from the Competent Authorities.
- e. All the standard parameters and parameters specified relating to laying & Fixing of OFC like Depth, Size, Back filling and dressing of the trench have to be followed.
- f. Work standards relating to HDD, Moiling, Boring etc have to be followed.

# NETIZEN - PROJECT DETAILS\*

## Management Comments:

- g. All process, procedure, specification and standards relating to Cable Pulling, Blowing, Jointing, Splicing, Termination of OFC (Conventional) and Sealing of Splice Closure have to be followed.
- h. Excavation of Old trench and wherever possible removal and recovery of existing OFC Cable & accessories.
- i. The work includes preparation and submission of application to the respective authorities.
- j. Restoration of Tiles and floor surface inside the Building / Compound. Work standards relating to HDD, Moiling, Boring etc have to be followed.

**For the above Project, materials to be upgraded include the following :**

- k. Duct, OFC and accessories i.e. HDPE Duct, Couplers (Push Fit Type), End Plugs, Simplex Plugs, OFC & Joint closure.
- l. Materials for additional protection i.e. DWC Pipe, G I Pipe.
- m. Underground Chambers i.e. Manholes, Hand holes and Pre cast RCC Chambers (Round)
- n. Marking and Traceability i.e. Route Market (mandatory for Intercity Routes), Warning Tape.

**The Project shall entail Service Cost as under:**

- a. Deployment of Fiber rectification Team
- b. Duct/ Fiber Testing
- c. Ducting by Open Trenching/ Excavation and by Trenchless method
- d. Cable Blowing
- e. Fiber Splicing
- f. Fiber Testing
- g. Surface restoration inside Building and Compound

## 2. Fiber connectivity for Enterprise & In-building wiring for GPON and WIFI

The Internet and IP Data traffic in India has been expected to grow 4-fold from 2014 to 2019, at compound annual growth of 33%. It will reach 4.0 Exabytes per month in 2019, up from 967 Petabytes per month in 2014. The primary drivers for this are growth in traffic of Mobile data, Video traffic, IOT (Internet of things) connected devices (PCs, Tablet, Smartphone, connected TVs).

# NETIZEN - PROJECT DETAILS\*

## MANAGEMENT COMMENTS:

The potential location/ building will require GPON or WIFI hotspot will have to be connected with Fiber to experience the better data speed inside building premises. Within the building/ premise also there will be in-building fiber patch cords, splicing, casing/capping and cabling.

**Activities for Fiber connectivity & In-building wiring for GPON and WIFI -**

- a. Fiber connectivity to the location/ building
- b. Fiber / Patch Cord Running from Splitter to Customer Premises
- c. Casing/ Capping upto 25 MM wide including Material
- d. FTB Installation at Customer Residence
- e. Splicing at Customer Premises
- f. ONT Installation, Configuration and Service Testing

### 3. Fiber Rerouting expansion activities

In city areas, the trench will normally follow the foot-path of the road. Outside the city limits, the trench will normally follow the boundary of the road side land. However, where the road side land is full of burrow pits/ A forestation/ Culverts, the trench may come closer to the road edge. Hence, all existing routes to be identified, where the authorities are having or coming up, in near future, projects of widening & improving the roads within the cities as well as highways, development of flyovers, subways and metro railway

### 4. Aerial To Underground Work

Complete Route Survey will be done to get the detail of cable damaged due to Infrastructure expansion activity and then the identified OFC will be made underground.

Activities for Fiber Rerouting and Aerial to Underground conversion of OFC:

- a. Survey of the cable routes with clearly indicating the length and mode/ methodology like open cut conventional / Unconventional (Trench less method) and survey report will also specify clearly surface type, depth at pit/duct/coupler locations, their offsets, duct colour, manhole/ hand hole offset with 3 point reference, type of construction/ methodology, the major landmarks along the routes like shops, buildings, etc.
- b. Marking of the ROW boundary and current road expansion boundary to relay OFC in safe area.
- c. The alignment of the trench to be marked for centre line and shall set out all other work to ensure that, the excavated trench is as straight as possible.

## **NETIZEN - PROJECT DETAILS\***

- d. Excavation of trench, in city limits as well as in built up areas, shall resort to use of manual labour only to ensure no damage is caused to any underground or surface installations belonging to other public utility services and/or private parties. However, along the Highways and cross country, mechanical means of excavation (JCB, Poclairn, Tractors etc) shall be used, provided that no underground installations exist in the path of excavation and has to follow the guidelines set out for Excavation of trench and also arranges approvals required, if any, from the Competent Authorities.
- e. All the standard parameters and parameters specified relating to laying & Fixing of OFC like Depth, Size, Back filling and dressing of the trench have to be followed.
- f. Work standards relating to HDD, Moiling, Boring etc have to be followed.
- g. All process, procedure, specification and standards relating to Cable Pulling, Blowing, Jointing, Splicing, Termination of OFC (Conventional) and Sealing of Splice Closure have to be followed.
- h. Excavation of Old trench and wherever possible removal and recovery of existing OFC Cable & accessories.
- i. The work includes preparation and submission of application to the respective authorities.

### **5. Dark Fiber & Duct Delivery To Other Operators**

Fiber rectification Team will be deployed to identify the sections which are having high number of joints or are having high loss in the fiber. New Fiber will be laid in the section to improve the fiber health before offering Fiber to customer. Duct will be made through before handing over to customer.

### **6. Duct Replacement Program for Growth requirements**

**Activities for Duct Replacement Program:**

- a. Survey of the existing cable routes with clearly indicating the length and mode/ methodology like open cut conventional / Unconventional (Trench less method) and survey report will also specify clearly surface type, depth at pit/duct/coupler locations, their offsets, duct colour, manhole/ hand hole offset with 3 point reference, type of construction/ methodology, the major landmarks along the routes like shops, buildings, etc.
- b. Marking of the ROW boundary and current road expansion boundary to relay Duct in safe area.
- c. The alignment of the trench to be marked for centre line and shall set out all other work to ensure that, the excavated trench is as straight as possible.
- d. All the standard parameters and parameters specified relating to laying & Fixing of Duct like Depth, Size, Back filling and dressing of the trench have to be followed.
- e. Work standards relating to HDD, Moiling, Boring etc have to be followed.
- f. The work includes preparation and submission of application to the respective authorities.
- g. Restoration of roads surface.

# NETIZEN - PROJECT DETAILS\*

*The above project shall require following Materials :*

- a. Duct, and accessories i.e. HDPE Duct, Couplers (Push Fit Type), End Plugs, Simplex Plugs,
- b. Materials for additional protection i.e. DWC Pipe, G I Pipe.
- c. Underground Chambers i.e. Manholes, Hand holes and Pre cast RCC Chambers (Round)
- d. Marking and Traceability i.e. Route Marker (mandatory for Intercity Routes), Warning Tape.

*The Project shall entail Service Cost as under:*

- a. Deployment of team to mark the existing OFC path.
- b. Ducting by Open Trenching/ Excavation and by Trenchless method
- c. Duct Testing
- d. Surface restoration of Roads

## 7. MCN (Media Conversion Nodes) Infra Upgradation

*At each of the MCN facility the following infra structure will be upgraded as needed*

- a. Building strengthening civil work for creating additional space.
- b. AC Power supply upgradation
- c. SMPS and Battery Bank Upgradation
- d. DG set upgradation
- e. PAC upgradation
- f. Fire Fighting Upgradation
- g. Power / Transformer Capacity enhancement
- h. Grounding and cable Routing/ tray
- i. Atomization of access and alarm system
- j. Equipment realignment and relocation

*Above activities required at MCN will create additional space and will improve the current infrastructure and system reliability at MCN necessary for 4G / LTE services.*

## NETIZEN - PROJECT DETAILS\*

NEPL right from FY 2006-07 completed various projects such as Trenching and Ducting, Laying and blowing of cables, erection and installation of towers, upgrade of utility assets, strengthening of towers, rectification and replacement of existing optical fibre cable routes etc.

During FY 2016-17, RCOM was planning to launch 4G/ LTE Services. As a result, RCOM was required to roll out OFC fiberisation for Network expansion for 4G, LTE roll out, back haul strengthening and for providing Enterprise services. Under the said Project, majority of work was to be carried out inside the city limit and to do last mile work to connect BTS on Fiber. All these BTSs were connected through Microwave (MW), where the Company had capacity constraints for 4G/ LTE roll out and Enterprise delivery. RCOM group intended to carry out major investment in Capex during the financial years 2015-16 to 2017-18 for enhancing its infrastructure of Tower and Fiber which is the foundation of Telecom Network.

With this objective, RCOM group extended Capital advance to NEPL for roll out of the following projects.

Sr.	Particulars of Project	Amount (Rs / Cr.)
1	Enhancing Fiber Readiness to meet 3 G & 4 G requirement of Wireless Business	900
2	Fiber Re-routing and Aerial to underground conversion due to Infrastructure Expansion capacity, underlying rights of way	810
3	Dark Fiber and Duct Delivery to other Operator	281
4	Duct Replacement programme for Future use	608
5	Upgradation of tower Infrastructure to standard operating conditions	648
6	Core, Collector and Metropolitan Access Node (MAN) Network Upgrade	585
7	Media Convergence Nodes (MCN) Infrastructure Upgrade to prepare for Distributed Data Centre (DDC) Readiness	972
8	Sites Preparation for 4G Rollout	324
9	<b>Total</b>	<b>5,128</b>

RCOM Group was also in discussion and had entered into a contract with Brookfield to sell the towers and OFC assets of RITL. As per the binding agreement Brookfield was to pay Rs. 11,000 crore for Tower business. Discussion with Reliance Jio Infocomm Limited (Rjio) was also in advanced stage. RITL had identified potential sites on which Airtel, Vodafone and Idea can take about 64k tenancies by fiberisation of the tower sites.

## 5-E.2. TRANSACTIONS OF SUBSTANTIAL AMOUNTS

B. Issue of Preference Shares in lieu of dues

# BACKGROUND - RELIANCE COMMUNICATIONS TAMIL NADU LTD

## 1. BACKGROUND:

Previous Name of the company	Reliance Communications Tamil Nadu Limited
Corporate Identity Number (CIN)	U64201MH2001PLC131627
Date of Incorporation	17 April 2001
Registered Address	H Block, 1st Floor Dhirubhai Ambani Knowledge City Navi Mumbai Maharashtra- 400710 India
Line of Business	Information and communication
Related Party	Yes
Paid-up Share Capital	INR 5,00,000

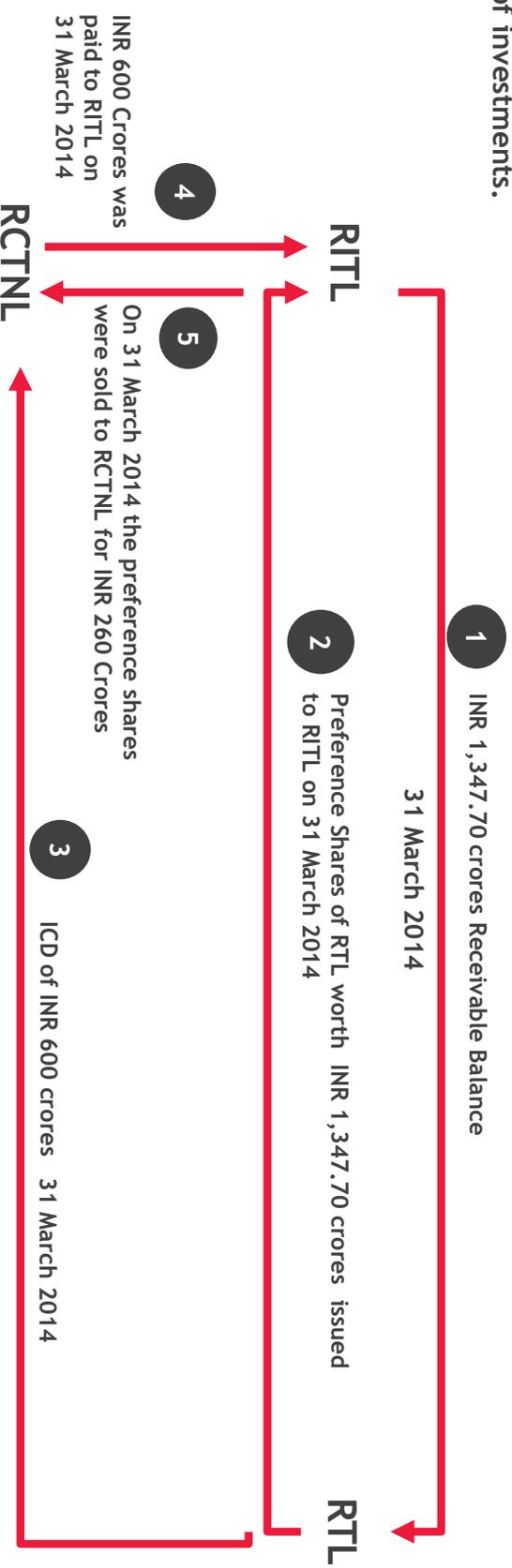
## 2. Financial analysis - Extract

Particular	2013-14	2014-15	2015-16	2016-17
Equity Share Capital	0.01	0.05	0.05	0.05
Reserves and Surplus	-1.63	-1.63	-1.65	-1.67
Loans from bank / others	-	261.66	261.66	261.67
Loan from holding company	601.62	-	-	-
Loans to Related Parties (RITL)	340.00	0.00	0.00	-
Investment in Related Parties (RTL)	260.00	260.00	260.00	260.00
Revenues	0.00	0.00	0.00	0.00

- ▶ On perusal of the financial statements of the company, it was noted that no major transactions took place during the Review Period, besides INR 600 crores received from RCIL on 31 March 2014.
- ▶ RCTNL has meagre revenues during the Review Period and also held no fixed assets during the Review Period.

# ISSUE OF PREFERENCE SHARES IN LIEU OF DUES TRANSACTIONS BETWEEN RITL, RTL AND RCTNL

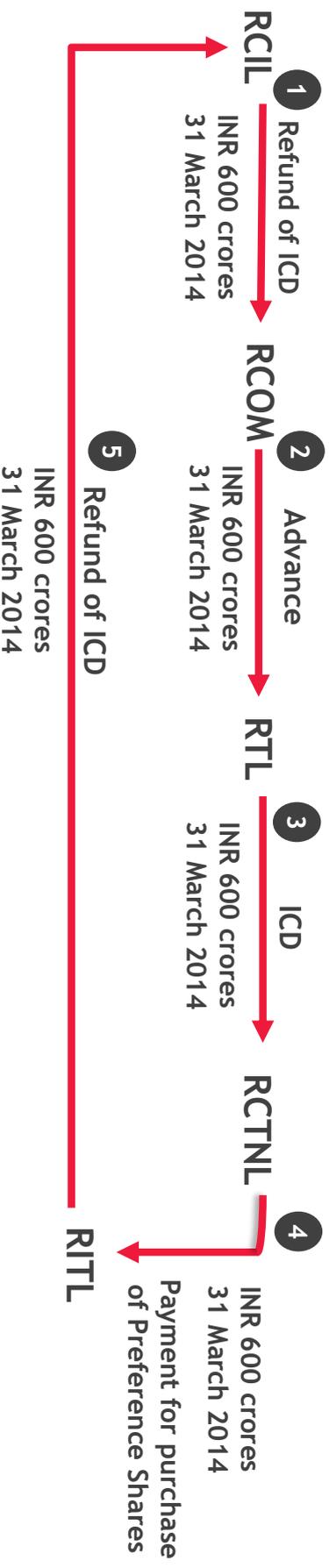
- ▶ As on 1 April 2013, INR 1,347.70 crores was receivable from RTL in the books of RITL.
- ▶ In FY 2013-14, RTL issued Preference Shares worth INR 1,347.70 crores to RITL in satisfaction of the receivable amount on 31 March 2014, thereby, decreasing the receivable (asset) without actual inflow of cash.
- ▶ RITL sold the Preference shares worth INR 1,347.70 crores to Reliance Communications Tamil Nadu Limited (RCTNL) on the same date i.e. 31 March 2014 for INR 260 crores, thereby incurring a loss of INR 1,087.70 crores. Thus, RTL funded RCTNL for purchase of its own preference shares. RCTNL is a subsidiary of RITL until 20 February 2015 (as per financials of RITL FY 2014-15).
- ▶ RCTNL received INR 600 crores from RTL and paid INR 260 crores to RITL for purchase of preference shares of RTL and balance INR 340 crores are outstanding.
- ▶ Considering that the investments were made and sold at 80.71% loss on the same day i.e. 31 March 2014, it appears that the receivable balance from RTL was fictitious<sup>1</sup>. As a result of the above scheme of transactions, RITL received INR 260 crores from RTL in lieu of INR 1,347.70 crores and the same was not recorded as a business loss in the books of RITL, but as a loss on sale of investments.



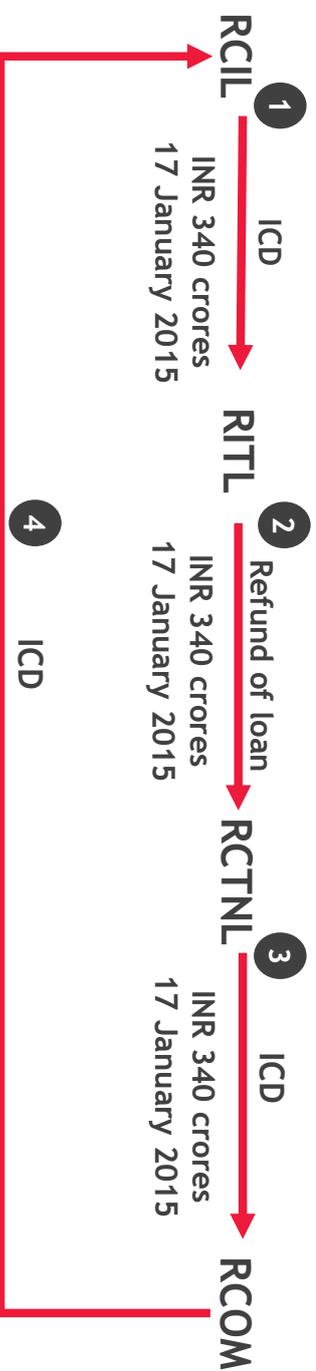
1. Notes to Financials of RITL 2013-14 contain the following note: "During the year, the Company has subscribed to Preference Shares against a bonafide debt payable in money by a fellow subsidiary aggregating to INR 1,348 crores. The said Preference Shares were sold by the Company to its subsidiary for INR 260 crores, thereby recording loss of INR 1,088 crores, which represents assistance provided by the Company to its subsidiary by having subscribed to the shares of its fellow subsidiary at a price in excess of their fair value arrived at after considering the restrictive terms which provide for redemption only after 20 years and should therefore be considered to be a non refundable grant by the company to its fellow subsidiary"

# TRANSACTIONS - RELIANCE COMMUNICATIONS TAMIL NADU LTD

- On 31 March 2014, RCOM had received INR 600 crores from RCIL against repayment of ICDs the same was utilized to give advances to RTL. RTL has further utilized this funds to give ICDs to RCTNL. RCTNL, on the same day, has made payments to RITL of INR 600 crores against purchase of Preference Shares which was utilised by RITL to refund ICDs to RCIL.



- On 17 January 2015, RITL repaid INR 340 crores to RCTNL from ICD received from RCIL. RCTNL gave ICD of INR 340 Crores to RCOM and RCOM has given ICD to RCIL. There was assignment with payable balance of INR 340 crores with RCTNL in the books of RCOM to RCIL, thereby reducing the payable balance in the books of RCOM.



Source : SAP Reports, Information provided by Management, Bank Statements, Bank Book  
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# TRANSACTIONS - RELIANCE COMMUNICATIONS TAMIL NADU LTD

## 3. Ledger Summary Analysis \*

- During the Review Period, there were receipts in the books of RCOM amounting to INR 340 crores in the ledger of RCTNL. There was no opening balance and no other transactions identified in the ledger.
- No sales transactions were recorded with this party during the Review Period.
- An adjustment of INR 340 crores was made against RCIL in the ledger of RCTNL through which payable balance of RCTNL was assigned to RCIL

(INR in Crores )

Particulars	Amount in Customer Ledger
Opening balance as on 01 April 2014	-
Bank Receipts	-340
Adjustment with RCIL	340
Closing Balance as on 31 March 2017	-

From the above, RCTNL was used as an entity to route funds from RCIL and back to RCIL by routing through various companies.

4. Documents not provided
- i. Valuation report for purchase of Preference shares from RTL at INR 1,347.47 crores on 31 March 2014 were not available with the company.
  - ii. Valuation report for sale of preference shares to RCTNL at INR 260.00 crores on 31 March 2014 were not available with the company.

\* Transactions pertaining to FY 2013-14 have not been considered

# TRANSACTIONS BETWEEN RITL, RTL AND RCTNL

## Management Comments:

- At the outset, the observation that investment was made and sold on the same day is incorrect. The investment was made on 11th December, 2013 and sold was on 31st March, 2014.
- RTL was a anchor tenant of RITL towers. In FY 2010-11 RITL paid Rs. 1,348 crore to DOT, Government of India on behalf of RTL for acquiring 3G spectrum in eight circles. Receivable from RTL was due to the said payment, hence observation that the receivable balance from RTL was fictitious is not correct.
- In FY 2013-14, RTL allotted preference shares to RITL against the said receivables. Subsequently RITL sold preference shares to its Wholly Owned Subsidiary (WoS) RCTNL at Rs.260 crore. RCTNL was subsidiary of RITL till 20 February, 2015 and subsequently remains a subsidiary of RCOM.
- This transaction is between holding company and its wholly owned subsidiary and there is a no loss in RCOM consolidated Financials. This benefited RITL as it reduced standalone book profit which is the basis for application of MAT or book profit tax. The sale price was not indicative of the fair value of preference shares. This fact was mentioned in the notes to accounts of FY 2013-14 vide note no 2.40 reproduced as under :  
"During the year, the Company has subscribed to Preference Shares against a bonafide debt payable in money by a fellow subsidiary aggregating to Rs. 1,348 crore. The said Preference Shares were sold by the Company to its subsidiary for Rs. 260 crore, thereby recording loss of Rs. 1,088 crore, which represents assistance provided by the Company to its subsidiary by having subscribed to the shares of its fellow subsidiary at a price in excess of their fair value arrived at after considering the restrictive terms which provide for redemption only after 20 years and should therefore be considered to be a non refundable grant by the company to its fellow subsidiary".
- The same was also referred by Auditors in the Auditors report of FY 2013-14.  
Further, at the time when the transactions happened, RCOM and RITL were neither in SDR nor under IBC.

## BDO Conclusion:

RITL received INR 260 crores from RTL in lieu of INR 1,347.70 crores, the amount was channeled through RCTNL by issuing preference shares. In the absence of adequate justification / basis of valuation of the shares and limited / no data provided by the Management, we are unable to comment on the balances and transactions.

## 5-E.3. TRANSACTIONS OF SUBSTANTIAL AMOUNTS

### C. Party-wise Analysis

# TRANSACTIONS OF SUBSTANTIAL AMOUNTS - VENDORS

- ▶ **Objective:**  
To analyse the transactions with vendors to ascertain the genuineness of transactions.
- ▶ **Work steps performed:**
  - Vendor trial balances for the Target Entities for each year of the Review Period were extracted from SAP and were consolidated for the purpose of analysis.
  - Following scenarios were considered for selecting vendors having transactions with substantial amounts for scrutiny of RCOM, RITL and RTL.

Scenario	No. of Vendors	Total Debit value (INR in crores)	Value Selected	Percentage
1 Total debit in all 4 years > INR 1,000 crores	37	3,39,158	2,86,987	84.62%
2 Year wise debit > INR 100 crores	105	3,39,158	3,12,933	92.20%
3 One time suspicious > INR 10 crores	55	3,39,158	8,350	2.46%
4 No transactions and opening debit balance > INR 0.20 crores	26	3,39,158	18	0.00%
5 Begins with “Reliance” ( Not covered in above scenarios) and seems Suspicious	9	3,39,158	988	0.29%
<b>Unique Count</b>	<b>165</b>	<b>3,39,158</b>	<b>3,15,516</b>	<b>93.03%</b>

- Accordingly, 165 unique vendors were selected for analysis cumulatively for RCOM, RITL and RTL.
- Basis the unique vendors, a check was done to capture all vendor codes maintained by the Target Entities. This was done by a filter check of the unique vendors and also the erstwhile names of companies, where available.
- Vendor ledgers were then extracted and analysed for movements during the Review Period.
- A search for the same vendors was done from the Customer Trial Balance and accordingly those ledgers were analysed to ascertain the nature of transactions between these vendors and the Target Entities.
- Background check (public domain search & ROC search) was conducted for these entities.
- For the purpose of ledger summary of the above entities, transactions for the period FY 2013-14 were not considered due to maintenance of data by the company on two servers out of which access for only one was provided to us.

# TRANSACTIONS OF SUBSTANTIAL AMOUNTS - VENDORS

## ► Work steps performed & sample selection

On initial analysis of ledgers of vendors:

- Out of the 165 vendors selected, 19 vendors were excluded from scrutiny on basis of third party business transactions. (Annexure 5-E.3.1)
- Of the remaining 146 vendors, the accounts were scrutinized to analyse and summarize the transactions.
- From the summary, 22 vendors which were connected to RCOM were selected for in-depth scrutiny based on the following filters:
  - Quantum of payments made and receipts from parties
  - Quantum of expenses booked;
  - Transactions involving sale and purchase of shares of such companies; and
  - Loans and advances given or taken from such companies.
- Basis the above, 609 sample transactions from 3 companies have been selected and following documents were requested:
  - In case of advances - Purchase order, service request, contract, position of advance ( whether Asset received and details of same) and any other document.
  - In case of Expense - Purchase order, service request, contract / agreement, Invoice, Proof of delivery, service report and any other document.
  - In case of ICD - ICD Agreement.
  - In case of direct vendor to vendor or vendor to customer adjustment - Assignment letters with reasoning for the same.
  - For other entries - Supporting documents.

Particular	RCOM	RITL	RTL	Total
No. of Sample requested	370	134	105	609
No. of sample partially provided*	127	67	47	241
No. of sample Not provided	241	46	58	345

\*Only partial supportings were provided

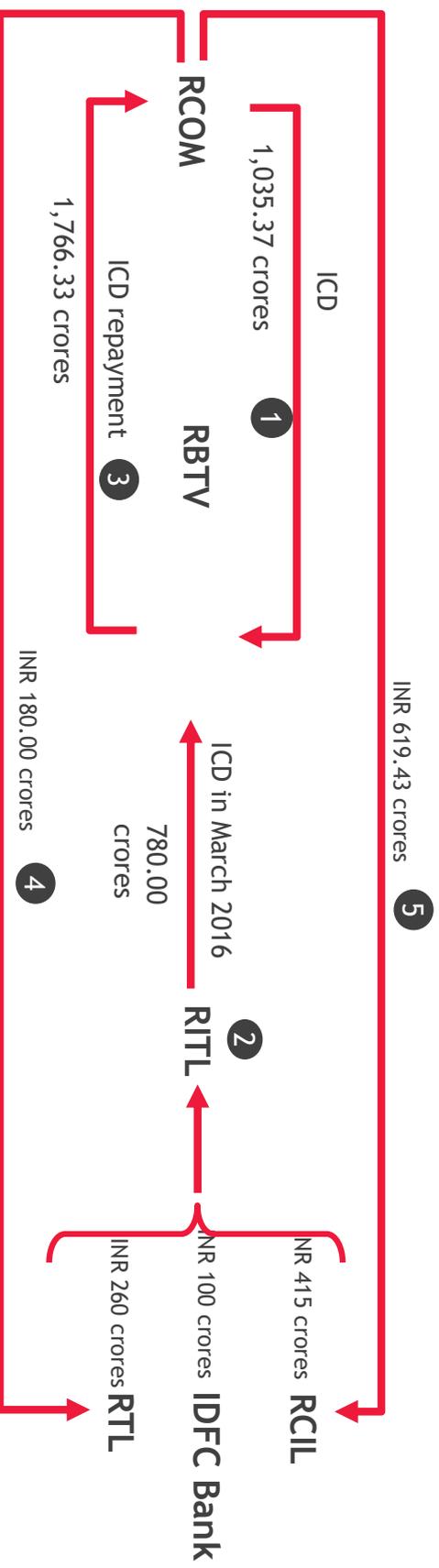
## 5-E.3.1. INDEPENDENT TV (RBTV)

# TRANSACTIONS WITH RBTV

## 1. BACKGROUND

<b>Previous Name of the company</b>	Reliance Blue Magic Private Limited / Reliance Big TV Limited / Reliance Big TV Private Limited / Reliance Sky Magic Private Limited
<b>Corporate Identity Number (CIN)</b>	U45203MH2005PLC153294
<b>Date of Incorporation</b>	13 May 2005
<b>Registered Address</b>	H block, 1st Floor Dhirubhai Ambani Knowledge City Navi Mumbai MH 400710
<b>Line of Business</b>	Commercial and Industrial
<b>Related Party</b>	Subsidiary of RCOM , RITL & RTL (2013-14 to 2016-17)
<b>Paid-up Share Capital</b>	INR 39,98,04,160

- ▶ RCOM gave an ICD of INR 1,035 crores to RBTV in 2015-16. Further, RBTV received INR 780 crore from RITL. RITL had received funds from RTL, RCIL and IDFC Bank (Term Loan). (In 2015-16, RBTV paid back to RCOM INR 1,766.33 crores out of which INR 619.43 crores was recycled back to RCIL and 180.00 crores was given to RTL.).



Source : Financials of independent TV and SAP data

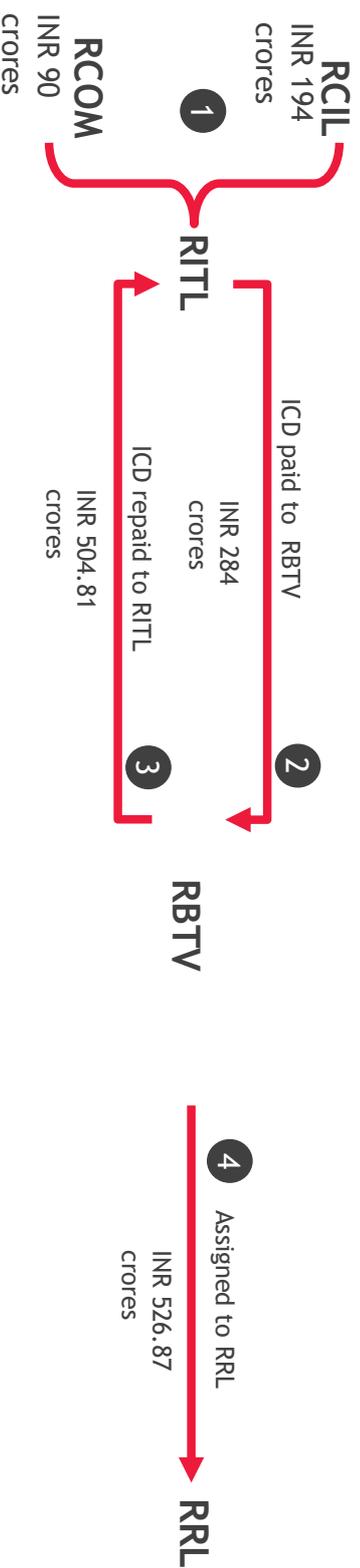
# TRANSACTIONS WITH RBTV

- ▶ In 2016-17, ICDs of INR 526.87 crores given to RBTV were assigned to RRL, thereby, decreasing the receivables balance of RBTV without actual inflow of cash.

(INR in crores)

Particulars (2016-17)	RITL
ICD - Opening balance	780.00
ICD Paid	284.00
Interest income (15-16 and 16-17)	65.66
(-) loan repaid	-504.81
(-) Assigned to RRL	-526.87

Source: SAP Records



This way, receivables worth INR 526.87 crores from RBTV were assigned to RRL thereby decreasing the receivables balance of RBTV without actual inflow of cash. RRL issued preference shares to RITL, the impact on the same is explained in next section.

# TRANSACTIONS WITH RBTV

## 2. Transactions in the books of RCOM

- ▶ During FY 2014-15 to FY 2016-17, there were receipts in the books of RCOM amounting to INR 2,248.83 crores and payments amounting to INR 1,357.33 crores in ledger of RBTV. However, no sales transactions were recorded with this party and expenses amounting to INR 16.8 crores were recorded during the period FY 2014-15 to FY 2016-17. This party had an opening debit balance of INR 625.65 crores and closing debit balance of INR 12.35 crores excluding interest on ICD and Debtors.
- ▶ An adjustment entry amounting to INR 95 crores was made against Interest receivable. By this adjustment entry, payable balance of RBTV was adjusted with Interest receivable.
- ▶ An adjustment entry amounting to INR 100 crores and INR 50 crores was passed to adjust RITL and RRL respectively with RBTV. By passing such adjustment entry, payable balance of RBTV was assigned to RITL and RRL.
- ▶ Expenses booked in the ledger of RBTV amounted to INR 6.83 crores and expense reversals amounted to INR 23.62 crore. It was noted that expense reversals were more than expenses booked during the audit period.
- ▶ Also, adjustment with “Inter Co. Rec-RBML” ledger amounted to INR 15.63 crores. Payable balance of RBTV was transferred to “Inter Co. Rec-RBML” by passing such entry.
- ▶ The reasons for such assignments could not be ascertained.

(INR in Crores )

Particulars	Amount in Vendor Ledger	Amount in Customer Ledger	Grand Total
Opening balance(as on 1 April 2014)	4.09	621.56	625.65
Bank Payments	-	1,357.33	1,357.33
Bank receipts	-64.73	-2,184.10	-2,248.83
Expenses	16.80	-	16.8
ICD adjusted against Interest receivable	-	95.00	95
Adjustment with RITL	-	100.00	100
Adjustment with RRL	-	50.00	50
Adjustment with “Inter Co. Rec-RBML” ledger	15.63	-	15.63
Other Adjustments	0.70	-	0.7
Clearing	-	0.07	0.07
Closing Balance(31 March 2017)	-27.51	39.87	12.35

# TRANSACTIONS WITH RBTV

## 3. Assignment of balances in the books of RCOM:

- ▶ In 2013-14, there was an opening receivable balance of INR 688 crores in the books of RCOM. During the Review Period, there were payments and receipts of INR 2,122 crores and INR 3,016 crores in the form of Fund Transfers and ICD. An assignment of INR 50 crores was made in the ledger of RBTV in the books of RCOM through which receivable balance of RBTV was assigned to Reliance Realty Limited, thereby reducing the receivable balance of RBTV.
- ▶ During the Review Period, receivable balance of INR 165 crores of RRL was assigned to Netizen.

RBTV  RRL  
Assignment of INR 50 crores

Ledger of RBTV in the Books of RCOM (INR in Crores)

Particulars	Amount
Opening Balance	688.57
Interest on ICD Receivable	95.00
Bank Payment	2,122.50
Bank Receipt	-3,016.27
Assignment - Reliance Realty Limited	50.00
Assignment - Reliance Infratel Limited	100.00
Closing Balance	39.87

*Assignment made amongst RCOM, RITL and RTL were not considered for analysis.*



## 5-E.3.2. RELIANCE REALTY LIMITED & RELIANCE BHUTAN LIMITED

# TRANSACTIONS WITH RELIANCE REALTY LIMITED

## 1. BACKGROUND

<b>Previous Name of the company</b>	Reliance Infocomm Infrastructure Limited / Reliance Infocomm Infrastructure Private Limited / Terene Fibres India Private Limited
<b>Corporate Identity Number (CIN)</b>	U45300MH1993PLC173775
<b>Date of Incorporation</b>	14 July 1993
<b>Registered Address</b>	"H" Block, 1st Floor Dhirubhai Ambani Knowledge City, Koparkhairanne Navi Mumbai Thane Mh 400710 In
<b>Line of Business</b>	Commercial and Industrial
<b>Related Party</b>	Subsidiary of RCOM , RITL & RTL (2013-14 to 2016-17)
<b>Paid-up Share Capital</b>	INR 10,00,00,000

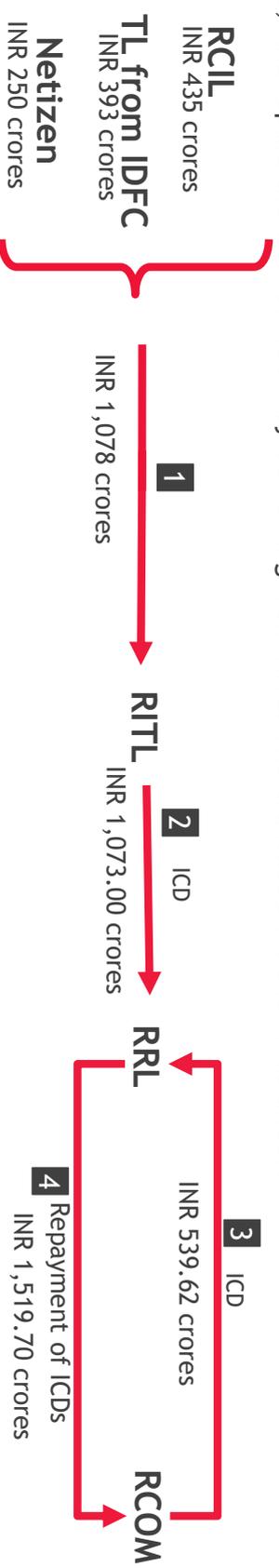
### For the year 2014-15

► In 2014-15, RRL received ICD from RCOM for INR 760 crores and gave loan to Body Corporate of INR 755 crores.



### For the year 2015-16

In 2015-16, RRL repaid the loan of RCOM by borrowing from RITL. The transaction is shown as under:



Source : Financials of RRL and SAP records

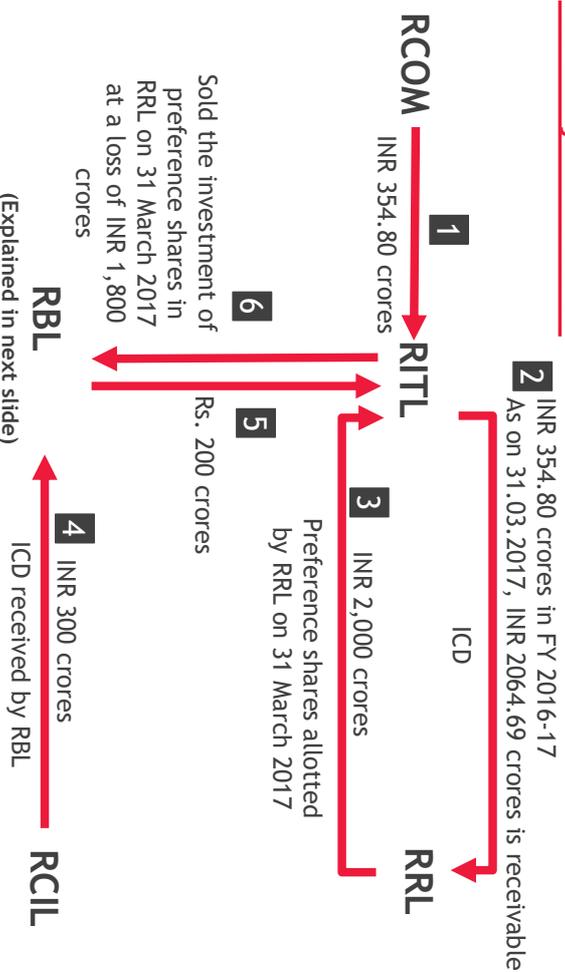
Bank loan from IDFC was utilised to pay the loan of RRL while RRL had an outstanding loan receivable from a body corporate.

Source : MCA, SAP Reports, Information provided by Management, Bank Statements, Bank Book 251

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# TRANSACTIONS WITH RELIANCE REALTY LIMITED

For the year 2016-17



## Books of RITL

(In INR Crores)

Particulars	Amount
ICD given to RRL in 2015-16	1,073.00
ICD given to RRL in 2016-17 (net)	354.80
ICD given to RBTV assigned to RRL in 2016-17 (Refer 5-E.3.1. for observation)	526.87
<b>Total</b>	<b>1,954.91</b>
Interest income booked	109.78
<b>Total receivable</b>	<b>2,064.45</b>

- ▶ RITL has given ICDs to RRL worth INR 1,954.91 crores (net) during the Review Period, out of which INR 393 crores were majorly out of funds disbursed from IDFC term loan, INR 835 crores from RCIL, INR 300 crores from RCOM.
- ▶ These have been utilised by RRL for giving loans to its related party (698 crores) and body corporate (1,014 crores) in 2015-16 and 2016-17 respectively. There is no interest income in the books of RRL on these loans given.
- ▶ In repayment of the above ICDs (along with interest amounting to INR 109 crores) RRL issued Preference shares worth INR 2,000 crores to RITL on 31 March 2017. **The preference shares were issued at a premium of INR 3,990 per share.**
- ▶ RITL sold the abovementioned Preference Shares to Reliance Bhutan Limited (RBL) for INR 200 crores on the same date i.e. 31 March 2017, for which amount was received from RBL on 20 February 2017 (in advance) thereby incurring a loss of 1,800 crores.
- ▶ Reliance Bhutan Limited is a subsidiary company of RCOM and a fellow subsidiary of RITL (from 25 December 2016), having registered office at DAKC. Employee of RCOM - Mr Anil Kalya is also the Director of the company. Refer Annexure -5.E.3.2.1
- ▶ Reliance Bhutan Limited took a loan of INR 300 crores from RCIL, of which 200 crores was paid to RITL against sale of preference shares of RRL by RITL.

**BDO Conclusion:** Receivable of INR 2,000 crores was settled for INR 200 crores, by issuing Preference shares to RBL. In the absence of adequate justification / basis of valuation of the shares and limited / no data provided by the Management, though the transaction appears to be in the ordinary course of business but in the absence of data from the management, we are unable to comment further on the balances and transactions and especially losses from sale of shares.

Source : SAP Reports, Information provided by Management, Bank Statements, Bank Book  
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# TRANSACTIONS WITH RELIANCE REALTY LIMITED

- ▶ Proceeds of Sale of preference shares of WiMax were transferred to RRL



- On 28 September 2016, 0 % Redeemable, Non-Cumulative, Non-Convertible Preference Shares of Reliance WiMax Limited of INR 10 each were redeemed in the books of RCOM and the proceeds of redemption were transferred to RRL as ICD (shown above)
- Investment in Preference Shares:
- RCOM has invested in 7.5 % Redeemable, Non-Cumulative, Non-Convertible Preference Shares of Reliance WiMax Limited of INR 10 each amounting to INR 1 crore on 24 March 2017 out of amounts received from RCLL.

## Management Comments:

1. In FY 2014-15 RCOM paid ICD to RRL Rs. 760 crore using intraday OD limits and which was received back by RCOM on the same day i.e. 28th March 2015.
2. In FY 2015-16 RITL received term loan of Rs. 393 crore from IDFC bank and paid to RRL as advance which was adjusted against preference shares issued by RRL in FY 2016-17.
3. RCOM had given loan to RRL in FY 2014-15 (Point 1). RRL repaid the loan of RCOM to the extent of Rs. 393 crore. in FY 2015-16.
4. RCOM utilised Rs.393 crore to repay China Development Bank (CDB) Rs. 355 crore, to DOT (Revenue Share) Rs. 16 crore and Opex Rs. 22 crore on 28.03.2016.
5. Subsidiaries are more akin to operating divisions. The contemporary position at that point in time when the transaction happened was normal transaction of Business and the company was not covered under IBC . Reliance Communications Limited being the holding company provides financial support to its subsidiary companies for their operation and recovers reimbursement of finance cost relating to the subsidiaries from those entities in the ordinary course of business which has been disclosed in the financial statements from time to time. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. From the above, it is evident that any transfer of funds between these entities and RCOM are solely for the business of RCOM and have been in the ordinary course of business.

**BDO Conclusion:** Funds transferred to RRL were obtained by redemption of shares of connected entity. No supporting document was provided to prove the valuation of Preference Shares. Thus, value of investment and redemption cannot be commented upon.

# TRANSACTIONS WITH RELIANCE REALTY LIMITED

## Transactions in the books of RCOM

- ▶ During the period FY 2014-15 to FY 2016-17, there were receipts in the books of RCOM amounting to INR 1,920.15 crores and payments amounting to INR 2,004.49 crores in ledger of RRL. This party had an opening debit balance of INR 228.17 crores, excluding interest receivable.
- ▶ An adjustment entry amounting to INR 165 crores and INR 50 crores was passed to adjust RRL with Netizen and RBTV respectively. By passing such adjustment entry, receivable balance of RRL was assigned to Netizen and RBTV.
- ▶ RRL has closing debit balance of INR 185.03 crores excluding interest receivable.
- ▶ The reasons for such assignments could not be ascertained.

(INR in Crores )

Particulars	Amount in Customer Ledger	Amount in Vendor ledger	Total
Opening Balance	219.86	8.31	228.17
Bank payments	1,616.84	387.65	2,004.49
Bank receipts	-1,747.03	-173.12	-1,920.15
Transfer to Vendor / Customer	291.82	-165.00	126.82
Expenses	-	-40.32	-40.32
Adjustment with Netizen	-165.00	-	-165
Adjustment with RBTV	-50.00	-	-50
Other Adjustments	-	1.02	1.02
Closing Balance	166.49	18.54	185.03



# TRANSACTIONS WITH RELIANCE REALTY LIMITED

## Management Comments:

Subsidiaries are more akin to operating divisions. The contemporary position at that point in time when the transaction happened was normal transaction of Business and the company was not covered under IBC .

Reliance Communications Limited being the holding company provides financial support to its subsidiary companies for their operation and recovers reimbursement of finance cost relating to the subsidiaries from those entities in the ordinary course of business which has been disclosed in the financial statements from time to time. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

From the above, it is evident that any transfer of funds between these entities and RCOM are solely for the business of RCOM and have been in the ordinary course of business.

## 5-E.3.3. KUNJBIHARI DEVELOPERS PRIVATE LIMITED

# TRANSACTIONS WITH KUNJBHARI DEVELOPERS PRIVATE LIMITED

## BACKGROUND:

Previous Name of the company	Kunjbhari Developers Private Limited
Corporate Identity Number (CIN)	U70102MH2007PTC171094
Date of Incorporation	23 May 2007
Registered Address	Plot Bearing CTS No C/1361 B1/1 of at Pali Hill, Bandra West Mumbai, Mumbai City MH 400050 IN
Line of Business	Commercial and Industrial
Related Party	No
Paid-up Share Capital	INR 1,00,000

## COMMON RELATIONSHIP BETWEEN KUNJBHARI AND RELIANCE GROUP:

- Directors - The following information pertaining to directors of Kunjbhari reflects relationship between Kunjbhari Developers Pvt. Ltd. & Reliance Group.

Directors	Appointment Date	Remarks
Tushar Dinesh Motiwala	06-Dec-2013	<ul style="list-style-type: none"><li>Past director in Mandke Foundation where promoters of RCOM are director</li></ul>
Kulai Narayan	06-Dec-2013	<ul style="list-style-type: none"><li>Director in Mandke Foundation where promoters of RCOM are directors.</li></ul>

# FINANCIAL SUMMARY

## COMMON RELIATIONSHIP :

- **Shareholders** - Following information pertains to shareholders of Kunjbihari Developers reflecting relationship between Kunjbihari & other entities.

Shareholder	No of Shares	%	Relationship
Edico Ventures Private Limited	10,000	100%	Edico Ventures is also a shareholder of Crest Logistics (41%) and the registered address of Edico Ventures is similar to major shareholders of Crest Logistics.

## FINANCIAL SUMMARY:

(INR in crores)

Financial Summary									
Year	Net Worth	Sales	Inventories	Advances			Borrowings		
				Short Term	Long Term	Short Term	Long Term		
2014-15	-0.06	-	-	3.65	0.14	92.74	64.92	-	-
2015-16	-0.07	-	-	1.53	0.17	191.31	-	-	-
2016-17	-0.04	-	-	*665.58	0.59	196.74	*720.50	-	-

Source: Kunjbihari Financial Statements

\*Notes: On review of Annual Report of Kunjbihari Developers for 2016-17, it was noted loan of INR 635 crores was taken from DHFL and of INR 85.5 crores from an unnamed NBFC.

Funds were paid out in form of loans of INR 665.5 crores to body corporate, wherein names were not specified. A note in Financials for FY 2017-18 mentions Kunjbihari has given loans to RCOM, the total outstanding balance of said loan along with interest is INR 577.39 crores as on March 2018. However, as per the Kunjbihari ledger account in the books of RCOM INR 590.97 crores were received in the books of RCOM in FY 2016-17 and FY 2017-18.

# TRANSACTIONS WITH KUNJBIHARI DEVELOPERS PRIVATE LIMITED

- ▶ Kunjbihari has transferred INR 160 crores to RCOM and RCOM has used the same in the following manner:



- Reliance Realty Limited & RITL are subsidiaries of RCOM
- Amount of ICD received from Kunjbihari were transferred to main ICD GL and is not reflecting as outstanding in the individual party ledger.

Source : SAP Reports, Information provided by Management, Bank Statements, Bank Book  
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# TRANSACTIONS WITH KUNJBIHARI DEVELOPERS PRIVATE LIMITED

## ► SITE VISIT:

- Location of visit - Registered office - 602 E, Neelkanth Building 98, Marine Drive, Mumbai City MH 400002
- Visit for entities - Kunjbihari Developers & its 100% subsidiary RPL Aditya Power Private Limited
- Site Visit Observation - The companies sign board were not observed at registered address, instead a firm named "SV Doshi & Co. Chartered Accountants", was there on the same address. Please refer below for photographs of site visit.



# TRANSACTIONS WITH KUNJBIHARI DEVELOPERS PRIVATE LIMITED

## ► Management Comments:

KunjBihari Developers Pvt Ltd. pertains to Promoter Group entities (infusion and repayments) :

a. Gross amount received Rs 595 cr and used for

- Paid for Spectrum to DOT Rs. 395.63 Cr
- Paid Interest to SBI Rs. 76 Cr and LIC Rs. 15 Cr ( Total Interest Rs. 91 Cr)
- Paid Principal to SBI Rs. 45 Cr and LIC Rs. 12 Cr ( Total Principal Rs. 57 Cr)

Critical opex Payments Rs. 51 cr

b. Out of above receipt of Rs. 595 Cr, an amount of Rs. 86 Cr was repaid to Kunj Bihari and closing balance payable is Rs. 508 cr. Observation that Rs. 590.97 crore were received in the books of RCOM in FY 2016-17 and FY 2017-18 is incorrect. Actual amount received during the given period is Rs. 595 crore and an amount of Rs. 86 crore is repaid. Closing balance as per books of accounts of RCOM as on March 2018 is Rs. 508 crore principal and Rs. 68.53 crore interest payable. Closing balance as per books of accounts of RCOM as on March 2017 is Rs. 160 crore

Amount of ICD received from KunjBihari Developers Pvt Ltd. is accounted in GL 2730000 (ICD received) and amounts are identifiable party wise, hence individual party wise details in SAP are available which was demonstrated in SAP to BDO team . KunjBihari financial information and its transactions with other parties are not relevant to RCOM.

## BDO Conclusion:

As per management, KunjBihari is a promoter group company. On site visit to the premises of KunjBihari, we have not found its existence at the registered address as per the MCA documents.

In 2016-17, KunjBihari obtained a loan of INR 635 crores from DHFL and of INR 85.5 crores from an unnamed NBFC and transferred INR 165 crores to RCOM.

## 5-E.3.4. TENORMAC ENTERPRISES PRIVATE LIMITED

# TRANSACTIONS WITH TENORMAC ENTERPRISES PRIVATE LIMITED

## ▶ BACKGROUND:

Previous Name of the company	Macronet Mercantile Private Limited
Corporate Identity Number (CIN)	U99999MH2000PTC127506
Date of Incorporation	30 June 2000
Registered Address	Manek Mahal, fl., No.19-20, 6th Fl., 90-veer Nariman Road, Churchgate Mumbai City Mh 400020 In
Line of Business	Commercial and Industrial - Other IT hosting or infrastructure provisioning services
Related Party	No
Paid-up Share Capital	INR 1,00,000

- ▶ RCOM received INR 150.12 crores from Tenormac as “received against INV” (as per SAP narration) on 20 January 2016 and transferred the same to Other Receivable Account (GL No. 5660460) on 31 March 2016.
- ▶ Tenormac has paid the above loans to RCOM from a loan received from an unspecified body corporate (as per Financials of 2015-16)

Tenormac is connected to RCOM / RTL / RITL due to following reasons:

Nature	Parties	Relationship
Connected Directors	Mahesh Nathuram Mungekar	Directors in : <ul style="list-style-type: none"> <li>• MP Network limited (Subsidiary of RCOM till Feb 2014) and</li> <li>• Reliance Globalcom Management Private Limited (Registered office at DAKC)</li> </ul>
	Sameer Nawale Balu	
Common Shareholders	Netizen Engineering Private Limited	Connected Parties
	Netizen India Private Limited	
	West Bengal network Private Limited	
	Sapphire Cable & Services Private Limited	
	Reliance Globalcom Management Private Limited	

# TRANSACTIONS WITH TENORMAC ENTERPRISES PRIVATE LIMITED

## ► Financial Background of Tenormac:

- Tenormac has weak financial background. The amount paid by Tenormac is not commensurate with the financial background.
- Tenormac is engaged in other IT hosting or infrastructure provisioning service (as per Annual Return for the year ended 31 March 2015). Income earned by Tenormac is not commensurate with expenses incurred. The company has incurred Business Centre Expense which has increased from INR 258 crores in 2013-14 to INR 987 crores in 2015-16 with no corresponding increase in revenue).
- There is no change in fixed assets and depreciation has not been charged on fixed assets since 2013-14.
- Paid up share capital of Tenormac is INR 1,00,000 with accumulated losses of negative INR 3,463 crores in 2015-16

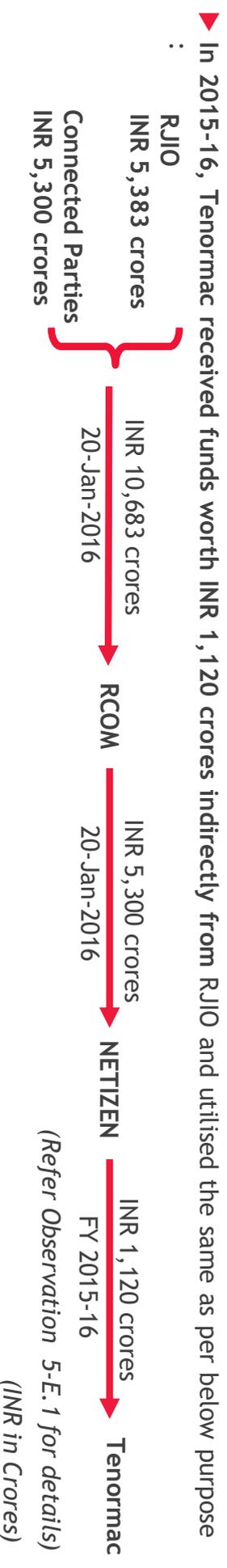
(INR in Crores)

	FY 2013-14	FY 2014-15	FY 2015-16
Share capital	0.01	0.01	0.01
Reserves	-1,413.17	-2,217.44	-3,462.82
Loan from body corporate	82.73	1,472.87	2,742.87
Trade Payable	1,840.61	1,359.80	1,588.54
Fixed Asset	2.50	2.50	2.50
Inventory - Communication Devices and accessories	333.69	311.06	272.84
Balance with tax authorities	158.95	243.12	372.43
Other receivable	0	0	190.00
Revenue from operation	4.98	0.92	0.77
Other income	0.01	2.68	2.11
Finance Cost	64.87	111.32	210.97
Loss on sale of material	0.00	23.60	34.93
Business centre expense	258.11	670.00	987.20

Source : Audited Financial Statements  
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# TRANSACTIONS WITH TENORMAC ENTERPRISES PRIVATE LIMITED



Received from	Inflow	Utilisation	Utilisation of amount received
Loan from Netizen	1,270.00	Business Centre Expense	987.00
Increase in trade payables	228.74	Finance cost	210.97
		Other receivable *	190.00
<b>Total</b>	<b>1,498.74</b>		<b>1,387.97</b>

Source : Financial Statements from MCA

- \* INR 150 crores received by RCOM from Tenormac is used for payment against invoice to Netizen
- Netizen**  $\xrightarrow{\text{Loan in 2015-16}}$  **Tenormac**  $\xrightarrow{\text{Against Inv in 20 Jan 2016}}$  **RCOM**  $\xrightarrow{\text{20 Jan 2016}}$  **Netizen**
- $\xrightarrow{\text{1,120 crores}}$   $\xrightarrow{\text{150 crores}}$   $\xrightarrow{\text{150 crores}}$  **Engineering**
- Further, Tenormac paid INR 150 crores to RCOM on 20 January 2016, which was transferred to Netizen on the same day as shown above.

**Management Comments:**

RCOM has received Rs. 150 crore on 20 January 2016 against outstanding receivable in the ordinary course of business.

**BDO Conclusion:**

It appears that the amount received from Netizen in FY 2015-16 was utilised by Tenormac to pay to vendors (INR 987 crores) for Business Centre expenses. These expenses are not commensurate with the revenue of Tenormac.

## 5-E.3.5. RELIANCE ALPHA SERVICES PRIVATE LIMITED

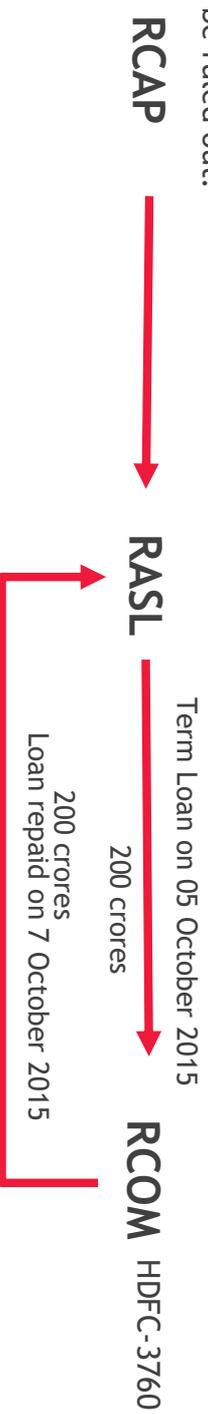
# TRANSACTIONS WITH RELIANCE ALPHA SERVICES PRIVATE LIMITED

## ▶ BACKGROUND:

Previous Name of the company	Reliance Share & Stock Brokers Private Limited
Corporate Identity Number (CIN)	U67120MH1993PTC218678
Date of Incorporation	26 November 1993
Registered Address	H Block 1St Floor, , Dhirubhai Ambani Knowledge City, , Navi Mumbai , Maharashtra , INDIA - 400710 (FY 2013-14 & 14-15) Manek Mahal, Flat No.19 & 20 . 6 <sup>th</sup> Fl., 90, Veer Nariman Road, Churchgate , Mumbai MH 400020 IN (FY 2015-16 to 17-18)
Line of Business	Commercial and Industrial - Sale of Gold Bars
Related Party	No
Paid-up Share Capital	INR 14,76,50,000

**Reliance Alpha Services Private Limited is a subsidiary of Reliance Capital Limited.**

- ▶ RASL gave a term loan to RCOM on 05 October 2015 which was received in OD account HDFC 3760. The same was repaid by RCOM on 7 October 2015. On further analysis it was found that RASL has borrowed money for which it has charged its assets to RCAP. In absence of Bank statements the purpose of transfer could not be ascertained.
- ▶ As the relevant period bank statement was not made available the possibility of renewing credit limits through fund transfer could not be ruled out.



## Management Comments:

RASL gave a temporary loan to RCOM on 5th October 2015 which was utilised for settling the overdraft of HDFC bank. RCOM repaid RASL on 7th October 2015.

# TRANSACTIONS WITH RELIANCE ALPHA SERVICES PRIVATE LIMITED

▶ **Routing of Funds to pay loan of RCOM:** RASL has given a term loan of INR 125 crores to RITL on 12 June 2015 ( as per statement appended below) which RITL has transferred to RCIL on the same date. RCIL has given the same amount to RCOM and RCOM has utilised the same to repay loan of Yes Bank. On further analysis it was found that RASL has borrowed money for which it has charged its assets to RCAP.



## Bank book extract of RITL

Accou	GL Account Head Name	Bank Name	Amount in local curren	Posting Date	Off Set Account Name	Offsetting act no	Text
5552711	RTL-YES BK-00177-P	Yes bank	-1,25,00,00,000	12-06-2015	Unsec.Lns-Banks/othr	2720000	FT TO RICL 108 FM RTL 177 YES
5552712	RTL-YES BK-00177-R	Yes bank	1,25,00,00,000	12-06-2015	Sec.TL-FIs-Rs.	1720000	TL FM Reliance Stock & Share

### Management Comments:

RCAP (a promoter group entity) infused funds of Rs. 125 crore into RITL. RITL paid to its holding company RCIL and RCIL paid to its holding company RCOM and RCOM repaid the loan of Yes Bank on due date i.e.12th June, 2015

### BDO Conclusion:

In absence of the relevant period bank statements, the possibility of renewing credit limits through fund transfer could not be ruled out. Further, it appears that RASL was used to infuse funds indirectly in RCOM.

# TRANSACTIONS WITH RELIANCE ALPHA SERVICES PRIVATE LIMITED

## Financial Background of RASL

- ▶ There are no revenues from operations in 2013-14 and 2014-15. In 2015-16 the sale and purchase are equal. The company has high finance costs and high borrowings even though there are no operations.
- ▶ Employee benefit expenses and salaries are nil.

Following is the summary of Reliance Alpha Service Pvt Ltd :

(INR in Crores)

Particular	2013-14	2014-15	2015-16	2016-17
Share capital	14.76	14.76	14.76	14.76
Reserves	39.18	-89.11	-95.40	-148.21
Long term borrowings	0	640.00	885.62	1,110.00
Short term borrowings	97.43	91.35	0	0
Other liability	0	0	651.86	377.42
Fixed asset	0.14	0.11	0.08	0.06
Non current investment	150.40	20.36	286.75	759.42
Loans	1.09	636.59	1,091.21	595.87
Revenue from operation	0	0	158.43	144.46
Other income	0.09	0.80	162.13	140.04
Purchase	0	0	158.88	144.85
Finance cost	1.80	14.78	166.17	185.12

# 5-E.3.6. RELIANCE ADA GROUP PRIVATE LIMITED (RADAG)

# TRANSACTIONS WITH RELIANCE ADA GROUP PRIVATE LIMITED

## ▶ BACKGROUND:

Previous Name of the company	Anil Dhirubhai Ambani Enterprises Limited / Reliance Ada Group Limited CN
Corporate Identity Number (CIN)	U74999MH2005GAT155907
Date of Incorporation	05 September 2005
Registered Address	502, Plot No 91/94, Prabhat Colony, Santacruz (East) Mumbai City MH 400055 IN
Line of Business	Commercial and Industrial
Related Party	No
Paid-up Share Capital	-

- ▶ The company is a company limited by guarantee established “specifically for incurring expenses for the Reliance Anil Dhirubhai Ambani group”. The company was formed with 7 members, who provided guarantee to contribute not exceeding INR 100 in case of liquidation.
- ▶ As on 31 March 2017, INR 117 crores is receivable from ADA.
- ▶ RCOM has made various payments to RADAG for which only invoice was provided, and other documents like agreement, working for sharing of expenses were not available. Cumulative transactions with RADAG during the review period is depicted below:  
(INR in crores)

Particular	RCOM	RITL	RTL	Total
Payments to RADAG	76.96	44.53	19.09	140.58
Group service charges	49.48	37.96	15.18	102.62

\* As per financials of 2014-15

Source: Books of RCOM, RTL, RITL

Source : MCA Records, SAP Reports, Information provided by Management, Bank Statements, Bank Book 271

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## TRANSACTIONS WITH RELIANCE ADA GROUP PRIVATE LIMITED

On analysis of financials of RADAG, it is observed that:

- ▶ Aircraft expense and salary expense are the major expenses of the company. The company has no income during the Review Period. The employee benefit expenses, and aircraft charges are 61% of the total expenses of the company excluding depreciation.
- ▶ RCOM has given an advance to RADAG for INR 171 crores before April 2013. RADAG has further given ICDS to other body corporates.

The following table gives the financial background of the company:

(INR in crores)

Particular	2013-14	2014-15	2015-16	2016-17
Advance Against cap exp	177.00	174.00	174.00	167.00
ICD Given	147.00	143.00	31.75	20.90
Other receivable	95.00	70.00	82.88	64.60
Current account of partnership firm	34.00	55.00	152.00	176.00
Employee benefit exp	20.00	33.00	41.00	22.77
Aircraft expense	48.00	66.00	62.00	32.20

Genuineness of transactions of RCOM, RTL and RITL with RADAG could not be verified. Source : Books of RCOM

As the ownership and beneficiary of the transactions could not be ascertained, the possibility that the payment was made for personal expenses could not be ruled out.

### Management Comments:

Transaction has been accounted in normal course of business since inception as group service charges. Group service charges was paid to Reliance ADA Group Private Limited towards sharing of common expenses incurred for entire ADAG group towards managing the business operations and it was not for payment towards personal expenses. Reliance ADA Group Private Limited financial information and its transactions with other parties are not relevant to RCOM.

### BDO Conclusion:

The possibility that the payment was made for personal expenses and the ICD given to RADAG was used to fund other entities could not be ruled out due to lack of complete information and supporting documents.

## 5-E.3.7. RELIANCE CLEANGEN LIMITED

# TRANSACTIONS WITH RELIANCE CLEANGEN LIMITED (RCGL)

## ▶ BACKGROUND:

Previous Name of the company	Patalganga Power Private Limited / Reliance Patalganga Power Limited
Corporate Identity Number (CIN)	U40100MH1995PLC084688
Date of Incorporation	17 January 1995
Registered Address	"H" Block, 1st Floor, Dhurubhai Ambani Knowledge City, Koparkhairane Navi Mumbai MH 400710 IN
Line of Business	Commercial and Industrial
Related Party	Enterprises described over which Anil Ambani has control (RCOM - 2016-17)
Paid-up Share Capital	INR 36,95,06,010

▶ RCGL has given an ICD of INR 1,236.25 crores to RCOM in 2016-17 which is not commensurate with the financial background of RCGL. It may be noted that RCGL has no income from operations. During the year 2016-17, RCGL has received an ICD of INR 1,420 crores from Reliance Power. RCGL has no other transactions with RCOM.

▶ RCGL is a subsidiary of Reliance Power.

▶ The following table gives the financial background of RCGL.

Particular	2013-14	2014-15	2015-16	2016-17
Revenue from operation	0.02	0	0.02	0
Other income	0.02	0.04	10.9	131.56
Finance cost	3.74	7.99	9.63	131.56
Other expenses	0.04	1.13	1.55	2.60

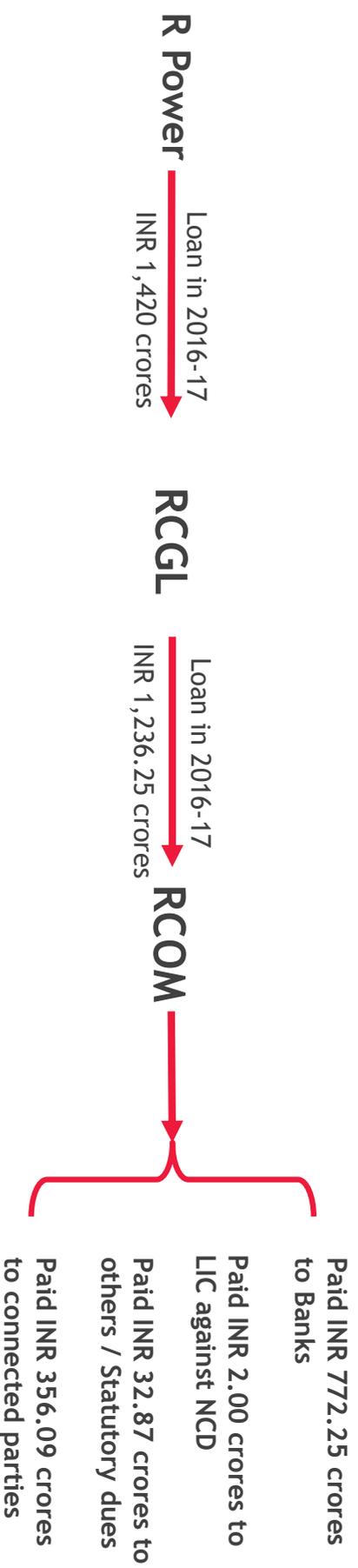
(INR in crores)

# TRANSACTIONS WITH RELIANCE CLEANGEN LIMITED

▶ RCGL gave ICD to RCOM from proceeds of loan of Reliance Power : (INR in crores)

Particular	2015-16	2016-17
ICD Taken from Reliance Power	511	1,931
ICD to SMPL		535
ICD to RCOM		1,281
ICD to Others	404	0

▶ Term loan of INR 1,236.25 crores received from Reliance Cleangen Ltd was received during FY 2016-17 and the same was used for Payment to Banks and Related Party payments.



## BDO Conclusion:

RCOM transferred receivable balance of INR 1,125.25 crores to pool account of ICD received account. ICD was received from the parties with weak background and financial strength that is not commensurate with the transactions entered into by it. It appears that money received from R Power to pay-off loans from RCOM and to pay to the related parties.

# 5-E.3.8. RELIANCE UNICORN ENTERPRISES PRIVATE LIMITED (CHLOROSULF)

# TRANSACTIONS WITH CHLOROSULF

## ▶ BACKGROUND:

<b>Corporate Identity Number (CIN)</b>	U24110MH1981PTC025793
<b>Previous Name</b>	Chlorosulf Private Limited
<b>Date of Incorporation</b>	05 December 1981
<b>Registered Address</b>	Manek Mahal, 6th Floor, 90 Veer Nariman Road, Mumbai - 400020, Maharashtra - India
<b>Paid-Up Capital</b>	INR 1,00,000
<b>Line of Business</b>	Commercial and Industrial
<b>Related Parties</b>	Reliance Value Services Private Limited
	One Metro India Private Limited
	Reliance DigITech Limited
	Reliance Money Infrastructure Limited
	Uttam Prakash Agarwal Shiksha Pariwar Uttam Prakash Agarwal CA Academy Private Limited

## ▶ Below are the shareholders of Chlorosulf:-

Name	% of holding					
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
AAA Entertainment Private Limited/ Reliance Interactive Advisors Private Limited	50%	50%	50%	50%	50%	19%
Reliance Net Limited	50%	50%	50%	15%	15%	32%
Edico Ventures Private Limited	-	-	-	35%	35%	35%
Indian Agri Services Private Limited	-	-	-	-	-	14%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# TRANSACTIONS WITH CHLOROSULF

- ▶ Below is the summary of financial statements of Reliance Unicorn Enterprises Private Limited (Chlorosulf) -

(INR in Crores)

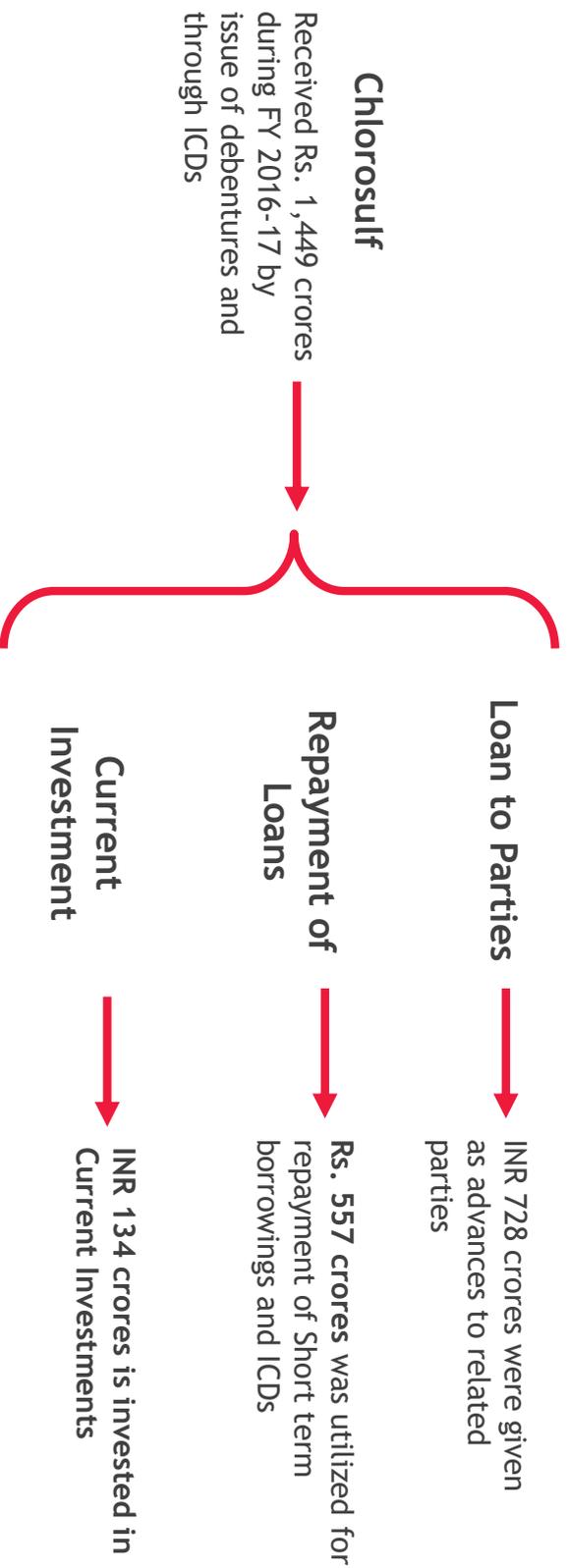
Financial Year	2012-13	2013-14	2014-15	2015-16	2016-17 *	2017-18
<b>Liabilities</b>						
Share capital	0.01	0.01	0.01	0.01	0.01	0.01
Reserves and surplus	-13.92	-62.42	-130.06	-259.94	-336.08	-476.07
<b>Borrowings</b>						
Long term borrowings	704.00	816.50	733.00	942.83	2,030.31	3,577.61
Short term borrowings	-	189.59	470.95	196.21	0.61	-
<b>Assets</b>						
Tangible Assets	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-
Current Investments	8.57	-	5.00	5.00	5.00	-
Non-Current Investments	231.73	522.33	586.79	416.84	551.80	1,579.79
Short term loans & advances	951.87	1,038.98	1,032.10	577.33	1,305.79	2,347.56
Long term loans & Advances	38.03	41.93	61.08	13.97	8.55	13.64

- ▶ There are no tangible and intangible assets during the Review Period. Chlorosulf did not have any lease agreements with any other entities, further the entity was involved in Wholesale Trade Services and Sale of Gold Bar in 2014-15 and 2017-18 and 2015-16 respectively which appears to be a change in business activity. Financials for 2016-17 were not available in the public domain.
- ▶ There were no raw material costs in the year FY 2016-17 & FY 2017-18.
- ▶ Chlorosulf did not have any employment benefit expenses during the Review Period which could mean there are no employees.
- ▶ Major of revenue in FY 2014-15 & FY 2015-16 are from its Related Parties.
- ▶ Chlorosulf has a paid up capital of INR 1,00,000 and has increasing trend of accumulated losses.

\*The company has not filed the audited financials on MCA for FY 2016-17, hence comparative figures of FY 2017-18 were considered for analysis

# TRANSACTIONS WITH CHLOROSULF

- ▶ On perusal of the financials for FY 2016-17\*, it was seen that Chlorosulf had borrowed INR 1,449 crores through issue of debentures and in the same year it had given loan of INR 728 to the related parties.



\*The company has not filed the audited financials on MCA for FY 2016-17, hence comparative figures of FY 2017-18 were considered for analysis

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports  
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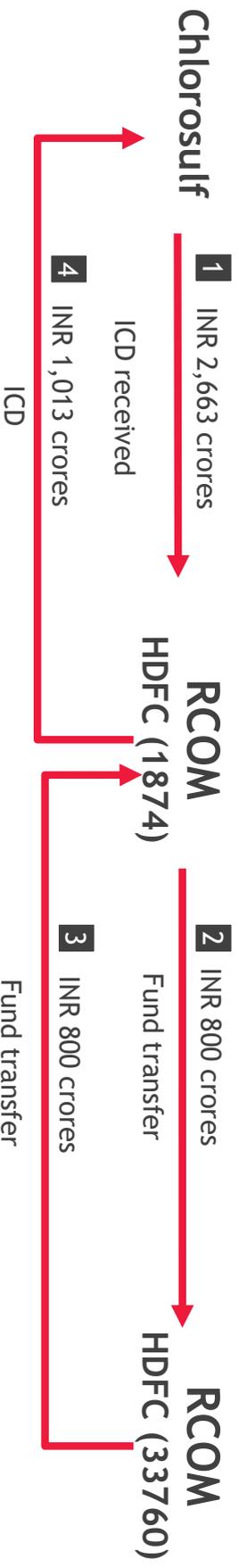
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# TRANSACTIONS WITH CHLOROSULF

- ▶ During FY 2015-16 & FY 2016-17, Chlorosulf gave RCOM total ICDs of INR 2,663 crores to RCOM out of which ICDs of INR 2,203.82 crores were repaid. (INR in Crores)

Party	Total Payments made by RCOM	Total Receipt in RCOM	Net Receipts
Reliance Unicorn Enterprises Private Limited	2,203.82	2,663.00	459.18

- ▶ Out of INR 2,663 crores received from Chlorosulf, INR 1,013 crores were paid back to Chlorosulf in the following manner  
FY 2015-16 & 2016-17



- ▶ Out of the total ICD received of INR 2,663 crores from Chlorosulf, funds amounting to INR 1,013 crores were paid back to Chlorosulf. Out of INR 1,013, INR 800 crores was transferred to RCOM HDFC(1874) OD A/c and was on the same date or up to T+2 was transferred back to Chlorosulf. Thus, the **OD limits were restored and funds were transferred back to Chlorosulf.**
- ▶ These ICDs are interest bearing and as per the Ledgers and accordingly INR 6.47 crores of interest have been charged to RCOM.

# TRANSACTIONS WITH CHLOROSULF

## Management Comments:

During FY 2015-16 and FY 2016-17 Chlorosulf, a promoter group entity infused funds amounting to Rs. 2,663 crore. Out of the above, RCOM repaid Rs. 2,198 crore. Interest charges are as per Term Sheets. At the time when the said transaction happened RCOM was neither in SDR nor under IBC and the loan repayments were in the normal course of business.

## BDO Conclusion:

From the above transactions, it appears that RCOM received funds from Chlorosulf to restore OD limits. Once OD limits were restored and funds were transferred back to Chlorosulf.

## 5-E.3.9. RELIANCE TECH SERVICES LIMITED (RTSL)

# TRANSACTIONS WITH RELIANCE TECH SERVICES LIMITED

## ▶ BACKGROUND:

Previous Name of the company	Reliance Tech Services Private Limited / Tech Reliance Private Limited / Reliance Infosystems Private Limited
Corporate Identity Number (CIN)	U72900MH2007PLC172690
Date of Incorporation	30 July 2007
Registered Address	"H" Block, 1st Floor Dhirubhai Ambani Knowledge City, Koparkhairanne Navi Mumbai Thane Mh 400710 In
Line of Business	Commercial and Industrial
Related Party	Subsidiary of RCOM , RTL (2013-14 to 2016-17) & RITL (2015-17)
Paid-up Share Capital	INR 5,00,000

▶ RTSL is a subsidiary of RCOM and fellow subsidiary of RTL.

▶ RCOM has given loan of INR 1,138 crores to RTSL in FY 2014-15, and as seen in the financials of RTSL, it has utilized the same to give loan to another body corporate. RTSL has repaid the loan in FY 2015-16 by utilizing loan received from body corporate. The financial summary of borrowings and loans given have been explained below:

	2013-14	2014-15	2015-16
Borrowings	-	1,258.18	118.65
Short term loans Given	169.96	1,341.87	241.53

(INR in Crores)

▶ **Assignment in the books of RCOM:** Out of the above receivable, RCOM has assigned INR 102 crores to Netizen, thereby decreasing the receivable from RTSL.

Source: MCA Records, Audited Financial Statements Bank Statements, Bank book, Information provided by Management,  
SAP Reports  
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# TRANSACTIONS WITH RELIANCE TECH SERVICES LIMITED

- RCOM has booked interest income of INR 121 crores in FY 2015-16, however no such expense is booked by RTSL.

(INR in Crores)

Particulars	2013-14	2014-15	2015-16	2016-17
Revenue from operation	358.31	408.41	351.94	319.43
Interest expense	0	15.88	0.27	0.25
Salary	63.51	59.87	67.36	68.51
Repair & Maintenance-Other				
Assets	260.75	263.59	256.22	240.62
Fixed Asset	0	0	0	0

- Assignment to Netizen in the books of RTL: RTSL had taken INR 534 Crores from RTL in 2014-15 to 2016-17 as amount paid against outstanding and RTL assigned INR 325 crores to Netizen, thereby decreasing the receivables in the books of RTL.  
(INR in Crores)

Particulars	2014-15	2015-16	2016-17	Total	Remarks
Payments done	44.00	406.00	84.00	534.00	
Expense	-54.94	-75.19	-43.96	-174.09	
Assignment		-325.00		-325.00	Amount of 325 crores is assigned to netizen

Source : Books of RTL

# TRANSACTIONS WITH RELIANCE TECH SERVICES LIMITED

## Transactions in the books of RCOM

- ▶ During the period FY 2014-15 to FY 2016-17, there were receipts in the books of RCOM amounting to INR 3,552.76 crores and payments amounting to INR 3,596.47 crores in ledger of RTSL. Expenses booked during the period FY 2014-15 to FY 2016-17 amounts to INR 846.02 crores.
- ▶ An adjustment entry amounting to INR 121.18 crores was made against Interest receivable. By passing such adjustment entry, payable balance of RTSL was adjusted with Interest receivable.
- ▶ An adjustment entry amounting to INR 102 crores was made against Netizen Engineering Private Limited. By passing such adjustment entry, receivable balance of RTSL was adjusted with Netizen Engineering Private Limited.
- ▶ Payments made to RTSL on account of “Purchase Invoice Financing” amounted to INR 668 crores.
- ▶ The reasons for such assignments could not be ascertained.

(INR in Crores )

Particulars	Amount in Customer Ledger	Amount in Vendor ledger	Total
Opening Balance	-	-7.26	-7.26
Bank Payments	3,455.25	141.22	3,596.47
Bank receipts	-3,417.15	-135.61	-3,552.76
ICD adjusted against Interest receivable	121.18	-	121.18
Adjustment with Netizen Engineering Pvt Ltd	-102.00	-	-102
TL from Bank of Baroda - Capex Payment	95.25	-	95.25
Clearing	-	-	-
Loan - Purchase invoice financing	-	668.00	668
Other Adjustments	-	20.08	20.08
Expense	-	-846.02	-846.02
CWIP Expenses	-	-31.14	-31.14
Adjustment with Customer / Vendor	-142.84	145.36	2.52
Closing Balance	9.7	-45.38	-35.68

Source : SAP records of RCOM

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# TRANSACTIONS WITH RELIANCE TECH SERVICES LIMITED

## Management Comments:

- ▶ RTSL has disclosed interest expenses net-off of interest reimbursement. During FY 2015-16 RCOM has charged finance cost of Rs. 134 crore which is accounted by RTSL and also disclosed in financial statement as part of related party transactions of both the entities.
- ▶ Documentation for assignment has been provided. The said receivable of Rs. 325 crore was paid by Netizen to RTSL in subsequent year.

## BDO Conclusion:

RCOM gave loans to RTSL which were then transferred to other parties. The balance of RTSL was assigned to Netizen. Given these transactions and lack of additional documents from the Management, it would not be possible to comment on the veracity of these transactions.

# 5-E.3.10. SAPPHIRE CABLE AND SERVICES PVT LTD. (SAPPHIRE)

# TRANSACTIONS WITH SAPPHIRE CABLE AND SERVICES PVT LTD

## ▶ BACKGROUND:

Previous Name of the company	Reliance Next Link Private Limited
Corporate Identity Number (CIN)	U72900MH2000PTC127494
Date of Incorporation	30 June 2000
Registered Address	Manek Mahal, fl., No.19-20, 6th Fl., 90-veer Nariman Road, Churchgate Mumbai City Mh 400020 In
Line of Business	Human resource management consultancy service(2013-14)
Related Party	No
Paid-up Share Capital	INR 1,00,000

## ▶ Sapphire is connected with RCOM, RITL and RTL due to following reasons :

Nature	Parties	Relationship with RCOM/RITL/RTL
Connected Directors (Directors of Sapphire connected with RCOM)	Anil Kalya (from 25.12.2012 to 10.07.2019)	Employee of RCOM is director in Sapphire
	Sameer Nawale Balu	Directors in : <ul style="list-style-type: none"> <li>• MP Network limited (Subsidiary of RCOM till Feb 2014) and</li> <li>• Reliance Globalcom Management Pvt ltd. (Registered office at DAKC)</li> </ul>
Common Shareholders	Parmeshwar Dayal Sharma	Directors in : <ul style="list-style-type: none"> <li>• Reliance Bhutan limited (Subsidiary of RCOM) and</li> <li>• Reliance Tech Services Ltd. (Subsidiary of RCOM)</li> </ul>
	Netizen Engineering Private Ltd.	
	Netizen India Private Ltd.,	
	West Bengal Network Private Ltd	Connected Parties
Common Shareholders	Reliance Globalcom Management Pvt Ltd	
	Reliance Datacenter Limited	

# TRANSACTIONS WITH SAPPHIRE CABLE AND SERVICES PVT LTD

## Financial Summary

(INR in Crores)

Particulars	2013-14	2014-15	2015-16	2016-17
Reserves and surplus	(342.65)	(628.94)	(1,493.79)	(2,024.67)
Loan from body corporate	51.74	0	2,092.31	2,540.00
Advance from customer	69.57	174.17	217.61	13.39
Trade Payables	428.79	752.43	222.87	167.88
Fixed assets	0	0	0	0
Loan to body corporate		40.74	40.74	
Advance to vendor		230.70	700.67	601.79
Balance with tax authorities		119.00	222.00	
Other receivable			80	80.24
Revenue from operation	119.35	14.76	0.76	11.99
Other income	3.07	4.30	2.06	0.35
Network repair and other operating exp	107.97	70.07	75.21	0
Finance cost	0.84	0.08	119.52	46.46
Other expenses - Infrastructure sharing and marketing exp	328.17	230.00	670.00	494
Profit / (loss)	(323.69)	(286.29)	(864.82)	(530.78)

- The revenue from operations is declining whereas other expenses are increasing and are accordingly not commensurate with the revenue. While the Revenue in FY 2015-16 was INR 0.76 crores, the company has incurred Infrastructure sharing and marketing expenses amounting to INR 670 crores.
- The company owns no fixed assets
- Company's paid up share capital is INR 1,00,000 and have huge accumulated losses which are increasing to INR 2,024.67 crores during FY 2016-17.
- During FY 2015-16, Sapphire received INR 2,092.31 crores from Netizen (Refer Observation 5-E.1.) The utilisation of the amounts received are in the ensuing page.

Source: Audited Financial Statements

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# TRANSACTIONS WITH SAPPHIRE CABLE AND SERVICES PVT LTD

► In 2015-16 Sapphire received funds worth INR 2,092.31 crores indirectly from RJIO (Refer Observation 5-E.1.) and utilised the same for below purposes:



Received from	Inflow	Utilisation	Utilisation of amount received from RJIO
Trade Payables Paid			530.00
Advance to vendor paid			469.97
Taxes paid			103.00
Other receivable			80.00
Network repair and other operating exp	2,092.31		75.21
Finance cost			120.00
Other expenses - Infrastructure sharing and marketing exp			670.00
<b>Total</b>	<b>2,092.31</b>		<b>2,048.18</b>

(INR in Crores)

## BDO Conclusion:

It appears that the amount received from RJIO was utilised by Sapphire to pay vendors (INR 1,669.97 crores), even though it does not generate any substantial income. The possibility that the expenses booked are suspicious and the their business transactions are not commensurate with the operations of Sapphire.

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports  
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# TRANSACTIONS WITH SAPPHIRE CABLE AND SERVICES PVT LTD

## Assignment in the books of RTL:

- ▶ In the books of RTL, there was receipt of INR 622.89 crores in the form of ICD and advances and payment of INR 2.00 crores during the Review Period. A payable balance of INR 275 crores was assigned to RCIL from Sapphire. This reduced the payable balance of RTL to Sapphire and converted the receivable balance to payable balance of RCIL. Post this assignment, closing payable balance of RCIL was INR 3.32 crores.
- ▶ Similarly, payable balance of INR 260.43 crores was assigned to RITL which resulted in reduction of the payable balance of RTL to Sapphire and converted the receivable balance to payable balance of RITL.
- ▶ The closing balance of Sapphire in the books of RTL was INR 5.8 crores.

(INR in Crores )

Particulars	Amount
Opening Balance	0.13
Bank Payment	2.00
Bank Receipt	-622.89
Expenses	86.95
Assignment - Reliance Communication Infrastructure Limited	275.00
Assignment - Reliance Infratel Limited	260.43
Adjustment	4.22
Closing Balance	5.84

# 5-E.3.11. RELIANCE COMMUNICATIONS INFRASTRUCTURE LIMITED (RCIL)

# BACKGROUND - RCIL

## 1. BACKGROUND

Previous Name	Not applicable.
Address	H BLOCK, 1ST FLOOR, DHIRUBHAI AMBANI KNOWLEDGE CITY, NAVI MUMBAI MH 400710 IN
Paid-Up Capital	9380200000
Related Party	Yes
Type of Services	Passive infrastructure services, call center services to telecom operator in India, trading in Handsets and providing infrastructure.
Incorporation Date	17 July 1997

## 2. LIST OF SHAREHOLDERS

Name	2014-15		2015-16		2016-17	
	Shareholding	% Holding	Shareholding	% Holding	Shareholding	% Holding
Reliance Communications Ltd	9379999994	99.99	9379999994	99.99	9379999994	99.99
Prakash Shenoy jointly with RCOM	1	0.00	1	0.00	1	0.00
Anil C Shah jointly with RCOM	1	0.00	1	0.00	1	0.00
Gaurang Shah jointly with RCOM	1	0.00	1	0.00	1	0.00
Hitesh Marthak jointly with RCOM	1	0.00	1	0.00	1	0.00
Shrenik Vaishnav jointly with RCOM	1	0.00	1	0.00	1	0.00
Hitesh Chawda jointly with RCOM	1	0.00	1	0.00	1	0.00
	9380000000	100.00	9380000000	100.00	9380000000	100.00

► RCIL is a Limited company and a wholly owned subsidiary of RCOM since 1 January 2006.

# FINANCIAL SUMMARY - RCIL (1/2)

## 3. FINANCIAL SUMMARY:

a. Given below is the snapshot of financial summary:

(INR in Crores)

Year	Net Worth	Revenue from Operations	Other Income	Employee Benefit Expenses	Tangible and Intangible Assets	Inventories	Loans and Advances		Short term Borrowings		Others	Long Term Borrowings
							Related Party	Related Party	Related Party	Related Party		
2013-14	109.43	2,721.48	168.15	75.50	438.66	25.92	1,969.19	1,316.35	550.27		0.02	
2014-15	922.34	2,272.86	59.98	58.41	243.57	33.82	1,067.94	2,553.74	27.19		0.02	
2015-16	1,642.51	2,710.26	252.08	366.35	237.84	26.26	407.53	450	221.85		0.02	
2016-17	1,367.99	1,208.30	224.78	395.88	167.27	34.75	1,846.73	1,363.3	575		0.02	
2017-18	-174.22	199.80	50.41	166.72	-	1.79	970.71	3,188.96	2,683.29		310.37	

Following observations are noted:

- ▶ The net worth of the company has been eroded in FY 2017-18
- ▶ The sales shows declining trend and accordingly have dropped by 83% in FY 2017-18
- ▶ Increase in employee benefit expenses in FY 2015-16, FY 2016-17 & FY 2017-18, even though there is decrease in total revenue.
- ▶ Decreasing trend in tangible assets, intangible assets and sales, even though additional loans have been received
- ▶ Loans to related parties show a declining trend (except in FY 2016-17 where it is increasing) after which it is decreasing again. Loans to related parties dropped down from INR 1,067.94 crores in FY 2014-15 to INR 407.53 crores in FY 2015-16. However, loans further increased in the subsequent year to INR 1,846.73 crores.
- ▶ Other income drastically dropped down from INR 168.15 crores in FY 2013-14 to INR 50.41 crores in FY 2017-18.

Source : Audited Financial Statements of the Company

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## FINANCIAL SUMMARY - RCIL (2/2)

- ▶ The Company has an outstanding balance of short term borrowing of INR 5,872.25 crores as on 31 March 2018. During FY 2017-18, additions to loan amounted to INR 3,933.95 crores, out of which INR 1,825.66 crores is addition in Related Party loans and balance INR 2,108.29 crores is addition in other party loans. Also, there was a substantial decrease in short-term borrowings from related parties from INR 2,553.74 crores in FY 2014-15 to INR 450 crores in FY 2015-16, which subsequently increased to INR 1,363.3 crores in FY 2016-17.
- ▶ RCIL has impaired plant and machinery & advances amounting to INR 1,000 crores and INR 412.94 crores respectively in the FY 2017-18.
- ▶ RCIL has an addition to plant and machinery during FY 2017-18 amounting to INR 3,211.84 crores. The same has been impaired to the extent of INR 1,000 crores and accordingly INR 2,270.51 crores has been classified as “Asset held for sale” in the Balance Sheet as on 31 March 2018. According to the management of RCIL, the company intends to close its commercial operations.
- ▶ RCIL has advanced INR 2,271.56 crores as “Capital advances” during FY 2017-18.

# TRANSACTION SUMMARY WITH RCIL (1/6)

▶ Below is the summary of transactions entered in ledgers of RCIL under multiple customer and vendor codes maintained with RCOM, RTTL, RTL during the period 1 April 2014 to 31 March 2017.

(INR in Crores)

Particulars	RCPL	RTTL	RTL	Grand Total
Opening Balance as on 01 April 2014	3,357.38	499.54	-69.98	3,786.94
Bank payment	19,481.48	5,853.21	655.21	25,989.90
Bank receipt	-31,338.26	-3,239.57	-74.78	-34,652.60
Collection from revenue	4,315.76	-	53.62	4,369.38
Revenue	462.95	2,307.83	-	2,770.78
Expense	50.73	-2,159.62	-69.42	-2,178.31
Payables	-465.32	3.91	-15.60	-477.00
Receivable	150.37	0.01	-258.79	-108.41
Adjustment	262.82	0.00	-0.05	262.82
Assignment - R BPO Balance	408.91	-	-	408.91
Assignment - Muskegon Trading Limited	-18.28	-	-	-18.28
Assignment - Reliance Communication Limited	0.05	-1,456.42	-	-1,456.37
Assignment - Reliance Communications Tamilnadu Private Limited	-340.00	-	-	-340.00
Assignment - Reliance Infratel Limited	675.00	-	-	675.00
Assignment - Reliance Telecom Limited	600.00	-	-	600.00
Assignment - Sapphire Cable & Services Pvt Ltd	-	-	-275.00	-275.00
Intra ledger	15.16	-	-0.64	14.51
Investment	-825.56	0.02	-	-825.54
Others	-35.97	-0.60	1.52	-35.05
RBPO	-36.10	-	-	-36.10
statutory dues	-56.62	-0.81	-1.89	-59.33
Unsecured loans	-	-1,845.38	-	-1,845.38
<b>Grand Total</b>	<b>-3,334.44</b>	<b>-37.89</b>	<b>-55.78</b>	<b>-3,428.11</b>

Source-SAP Reports

Note: Debit (+), Credit (-)

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## TRANSACTION SUMMARY WITH RCIL (2/6)

▶ Below is the summary of transactions entered in ledgers of RCIL under multiple customer, vendor codes and also Inter company payable and receivable GL maintained with RCOM, RITL, RTL during the period 1 April 2014 to 31 March 2017.

### In the books of RCOM

- Bank of Baroda Term Loan received by RCOM were transferred to RCIL amounting to INR 375 crores. These funds were further misutilised by RCIL. Loan given by BOB to RCOM for capital expenditure were routed through RCIL and further utilized to repaid ECB principal amount from China Development Bank (CDB) and fund transfer to RWSL. Refer Observation 5-A.5. for detailed workings.
- INR 4,348 crores have been booked as revenue from RCIL and the opening receivable balance of INR 3,357 crores which have been received from RCIL through a net receipt of INR 7,470 crores. Besides these transactions, a series of transactions have been recorded as below:
  - In July 2014, RCOM has made investments in 7,37,00,00,000 equity shares of Re. 1 each in RCIL amounting to INR 737 crores.
  - INR 207 crores were charged from RCIL for Interest on LCD. However, it may be noted that these entries were booked only for the month of June 2016.

### • Assignment of Balances:

- There were assignments of INR 675 crores and INR 600 crores with RITL and RTL in the ledger of RCIL in the books of RCOM where receivable from RITL and RTL were transferred to RCIL. The amount is now receivable from RCIL. The similar effect of assignments in the books of RITL & RTL was not observed.
- There was assignment of payable balance of INR 340 crores with RCTNL in the books of RCOM to RCIL, thereby reducing the receivable balance in the books of RCOM by RCIL.
- There is assignment of receivable balance of INR 408.91 crores from RCIL to RCOM. Post assignment, RBPO has to pay to RCOM instead of RCIL.
- As at 31 March 2015, RCOM purchased ISP Division from RCIL for INR 88.56 crores.

# OVERVIEW OF TRANSACTIONS WITH RCIL (3/6)

## In the books of RITL

- INR 5,853.21 crores were paid to RCIL as fund transfers and INR 2,093.83 crores were received from RCIL, which were settled on account of the following transactions and led to a reduction in the receivable balance:
  - Loans given to RCIL were netted off against RCIL's receivables of INR 1,845.37 crores by adjusting the same against the unsecured loans ledger. This led to a reduction in the receivable balance of RCIL.
  - Assignment of INR 456.42 crores (net) was made adjusting the payable balance of RCOM against the receivable balance of RCIL.
  - Expenses worth INR 1,851.92 crores were booked out of which INR 1,780.72 crores pertain to expenses of Fuel consumed, which accounts for nearly 96% of the total expenses booked. Revenue of INR 301 crores was on account of recovery of revenue from RCIL.
  - INR 307.70 crores pertains to interest expenses on LCD, which is booked at the end of each year.
  - Equity Shares of Worldtel Tamil Nadu & RBPO were sold for INR 2,00,000 to RCIL in March 2016 (profit/loss on sale).

## In the books of RTL

- Expenses worth INR 69.42 crores were booked in the ledger of RCIL.
- Payable balance of Sapphire was assigned to RCIL amounting to INR 275 crores. By assigning payable balance of Sapphire to RCIL, receivables (from RCIL) as well as payables (to Sapphire) of RTL have decreased by INR 275 crores.
- During the Review Period, RCOM advanced funds to RCIL amounting to INR 10,623 crores, out of which INR 10,575.87 crores were repaid. INR 350 crores were adjusted against RITL.

## OVERVIEW OF TRANSACTIONS WITH RCIL (4/6)

As observed, there were multiple transactions of huge values entered into with RCIL.

For specific transactions with RCIL please refer to the following slides:

- ▶ Transfer of bank loan funds to RCIL (as per slide 5-A.1): Out of the bank loans received by RCOM, RTL and RITL, funds were transferred to RCIL amounting to INR 5,386.34 crores (approx. 17% of the total utilisation).
- ▶ Potential evergreening / Diversion of loan (as per slide 5-A.3): Loan funds were moved from RITL to RCOM via RCIL. The loans were then used by RCOM to pay its liabilities and to related parties.
- ▶ Inter company loan transactions (as per slide 5-A.4): Loans availed by RCOM were transferred to RITL and these loans were used by RITL to make payments to RCIL. Also, loans availed by RTL were transferred to RCOM as payments against outstanding dues and was utilized to pay RCIL term loan.
- ▶ Round - tripping - sales invoice financing (as per slide 5-A.7): RITL has discounted bills and transferred the proceeds to RCIL i.e. short-term loan was used to pay related party. From subsequent months, it was observed that new bills were discounted to repay the original facility of the previous month.
- ▶ Promoter's Contribution (as per slide 5-B): On mapping utilization details of funds received from Reliance Capital Limited (by RCOM), it was noted that these funds were utilized to pay bank loans and fund transfer to related group entities and connected parties. Also, on analysing the funds received by RITL from RCOM, it was noted that such funds were transferred by RITL to RCIL. Further, on analysing the funds received by RITL from RCIL, it was noted that such funds were transferred by RITL to Netizen Engineering Private Limited.
- ▶ ICD's of RCOM (as per slide 5-D.1): On analysing the funds received by RCOM as ICD's, it was noted that these funds were also used to make payments to connected parties. Also, it was noted that repayments of ICD's were majorly out of funds from connected parties.
- ▶ ICD's of RTL (as per slide 5-D.2): ICD received from RWSL amounting to INR 130.74 crores were utilized to repay outstanding dues to RCOM (INR 31.41 crores), RITL (INR 91.86 crores), RCIL (INR 7.47 crores) . Also, it was noted that repayments of ICD's were majorly out of funds from connected parties.
- ▶ ICD's of RITL (as per slide 5-D.3): On analysing the funds received by RITL as ICD's, it was noted that these funds were also used to make payments to connected parties. Also, it was noted that repayments of ICD's were majorly out of funds from connected parties.

## OVERVIEW OF TRANSACTIONS WITH RCIL (5/6)

- ▶ Transactions between RCIL and Netizen (as per slide 5-E.1): RCIL acquired assets from Netizen. Netizen had in turn acquired the same assets from another company named Madhya Pradesh Network Limited which is connected to RCOM.
- ▶ Transactions with Independent TV Limited (as per slide 5-E.3.1): Money received by Independent TV from RITL were received by RITL from RCIL. Also, money received by RCOM from Independent TV was used to make payments to RCIL.
- ▶ Transactions with Reliance Realty Limited (as per slide 5-E.3.2): Reliance Bhutan Ltd had loan from RCIL, which it paid to RITL against sale of preference shares out of which 200 crores was against sale of preference shares of RRL limited by RITL.
- ▶ Transactions with Reliance Bhutan Limited (as per slide 5-E.3.2): INR 300 crores received as Loan from RCIL is paid to RITL, out of which 200 crores is related to purchase of preference shares .
- ▶ Transactions with Reliance Alpha Services Private Limited (as per slide 5-E.3.5): RASL has given a term loan to RITL, which RITL has transferred to RCIL on the same date. RITL repaid the loan to RASL. On further analysis it was found that RASL has borrowed money for which it has charged its assets to RCAP.
- ▶ Transactions with sapphire cable and services Pvt Ltd (as per slide 5-E.3.10): An assignment of payable balance of INR 275 crores was assigned to RCIL from Sapphire in the books of RITL.
- ▶ Transactions with Creative Ashtech Power Projects Private Limited (as per slide 5-E.3.13): During 2014-15, INR 275.00 crores were received from Creative Ashtech in three tranches and on the same day these funds were transferred to RCIL.
- ▶ Details of Charges (as per slide 5-F): It was noted that amount of open charges were more than the assets held by the Companies

# OVERVIEW OF TRANSACTIONS WITH RCIL (6/6)

## Advances

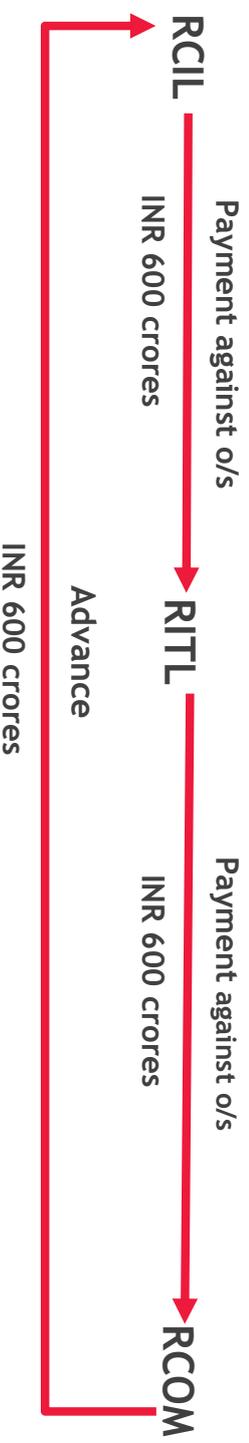
Below is the summary of advances given to RCIL and advances repaid by RCIL to RCOM

INR In Crores

Year	Advances Given to RCIL	Advances Repaid by RCIL
2013-14	2,886.08	3,509.96
2014-15	3,906.64	4,754.81
2015-16	2,362.21	2,264.07
2016-17	1,458.05	30.46
<b>Total</b>	<b>10,612.98</b>	<b>10,559.30</b>

Out of total INR 10,613 crores given by RCOM to RCIL, INR 9,623 (91%) crores were received from connected parties and remaining 9% from third parties and redemption of preference shares. During the Review Period, INR 10,239.72 crores are given as advances to RCIL out of which the source for INR 3,690.46 crores was RCIL itself.

- On 23 December 2015 INR 500 crores was received from RWSL against outstanding by RTL out of which INR 450 crores was transferred to RCOM. Further, RCOM transferred INR 500 crores back to RCIL on the same day.
- On 31 January 2014, INR 600 crores was received from RCIL against outstanding by RITL. RITL has transferred the same amount to RCOM against payments for outstanding. RCOM has utilized this amount to give advances to RCIL.



- INR 581.38 crores received from RWSL against Collection from Customers and outstanding was utilized for giving advances to RCIL.

Source: Bank Statements, Bank book, Information provided by Management, SAP Reports  
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## RCIL | MANAGEMENT COMMENTS (1/5)

During FY 2017-18, RCIL acquired Optic Fibre Cable along with ROW of 36,121 route km in 6 states across the country (OFC undertaking) for a value of Rs. 3,037 crore by way of business transfer agreement.

The Financial Year 2016-17 was a challenging year for the entire telecom sector. The hyper competition in the sector brought significant disruption and impacted the sector's operational and financial health and in the case of RCOM the decline has been very steep. In December 2017 RCOM group entered into a binding agreement for sale of fiber assets with RJIO and hence the fiber assets were classified as assets held for sale in financial statements of March, 2018. The aggregate value of Optical Fiber Cable (OFC or Fiber) assets in RCOM, RITL and RCIL was Rs. 8,400 crore. RJio had bid of Rs. 3,000 crore for OFC assets including RoW, over and above Rs. 4,214 crore (FY 2015 to FY 2017) Indefeasible right of use (IRU) revenue received from RJIO recognised as upfront revenue. Therefore the monetisable value of fiber assets from RJIO amounted to Rs. 7,214 crore and accordingly estimated provision of Rs. 1,000 crore and advances of Rs. 413 crore was created in RCIL as of March, 2018 against assets held for sale in accordance with Ind AS.

During the commencement of Audit itself it was mentioned that RCIL was having only certain IDC government contracts apart from which there are no commercial operations.

In the books of RCIL there was a balance of Rs. 379 crore receivable from Netizen. RCOM and RITL further transferred capital advance of Rs. 4,318 crore and 612 crore respectively to RCIL and RCIL acquired the OFC assets of Rs. 3,037 crore on 28<sup>th</sup> May 2017 from Netizen against the said receivables, which was necessary for the purpose of monetisation of fiber assets resulting in net receivable of Rs. 2,272 crore from Netizen. [ 379+ 4,318 +612 - 3,037 = 2,272 ]

As of March, 2017 there was an equivalent amount payable by RCIL. Subsequently, to give effect of the earlier resolution plan under discussion, payable of Rs. 2,272 crore by RCIL was transferred to RCOM.

The receivable in the books of RCIL can be transferred to RCOM as on date and settled against the payable. Considering the same, there would be no receivable from Netizen in the books of RCOM group.

RCIL instead of paying Netizen against the purchase of OFC assets paid RCOM Rs. 2,651 crore during May'17 to Mar'18. Thus the recoverability from Netizen in the books of RCOM was ensured.

This was the normal transaction of Business at that time, as the company was neither in SDR nor under IBC.

## RCIL | MANAGEMENT COMMENTS (2/5)

Below is the summary of transactions entered in ledgers of RCIL under multiple customer and vendor codes maintained with RCOM, RITL, RTL during the period 1 April 2014 to 31 March 2017.

(INR in Crores)

Sr.	Company	RCOM ICD	RCOM (Vendor & Customer)	RITL ICD	RITL (Vendor & Customer)	RTL (Vendor & Customer)
1	Opening Balance as on 01st April, 2014	1,216	2,917	-3,151	398	38
2	Revenue		32		296	-
3	Expenses		-135		-2,018	-79
4	Reimbursement-Expenses		1,125		-298	10
5	Funds Receipts	-17,924	-1,747	-17,790	-2,094	-73
6	Amount paid	12,028	-	17,874	5,853	647
7	Assignment					
7.1	RCOM-RCIL (net)	-25	325		-300	-
7.2	RCIL-RCTL	-340	-		-	-275
7.3	RCIL-Sapphire	-	-	1	-	-275
7.4	RCIL-RTL	600				
7.5	RCIL-NEPL			-67		
8	Distributor balance	-	-			-268
9	Collection on behalf from Customers		3,847			
10	Intra balance adjustment with ICD (net)	6,195	-6,195	1,845	-1,845	-
11	Investment in RCIL	-737	-			
12	Purchase of ISP Division		-89			
13	Others		-62		2	-2
14	<b>Closing Balance as on 31st March, 2017</b>	<b>1,013</b>	<b>19</b>	<b>-1,287</b>	<b>-6</b>	<b>-2</b>

## RCIL | MANAGEMENT COMMENTS (3/5)

Term Loan Funds from BOB amounting to Rs. 374.21 crore were received by RCIL at the request of RCOM. RCIL transferred to RCOM on same day and RCOM utilised for repayment of CDB Loan of Rs. 285.21 crore and balance Rs. 89 crore utilized for payment to LIC towards Interest [Rs. 14 crore ] ICBC interest Rs. 4 crore, Opex Rs. 5 crore, and Service Tax & TDS of Rs. 66 crore to Govt. of India on 07th September, 2015 pertaining to subsidiaries to avoid default [ RWSL Rs. 19 crore | RCIL Rs. 13 crore| RBTv Rs. 4 crore| RTL Rs. 25 crore and RTSL Rs. 5 crore, totaling to Rs. 66 crore].

During the period April 2014 to March 2017 (during the entire review period) RCOM charged Rs. 848 crore and received Rs. 1,194 crore including previous outstanding from RCIL towards interest on ICDS.

During the review period RITL, on behalf of RCOM, extended ICD of Rs. 675 crore to RCIL out of which RCIL refunded Rs. 375 crore resulting in net amount receivable of Rs. 300 crore from RCIL and corresponding amount payable to RITL in the books of RCOM. Corresponding entries have been passed in the books of RITL as well. Refer sr. 7.1 in the revised table.

On 31ST March 2014 RCOM received Rs. 600 crore from RCIL and paid to RTL. RTL, paid the same to Reliance Communications Tamil Nadu Private Limited (RTCPL) on behalf of RCOM. Accordingly in the books of RCOM receivable from RCTPL and payable to RCIL of Rs. 600 crore has been recognized in FY 2013-14. Receipt from RTL and payment on behalf of RTL on the same day is a contra entry and gets nullified.

BPO division of RBPO got merged with RCIL and hence the balance of RBPO became part of RCIL resulting in payable by RCIL to RCOM as at 31st March 2014.

Rs. 1845.37 crores is intra-balance adjustment between Vendor - Customer Account with ICD Account and there won't be any change in overall balance with RCIL. Please refer to the table point no. 10 of revised table.

During the review period RITL, on behalf of RCOM, extended ICD of Rs. 675 crore to RCIL out of which RCIL refunded Rs. 375 crore resulting in net amount receivable of Rs. 300 crore from RCIL and corresponding amount payable to RITL in the books of RCOM. Refer sr. 7.1 in the revised table.

RCIL, the holding Company of RITL used to procure fuel and provide fuel filling and maintenance services to RITL for its operations. Accordingly expenses of fuel consumed accounted by RITL and billed from RCIL.

Expenses pertains to services provided by RCIL for tower infrastructure (USO tower) and customer care services (call centre services ) to RTL.

## RCIL | MANAGEMENT COMMENTS (4/5)

RCIL was providing customer care services, billing and collection services to RCOM and other group entities. The distributors were providing services to RCOM group entities and they were allowed to settle the dues on net payable / receivable basis with RCOM group. In order to present a true and fair view of Receivable / payable position of RTL and RCIL in the financial statement, it was necessary to transfer receivable / payable of distributor to other entities where the corresponding payable / receivable were lying. It may be noted that both are subsidiaries of RCOM and transactions between RCOM and its subsidiaries are in ordinary course of business. RCOM and its subsidiaries are to be viewed as a single economic unit.

The assignment was done on April 01, 2015 and the amount was received back on 20th January, 2016 from Sapphire.

This is a general comment and wherever specific details are given elsewhere in the report, management comments have also been appropriately provided.

RCOM being the holding company provides financial support to its subsidiary companies for their operation in the ordinary course of business. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. Further, at the time when the transaction happened, this was in ordinary course of business and the Company was neither in SDR nor under IBC. Since the transactions referred above are between RCOM and its subsidiaries they cannot be treated as evergreening or round tripping or diversion of loans.

RCOM being the holding company provides financial support to its subsidiary companies for their operation in the ordinary course of business. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. Further, at the time when the transaction happened, this was in ordinary course of business and the Company was neither in SDR nor under IBC.

Reliance Bhutan Limited is a subsidiary of RITL and RITL is a subsidiary of RCIL. During FY 2016-17 RCIL extended a loan of Rs. 300 crore to Reliance Bhutan Ltd. and Reliance Bhutan Ltd. acquired the Preference shares of Reliance Realty Limited for a value of Rs. 200 crore from RITL and balance Rs. 100 crore was refunded to RCIL in FY 2017-18. The said transactions are between RCIL and its subsidiaries and remains within RCOM consolidation.

RASL (a promoter group entity) infused funds of Rs. 125 crore into RITL. RITL paid to its holding company RCIL and RCIL paid to its holding company RCOM and RCOM repaid the loan of Yes Bank on due date i.e. 12<sup>th</sup> June, 2015 to keep the account standard. RITL repaid the loan to RASL on 30<sup>th</sup> June, 2015.

## RCIL | MANAGEMENT COMMENTS (5/5)

RCIL has assigned receivables from Sapphire to RTL of Rs. 275 crore on April 01, 2015 and RTL has received the said amount on 20th January, 2016 i.e. in same financial year 2015-16 from Sapphire.

RCOM has received Rs. 275 crore in FY 2014-15 from Creative Ashtech Power Projects Private Limited against outstanding receivables. RCOM has given the funds to RCIL in the normal course of business to its subsidiary.

RCIL is part of the borrower group along with RCOM, RTL and RITL. Value of Assets of the borrower group as per Financial Statements was sufficient to cover the security on loans charged.

### **BDO Conclusion:**

Given the range and variety of transactions entered with RCIL by RCOM, RITL and RTL, the nature of relationship between these companies and RCIL cannot be ascertained. The utilization of funds which RCIL has received from RCOM, RITL and RTL cannot be commented upon and is outside purview of scope of work for the Forensic Audit. In the absence of details of revenue and lack of supporting documents being provided by the Management, it cannot be ascertained the veracity of the collections from RCIL.

## 5-E.3.12. RELIANCE WEBSTORE LIMITED (RWSL)

# BACKGROUND - RWSL

## BACKGROUND

Previous Name	Not Applicable
Address	H BLOCK, FIRST FLOOR, DHIRUBHAI AMBANI KNOWLEDGE CITY, NAVI MUMBAI City MH 400710 IN
Corporate Identity Number(CIN)	U64203MH1997PLC166329
Related Party	Yes
Type of Services	Other professional, technical and business services.
Incorporation Date	04 August 2000

## LIST OF SHAREHOLDERS

Name	2013-14		2014-15		2015-16	
	Shareholding	% Holding	Shareholding	% Holding	Shareholding	% Holding
Reliance Communications Limited	50,000	100%	50,000	100%	50,000	100%
<b>Total</b>	<b>50,000</b>	<b>100%</b>	<b>50,000</b>	<b>100%</b>	<b>50,000</b>	<b>100%</b>

# FINANCIAL SUMMARY - RWSL

## ► 2. FINANCIAL SUMMARY:

a. Given below is the snapshot of financial summary:

(INR in Crores)

Year	Net Worth	Short term Loans and Advances									
		Revenue from Operations	Cost of Materials Consumed	Inventories	Related Parties	Others	Long term Loans and Advances	Borrowings	Tangible Assets	Capital Work in Progress	
2013-14	-14.04	837.43	280.44	69.16	195.28	146.19	22.43	26.63	110.23	17.92	
2014-15	83.74	1,870.21	236.19	136.77	112.42	441.74	3.54	110.15	203.79	127.36	
2015-16	84.72	1,616.17	204.10	49.01	4.23	310.21	25.32	130.23	213.45	144.2	
2016-17	-78.71	1,365.23	78.51	83.05	-	-	14.22	22.61	170.81	142.04	
2017-18	-610.44	112.41	82.03	4.06	-	-	12.19	631.97	-	-	

Following observations are noted:

- The net worth of the company has been eroded in FY 2016-17
- The revenue in FY 2014-15 went up by 123% as compared to revenue in FY 2013-14
- Decrease in “Cost of materials consumed” in 14-15 as compared to 13-14, even though revenue increased by 123%
- Loan taken from related party in the year 17-18 amounting to INR 619.08 crores
- Inventory also shows a drastic declining trend in FY 2017-18
- No tangible / intangible assets as on March 2018
- Marginal loans / advances receivable as on March 2018

Source : Audited Financial Statements of the Company

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# OVERVIEW OF TRANSACTIONS WITH RWSL

## ► RCOM

There was an opening payable balance of INR 452 crores of RWSL in the books of RCOM. Further during the year, assignment entry of INR 793 crores was passed in the books of RCOM with RTL thereby transferring the payable balance of RWSL to RTL.

(INR in Crores)

Particular	RCOM	RTL
Opening Balance	-451.68	36.06
Receivable	-	430.34
Revenue	3,561.35	0.04
Expenses	10,761.92	356.10
Bank Payment	14,558.32	160.53
Bank Receipt	-34,864.03	-595.19
Adjustment	4,526.88	94.76
<b>Assignment - Reliance Telecom Limited</b>	<b>792.78</b>	<b>-</b>
ICD Received	-	-455.74
Loan	703.69	-

As per agreement executed between RCOM and RWSL on 01 April 2014 below mentioned were the major clauses

- RCOM has approached RWSL for Customer Life cycle management services including but not limited to marketing and distribution of telecom services, CAF management, billing and collection, retention of customers, marcoms, etc.
  - RCOM shall pay INR 120 crores p.a. for the services.
  - There above-mentioned agreement is valid for a period of 3 years from the date of execution.
- We were provided with unsigned executed version of the agreement.

# OVERVIEW OF TRANSACTIONS WITH RWSL

There were multiple transactions of huge values entered into with RWSL

For specific transactions with RWSL please refer to the following slides:

- ▶ Potential evergreening / Diversion of loan: Loan funds were moved from RITL to RCOM via RCIL. The loans were then used by RCOM to pay its liabilities and to related parties.
- ▶ Potential Diversion of FUNDS -BANK OF BARODA loan: Loan given by BOB for capital expenditure to RCOM were routed through RTSL and further utilized as fund transfer to RRL and RWSL. Also, Loan given by BOB for capital expenditure to RCOM were routed through RCIL and further utilized to repaid ECB principal amount from China Development Bank (CDB) and fund transfer to RWSL.
- ▶ Promoter's Contribution: On mapping utilization details of funds received from Reliance Capital Limited (by RCOM), it was noted that these funds were utilized to pay bank loans and fund transfer to related group entities & connected parties. Also, on identification of source of funds for making payments to Reliance Capital Limited (by RCOM), it was noted that these funds were sourced from banks and related group entities & connected parties.
- ▶ ICDs of RTIL: ICD received from RWSL amounting to INR 130.74 crores were utilized to repay outstanding dues to RCOM (INR 31.41 crores), RITL (INR 91.86 crores), RCIL (INR 7.47 crores) . Also, it was noted that repayments of ICD's were majorly out of funds from connected parties.
- ▶ Advances given by RCOM: On analysing the advances given by RCOM to connected parties, it was noted that these funds were also sourced from connected parties. Also, most of the repayment received from various parties were used to give ICD's to other connected parties.

## TRANSACTIONS WITH RWSL

- ▶ During the period FY 2014-15 to FY 2016-17, there were receipts in the books of RCOM amounting to INR 28,116.98 crores and payments amounting to INR 11,793.29 crores in ledger of RWSL in the books of RCOM. Expenses booked during the period FY 2014-15 to FY 2016-17 were INR 10,727.02 crores.
- ▶ There were adjustment entries of INR 17,254.70 crores in the vendor to customer. These were adjusted in customer ledger also.
- ▶ INR 544.08 of Purchase Invoice Finance was classified in Loans.
- ▶ Collection allocation of INR 3,318.37 crores was made to Sundry Debtors - Others
- ▶ An adjustment entry amounting to INR 242.78 crores was made against RTL. By passing such adjustment entry, payable balance of RWSL was adjusted with RTL.
- ▶ The reasons for such assignments could not be ascertained.

# TRANSACTIONS WITH RWSL

Transaction from 1-April-2014 to 31-March-2017 with RWSL in the books of RCOM

(INR in Crores)

Particulars	Vendor	Customer	Amount in GL (Inter Co. Rec - RWSL)	Total
Opening Balance	-235.21	-	-	-235.21
Bank payments	1,199.57	10,593.70	1.11	11,794.4
Bank receipts	-25.78	-28,091.21	12.24	-28,104.8
Vendor/customer adjustment	-17,254.70	17,254.70	-	0
Adjustment with RTL		242.78		242.78
Expense	10,727.02	-	1.15	10,728.17
Income		0.14	2.79	2.93
Inter Company Adjustments	1,124.12	-	-1,532.72	-408.6
Loan	544.08	-	-	544.08
Statutory Payable	-14.94	-	1,454.17	1,439.23
Other Adjustments	-	-	61.11	61.11
Other assets transfers	0.75	-	0.14	0.89
RTL	550.00	-	-	550
Inventory	-	-	0.01	0.01
Other Parties	7.06	-	-	7.06
Collection allocation	3,318.37	-	-	3,318.37
Closing Balance	-58.46	0.12		-58.34

Management comments for this observation were not provided. Hence, comments cannot be incorporated in the report.

Source : SAP records of RCOM

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## 5-E.3.13 CREATIVE ASHTECH PRIVATE LIMITED

# TRANSACTIONS WITH CREATIVE ASHTECH POWER PROJECTS PRIVATE LIMITED

## 1. BACKGROUND

Corporate Identity Number (CIN)	U29299MH2009PTC258419
Date of Incorporation	17 February 2009
Paid-Up Capital	INR 20,06,360
Registered Address	7th Floor Raheja Point 1, Opposite Vakola Market Nehru Road, Santacruz (East) Mumbai City MH 400055 IN
Line of Business	Electricity, gas, steam and air condition supply
Related Party	Common director between Creative Ashtech & Crest Logistic (connected party) & Tulip advisor is shareholder of Creative Ashtech (company having registered address of DAKC).

## 2. Extract of Financials of Creative Ashtech Power Projects Private Limited is as under: *(INR in Crores)*

Particular	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue from Operation	50.18	10.05	0.02	0.05	0.23
Other Revenue	79.54	0.61	0.53	0.35	0.88
<b>Total Revenue</b>	<b>129.7</b>	<b>10.66</b>	<b>0.55</b>	<b>0.40</b>	<b>1.11</b>
Fixed Assets	1.62	1.21	1.03	0.73	0.65
Long term borrowings (ICD)	732.23	732.23	1,077.23	1,443.23	1,443.23
Advances to others	1,976.92	1,735.26	1,733.70	1,732.43	1,731.14

- The operating revenues of the companies have drastically declined.
- The main business of the company appears to be dealing in loans and advances as against the actual business of electricity gas steam etc. (as per MCA) as the balance of outstanding loans given is very high compared to fixed asset base.

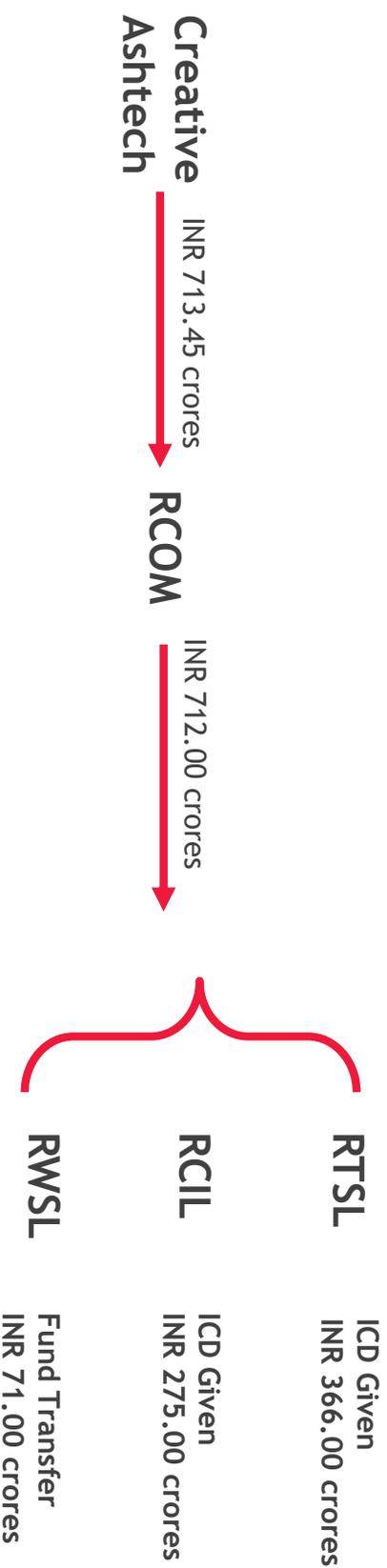
# TRANSACTIONS WITH CREATIVE ASHTECH POWER PROJECTS PRIVATE LIMITED

3. Ledger summary of Creative Ashtech Power Projects Private Limited in the books of RCOM for FY 2013-14 to FY 2016-17 as follows.

(INR in Crores)

Account Name	Payment	Receipt	Remark
Opening Balance	-	-	
(MUMB) ICI-04799-R	-	-713.45	Note 2
Other Receivables-A/c	713.45	-	Note 1
Closing Balance	-	-	

- During the Review Period, there are no sales and purchase transactions of RCOM, RTIL and RTL with CAPPPL.
- However, total receipt from Creative Ashtech amounted to INR 713.45 crores and the reason for such fund transfers could not be ascertained.
- Note 1 - Payable balance of CAPPPL have been adjusted against pool account 'Other Receivables-A/c' thus reducing the opening receivable balance of 'Other Receivables-A/c' to the extent of INR 1,291.79 crores as on 1 April 2013 by INR 713.45 crores. Further details could not be ascertained as the account is a pool account and contains various miscellaneous balances
- Note 2 - Utilisation of funds received from Creative Ashtech.



Source: Bank Statements, Bank book, Information provided by Management, SAP Reports  
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# TRANSACTIONS WITH CREATIVE ASHTECH POWER PROJECTS PRIVATE LIMITED

4. Funds received from an Unknown Entity routed to RCOM to give ICD to its subsidiaries.
- During the 2014-15, RCOM received INR 347.45 crore from Creative Ashtech Power Projects Private Limited (CAPPPL). While analysing financial statement of CAPPPL it was observed that these funds were received from an unknown entity in the nature of ICD during the year amounting to INR 345 crores which was further transferred to RCOM.
  - On receipt of INR 347.45 crores RCOM utilised funds to pay to connected parties on same day i.e. ICD to RCIL INR 275 crore and fund transfer to RWSL INR 71 crores.
  - During 2015-16, RCOM received INR 366.00 crore from CAPPPL. While analysing financial statement of CAPPPL it was observed that these funds were received from an entity in the nature of ICD during the year amounting to INR 366 crores which was further transferred to RCOM. RCOM utilised funds on same day to give ICD of INR 366 crores to RTSL.
  - Ledger account (MUMB) ICI-04799-R is ICICI bank account number is 405004799 is closed as on 03 August 2010 as confirmed by ICICI bank authorised person via mail dated 23 September 2019. All funds from CAPPPL are received in said account. (Refer slide 39 for details)

## ▶ Directorship & shareholding of Creative Ashtech Power Projects Private Limited

DIN	Name	Designation	Appointment Date	Cessation Date
5220214	Arun Rameshchandra Garg	Director	16-04-2013	02-11-2018
5275736	Sujit Shankar	Director	09-05-2012	15-07-2013
5275743	Arvind Vinayak Laad	Director	09-05-2012	15-07-2013
7314873	Kumar Gurudutt	Director	02-12-2015	31-10-2018
6662829	Ravisankar Srinivas Kottu*	Director	28-08-2013	02-12-2015

\*Common Director between Crest Logistic and Creative Ashtech.

# TRANSACTIONS WITH CREATIVE ASHTECH POWER PROJECTS PRIVATE LIMITED

- Shareholders of Creative Ashtech includes following parties which are related to RCOM & its related entities.

Shareholders	Relationship with RCOM/RTTL/RTL
Tulip Advisors Private Limited	Registered address of DAKC
Vishwakarma Equipment Finance (India) Limited	ICD Given to RCOM in 2017-18
Traitrya Constructions Finance Limited	ICD Given to RCOM in 2017-18
Shriyam Auto-Fin Limited	ICD Given to RCOM in 2017-18
Pearl Housing Finance (India) Limited	ICD Given to RCOM in 2017-18
Mahimna Mercantile Credits Limited	ICD Given to RCOM in 2017-18
Neptune Steel Strips Limited	ICD Given to RCOM in 2017-18
REL Utility Engineers Limited/Crest Logistics & Engineers Limited	Common Directorship with RCOM related Entities
Spice Commerce & Trade Private Limited	Common Directorship with RCOM related Entities
Skyline Global Trade Private Limited	Common Directorship with RCOM related Entities
Space Trade Enterprises Private Limited	Common Directorship with RCOM related Entities

For detailed shareholding refer Annexure 5-E.3.13.1

# TRANSACTIONS WITH CREATIVE ASHTECH POWER PROJECTS PRIVATE LIMITED

## ► Shareholding of Crest Logistics and Engineers Pvt Ltd.

		2016-17		
Name	Address of Shareholder	Shareholding	% Holding	Remarks
Edico Ventures Pvt Ltd.		1,24,60,000	41%	Edico is also a shareholder of Kunjbihari Developers (100%) and also of Reliance Unicorn Enterprises Pvt Ltd (Chlorosulf)(35%)
Elder IT Solutions Pvt Ltd	Cama Building, 1st floor, 24/26 Dalal Street, Fort ,Mum-400023	23,00,000	8%	
Deep Industrial Finance Ltd		6,00,000	2%	
Pearl Housing Finance (India) Ltd		6,00,000	2%	
Trairya Construction Finance Ltd.		6,00,000	2%	
Skyline Global Trade Pvt Ltd	B/702,Raheja Point 1,Pandit Jawharlal	44,60,020	15%	
Space Trade Enterprises Pvt Ltd.	Nehru Road, Vakola, Santacruz	44,59,895	15%	
Spice Commerce and Trade Pvt. Ltd.	East,Mum-400055	44,59,895	15%	
Reliance Infrastructure Ltd	H Block, 1st Floor Dhirubhai Ambani Knowledge City, Navi Mumbai-400710	4,09,795	1%	
Others		300	0%	
<b>Total</b>		<b>3,03,49,905</b>	<b>100%</b>	

The shareholders of Creative Ashtech have common address viz. *Cama Building, 1st floor, 24/26 Dalal Street, Fort ,Mum-400023* with the shareholders of Crest Logistics, Edico Ventures (the shareholder of Kunjbihari which is a promoted group entity) & Chlorosulf. Thus, Creative Ashtech appears to be a closely connected entity of RCOM.

**BDO Conclusion:** Creative Ashtech appears to be a connected entity of RCOM and the financials are not commensurate with the business transactions with RCOM.



# TRANSACTIONS WITH CREATIVE ASHTECH POWER PROJECTS PRIVATE LIMITED

## Management Comments:

The Company has received funds from Creative Ashtech Power Projects Private Limited on account of receivable from business operations. RCOM paid to its subsidiaries for funding in respect of their business operations. RCOM being the holding company provides financial support to its subsidiary companies for their operation in the ordinary course of business.

Please note above referred ICICI bank account number 405004799 is of RCOM and still active account. Transactions are happening in normal course of business. Observation that the said bank account is closed on 03<sup>rd</sup> August 2010 is incorrect. Current balance as on date is nil.

## 5-E.3.14 TELEBROAD ENTERPRISES PVT LTD

# TRANSACTIONS WITH TELEBROAD ENTERPRISES PVT LTD

## ▶ BACKGROUND:

Previous Name of the company	Macronet Private Limited, Macronet Infrastructure Private Limited
Corporate Identity Number (CIN)	U99999MH2000PTC127506
Date of Incorporation	30 June 2000
Registered Address	Manek Mahal, Flat No.19-20, 6th Floor, 90-veer Nariman Road, Churchgate Mumbai City Mh 400020 In
Line of Business	Other IT hosting or infrastructure provisioning services.
Related Party	No
Paid-up Share Capital	INR 1,00,000

## ▶ Relationship between Telebroad & RCOM / RTL / RITL

Nature	Parties	Relationship
Connected Directors	Mahesh Nathuram Mungekar	Directors in : <ul style="list-style-type: none"><li>• MP Network limited (Subsidiary of RCOM till Feb 2014) and</li><li>• Reliance Globalcom Management Private Limited (Registered office at DAKC)</li></ul>
	Sameer Nawale Balu	
Common Shareholders	Netizen Engineering Private Limited	Connected Parties
	Netizen India Private Limited	
	West Bengal Network Private Limited	
	Sapphire Cable & Services Private Limited	
	Reliance Globalcom Management Private Limited	

# TRANSACTIONS WITH TELEBROAD ENTERPRISES PVT LTD

## ► Financial Background of Telebroad:

- Telebroad has huge borrowings from body corporate with no corresponding revenue
- Companies paid up share capital is INR 1,00,000 with accumulated losses of negative INR 1,535.15 Crores in 2015-16
- Below is the extract of the audited financial statements

*(INR in Crores)*

	FY 2014-15	FY 2015-16
Share capital	0.01	0.01
Reserves	(1,529.32)	(1,535.15)
Loan from body corporate	2,017.30	2,383.30
Trade Payable	10.33	23.59
Fixed Asset	14.31	8.06
Inventory	22.13	21.90
Loan to body corporate	466.87	838.01
Other assets	3.43	11.56
Revenue from operation	2.28	0.05
Loss on sale of material	6.24	6.24
Other expenses	11.93	7.02

- In 2015-16, Telebroad received funds worth INR 366 crores from Netizen which Netizen had received from RJIO and utilised the same to give loan to another Body Corporate.



*(Refer Observation 5-E.1 for details)*

**BDO Conclusion:** This possibility that the above arrangement of transactions was generated to divert the funds received from RJIO and other connected parties cannot be ruled out.

## 5-E.3.15 RELIANCE BPO PRIVATE LIMITED

# TRANSACTIONS WITH RELIANCE BPO PRIVATE LIMITED

## ▶ BACKGROUND:

Previous Name of the company	Reliance Infostreams Private Limited Reliance Webservice Private Limited
Corporate Identity Number (CIN)	U72200MH2000PTC124290
Date of Incorporation	17 February 2000
Registered Address	Manek Mahal, Flat No. 19-20, 6th Floor, 90-veer Nariman Road, Churchgate Mumbai City Maharashtra 400020 In
Line of Business	Call attending services and related services
Related Party	Yes
Paid-up Share Capital	INR 1,00,000

## ▶ Financial Summary - Extract

	2013-14	2014-15	2015-16	2016-17
<b>EQUITY AND LIABILITY</b>	-	-	-	-
Equity Share Capital	0.01	0.01	0.01	0.01
Reserves and Surplus	-0.18	-0.52	-1.01	-0.88
Other Liabilities	7.93	8.27	8.76	8.57
<b>Total</b>	<b>7.76</b>	<b>7.76</b>	<b>7.76</b>	<b>7.71</b>
<b>ASSETS</b>				
Tangibles	0.78	0.78	0.78	0.78
Tangible assets capital work-in-progress	6.96	6.96	6.96	6.68
Other Assets	0.02	0.02	0.01	0.24
<b>Total</b>	<b>7.76</b>	<b>7.76</b>	<b>7.76</b>	<b>7.71</b>
<b>P&amp;L</b>				
Revenue	0.00	-	-	-
PAT	-0.73	-0.34	-0.50	-0.07

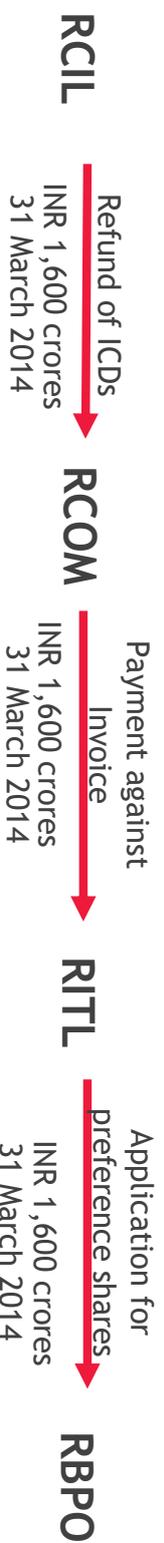
Note: It appears that the company has developed tangible CWIP by taking on external liabilities, while there is no revenue generation.

# TRANSACTIONS WITH RELIANCE BPO PRIVATE LIMITED

## ► Financial Summary - Extract

- Pursuant to the Scheme of Arrangement ("The Scheme") under Section 391 to 394 read with Sections 78, 100 to 103 of the Companies Act, 1956, sanctioned by the Hon'ble High Court of Judicature at Bombay vide Order dated 20 December 2012 with an Appointed date being 01 April 2012, BPO division of the Company has been demerged into Reliance Communications Infrastructure Limited (RCIL), the holding Company.
- The total assets as per the Balance Sheet of RBPO is approximately INR 7 to 8 crores during the Review Period. However, as per the bank books of the Target Entities, voluminous transactions were observed with Reliance BPO Private Limited (as given below) which have not been disclosed in the books of RBPO. RITL is a related party (fellow subsidiary of RITL).

A. On 31 March 2014, INR 1,600 crores was received from RCIL as refund of ICDs which were utilized for making payments to RITL against invoices. RITL has used this advances to pay RBPO against application of Preference Shares\*



B. On 20 January 2016, INR 2,500 crores was received from RJIO as collection from revenue by RITL was utilised towards investment in preference shares of RBPO. RBPO further advanced this amount to RTL in the nature of ICD. Refer Observation 5-3.1 for entire leg of the transaction.



\* The above mentioned amounts were found in bank book but could not be traced in bank statements.

# TRANSACTIONS WITH RELIANCE BPO PRIVATE LIMITED

## Management Comments:

CWIP pertains to Call centre item - Diallers received from Huawei (Chinese vendor) which was defective. Against this there is liability to the Huawei which was not paid and not payable.

In RBPO apart from the two transaction reported there are no voluminous transactions.

In FY 2013-14: RCOM paid to its subsidiary RCIL using intraday limits, RCIL paid to its subsidiary RITL , RITL paid to RBPO, RBPO paid to its holding Company RCIL and RCIL paid to RCOM. The fund transfers are between RCOM and its subsidiaries and to be viewed as a single economic unit.

The entries in the books of RITL, RCIL and RBPO are as under -

In the books of RITL - RITL has paid Rs. 1,600 crore to RBPO on behalf of RCIL on 28th March 2016, hence in the books of RITL receivable from RCIL was recognized since this was payment on behalf of RCIL.

In the books of RCIL - ICD/Advance to RBPO was recognized and credit given to RITL account for payment made on its behalf. The advance to RBPO was intended towards preference shares to be subscribed by RCIL. However the preference share transaction did not take place and RBPO refunded the amount on the same day. Since RCIL received the funds back from RBPO both these transactions with RBPO got nullified on the same day.

In the books of RBPO - RBPO has received from RITL Rs. 1,600 crore on 28th March, 2014 on behalf of RCIL and RBPO paid to RCIL on same day. As the amount was paid back to RCIL on the same day, the said transaction got nullified and hence not disclosed under related party transaction in the financial statements.

We reiterate that proper accounting entries have been passed and appropriately disclosed in financial statements as required.

In FY 2015-16:

The entries in the books of RITL, RTL and RBPO are as under -

In the books of RITL - RITL has paid Rs. 2,500 crore to RBPO on behalf of RTL on 20th January 2016, hence in the books of RITL receivable from RTL was recognized since this was payment on behalf of RTL.

## TRANSACTIONS WITH RELIANCE BPO PRIVATE LIMITED

In the books of RTL - RITL has given funds to RBPO on behalf of RTL, intended towards preference shares to be subscribed by RTL. However the preference share transaction did not take place and the amount was refunded on the same day. Since RTL received the funds back from RBPO both these transactions got nullified on the same day. This resulted in payable to RITL in the books of RTL.

In the books of RBPO - RBPO has received from RITL Rs. 2,500 crore on 20th January, 2016 on behalf of RTL and RBPO paid the same to RTL on same day. As the amount paid back to RTL on the same day, the said transaction got nullified and hence not disclosed under related party transaction in the financial statements.

RTL has refunded ICD to RCOM Rs. 2,500 crore on 20th January, 2016.

The fund transfers are between RCOM and its subsidiaries and to be viewed as a single economic unit. We reiterate that proper accounting entries have been passed and appropriately disclosed in financial statements as required.

The said amount was part of Rs. 5,300 crore paid for Spectrum liability to Department of Telecommunications (DoT), Government of India on 20th January, 2016 by RCOM. Since the amount given by RJIO was ultimately paid by RCOM to DoT on the same day i.e. 20th January 2016.

### BDO Conclusion:

**RBPO in the books of RITL is a doubtful vendor.** The investment in preference shares of RBPO was not reflected in the books of RBPO. This could mean that the entries were only passed in the books of RITL and RTL and not in the books of RBPO. This appears to be a suspect transaction in the absence of documents from the Management.

## 5-E.3.16 RELIANCE JIO INFOCOMM LIMITED

## TRANSACTIONS WITH RELIANCE JIO INFOCOMM LIMITED

- ▶ During the FY 2015-16, RCOM had in its financials 'Intangible assets under development' of INR 7,261 crores (post depreciation) which included spectrum liberalisation cost of INR 5,384 crores and fees for additional spectrum amounting to INR 1,877 crores. During FY 2016-17, an addition of INR 1,471 crores was made in the books of RCOM.
- ▶ In the same year, an asset worth INR 8,629 crores was capitalised as telecom licence. Subsequently, assets worth INR 5,231 crores were sold to Reliance Jio Infocomm Limited, for which RCOM received INR 4,413.57 crores from Reliance Jio Spectrum during the period 08 January 2016 to 09 January 2017 (INR 3,274.70 crores in 2015-16 and INR 1,138.87 crores in 2016-17).
- ▶ Spectrum was sold at a loss of INR 828.94 crores to RJIO. For detailed entry refer Annexure-5.E.3.16.1. A summary of the entry booking as per SAP is as below:

Particulars	Amount ( INR in Crores)
Gross Value of spectrum sold	5,231.37
Accumulated Amortisation	545.43
Net Value of spectrum sold	4,685.94
Sale value of spectrum	3,857.00
Loss booked through Profit and loss account	(208.53)
Loss booked through General Reserve account	(620.41)

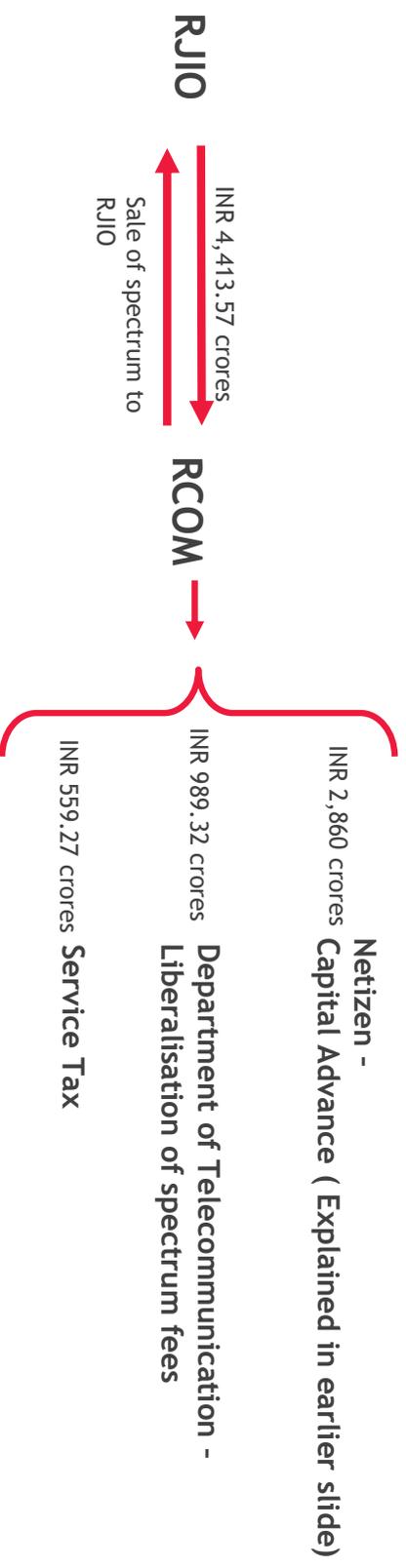
- ▶ However on perusal of the books of accounts of RCOM for FY 2016-17 (table alongside), the portion of loss of INR 620.41 crores was adjusted against accumulated depreciation thus reducing the effect of loss charged to the Statement of Profit and Loss to the extent of INR 620.41 crores.
- ▶ Supporting documents for additions in the telecom licence sale of spectrum to RJIO (viz. Sale deed, valuation report etc) have not been provided to us.

**Note: 2.02**

Intangible Assets	
Particulars	Telecom Licenses
<b>Gross carrying value</b>	
As at April 1, 2015	18,420
Additions	181
Deductions/Adjustments	-
As at March 31, 2016	18,601
Additions	8,629
Deductions/Adjustments	(5,231)
As at March 31, 2017	21,999
<b>Accumulated Amortisation</b>	
As at April 1, 2015	5,495
Amortisation for the year	1,865
Deductions/Adjustments	-
As at March 31, 2016	7,360
Amortisation for the year	2,177
Deductions/Adjustments	(1,166)
As at March 31, 2017	8,371
<b>Net carrying value</b>	
As at April 1, 2015	12,925
As at March 31, 2016	11,241

# TRANSACTIONS WITH RELIANCE JIO INFOCOMM LIMITED

- ▶ The money received from RJIO by RCOM on sale of spectrum has been transferred majorly to Netizen and the remaining amount has been utilized for payment of Telecom fees and statutory dues, the same is depicted below :



# TRANSACTIONS WITH RELIANCE JIO INFOCOMM LIMITED

Management Comments:

- The money received from RJIO by RCOM on sale of spectrum and utilisation are detailed below -

Year	Base value	Service tax	Invoice Amount	TDS deduction	Amount received	Utilisation
2015-16	2,860.00	414.70	3,274.70		3,274.70	Capital Advance - Netizen Engineering. Part of the amount used for payment to DOT of Rs. 5,300 crore Service Tax Payment
2016-17	997.00	149.55	1,146.55	-7.68	1,138.87	Payment to DOT Liberisation fees for spectrum Service Tax Payment Opex Payment
	<b>3,857.00</b>	<b>564.25</b>	<b>4,421.25</b>	<b>-7.68</b>	<b>4,413.57</b>	

- Pursuant to Scheme approved by the Hon'ble High Court of Mumbai, the Company had done the fair valuation of Assets including intangible assets in FY 2009. Please refer note no 2.36 (vi) of Annual Report of FY 2016-17. Subsequently every year the Company charges amortization on spectrum and withdraws the additional depreciation on fair valuation from general reserve as permitted by the Court Scheme. On sale of spectrum the unamortised book value of fair valuation surplus amounting to Rs. 620.41 crore has been debited to general reserve as in the past fair valuation was credited to general reserve.
- Net block of Telecom Licenses as per books of accounts was Rs. 4,065 crore based on amortisation provided year on year considering the validity period of spectrum. Spectrum was sold to RJIO for INR 3,857 crore which was computed based on TRAI 2015 reserve price recommendation, therefore the difference of Rs. 208.53 crore was charged to Profit and loss account .

# TRANSACTIONS WITH RELIANCE JIO INFOCOMM LIMITED

- Letter of DoT for allotment of spectrum and agreement for sale of spectrum between RCOM and RJIO was provided to BDO (vide VDR ref 2.1.57 and 2.1.73 to 75 ), hence observation that :In the absence of documentations, adequateness of documentation to determine value at which license has been sold to RJIO could not be established” is totally wrong.
- The amount of Rs. 2,860 crore capital advance given to Netizen was part of Rs. 5,300 crore paid for Spectrum liability to Department of Telecommunications (DoT), Government of India on 20<sup>th</sup> January, 2016 by RCOM. Since the amount given by RJIO was ultimately paid by RCOM to DoT on the same day i.e. 20<sup>th</sup> January 2016.

## **BDO Conclusion:**

In the absences of documentation, its adequateness to determine value at which licence has been sold to RJIO could not be established. On view of overall transaction, it appears that RCOM sold an asset at a loss of INR 828.94 crores to RJIO and utilised the proceeds for payment of statutory dues and transfers to Netizen.

## 5-E.3.17 RELIANCE GLOBALCOM BV (RGBV)

# TRANSACTIONS WITH RELIANCE GLOBALCOM BV

- ▶ During the period FY 2014-15 to FY 2016-17, there were receipts in the books of RCOM amounting to INR 48.44 crores and payments amounting to INR 139.35 crores in the ledger of RGBV. This party had an opening debit balance of INR 268.51 crores . No sales transactions were recorded with this party during the Review Period.
- ▶ An adjustment of INR 99.82 crores was made against RGL Bermuda in the ledger of RGBV through which receivable balance of RGBV was assigned to RGL Bermuda. RGBV had a closing debit balance of INR 277.66 crores.
- ▶ The reasons for such assignments could not be ascertained.

(INR in Crores )

Particulars	Amount in Customer Ledger
Opening Balance	268.51
Bank Payments	139.35
Bank Receipts	-48.44
Adjustment with RGL Bermuda	-99.82
Clearing	10.84
Other Adjustments (Unrealized Exchange Loss- Banks)	7.21
Closing Balance	277.66

Source : SAP records of RCOM

# TRANSACTIONS WITH RELIANCE GLOBALCOM BV

## Management Comments:

- ▶ Subsidiaries are more akin to operating divisions. The contemporary position at that point in time when the transaction happened was normal transaction of Business and the company was not covered under IBC .
- ▶ Reliance Communications Limited being the holding company provides financial support to its subsidiary companies for their operation in the ordinary course of business which has been disclosed in the financial statements from time to time.
- ▶ From the above, it is evident that any transfer of funds between these entities and RCOM are solely for the business of RCOM and have been in the ordinary course of business.
- ▶ Adjustment of Rs. 99.82 crore is account of USD 15 Million paid by RGL Burmuda to RCOM on behalf of RGBV.

## BDO Conclusion:

The overall impact of the transactions was that the receivable balance of RGBV was increased. Money was paid out to an offshore entity from which there were no comparable receipts. On the other hand, the receivable balance was reduced by adjusting another account balance. In the absence of relevant documents from the Management, we are unable to comment on the same.

## 5-E.3.18 RELIANCE TELECOM LIMITED

## TRANSACTIONS WITH RELIANCE TELECOM LIMITED

- ▶ During the period FY 2014-15 to FY 2016-17, RCOM registered receipts of INR 11,328.30 crores and payments of INR 10,291.92 crores in ledger of RTL. This party had an opening debit balance of INR 2,480.24 crores and closing debit balance of INR 1,832.92 crores.
- ▶ RCOM also passed the following adjustment entries to reduce the amount receivable from RTL.
  - An adjustment entry amounting to INR 215 crores, INR 600 crores and INR 792.78 crores was passed to adjust Netizen Engineering Private Limited, RCIL and RWSL respectively with RTL. By passing such adjustment entry, receivable balance of RTL was assigned to Netizen Engineering Private Limited, RCIL and RWSL.
  - An adjustment entry was passed in the books of RCOM amounting to INR 663.09 crores. This entry was passed in order to adjust Upfront fee paid by RCOM on behalf of RTL. Offsetting account of this entry was “Department of Telecommunication”.
  - An adjustment entry amounting to INR 230.01 crores was made against Interest receivable. By passing such adjustment entry, payable balance of RTL was adjusted with Interest receivable.
  - The reasons for such assignments could not be ascertained.
- ▶ Payments made to RTL on account of “Purchase Invoice Financing” amounted to INR 40.39 crores.

# TRANSACTIONS WITH RELIANCE TELECOM LIMITED

## Management Comments :

1. Rs. 215 crore - RTL transferred the receivable from Netizen to RCOM amounting to Rs. 215 crore in FY 2016-17. In FY 2017-18 receivable from RWSL was adjusted against the payable of Netizen, thereby both receivable and payables were squared off.
2. Rs. 600 crore - On 31<sup>st</sup> March 2014 RCOM received Rs. 600 crore from RCIL and paid to RTL. RTL, paid the same to Reliance Communications Tamilnadu Private Limited (RTCPL) on behalf of RCOM. Accordingly in the books of RCOM receivable from RCTPL and payable to RCIL of Rs. 600 crore has been recognized in FY 2013-14. Receipt from RTL and payment on behalf of RTL on the same day is a contra entry and gets nullified.
3. Rs. 792.78 crore - i) Rs. 550 crore (Assignment in FY 14-15 Rs. 325 crore and FY 15-16 Rs. 225 crore) - In order to present a true and fair view of Receivable / payable position of RWSL and RTL, in the financial statement of RCOM, it was necessary to transfer / assign the payable to RWSL had been assigned to RTL thereby reducing RTL ICD with the mutual consent of RTL and RWSL. RTL was having receivable from RWSL towards sales / prepaid recharge liability and have to pay RCOM towards ICD received. ii) There is no such assignment of Rs. 242.78 crore. The amount was paid by RCOM on behalf of RWSL to RTL amounting to Rs. 242.78 crore towards RTL receivable from RWSL against sales / prepaid liability recharge.
4. In FY 2015-16 as payment made by RCOM on behalf of RTL to Department of Telecommunication for acquiring spectrum, entry was passed.
5. This represents balance transfer of the same party in various codes and In order to present a net Receivable / payable position, it is necessary to pass regrouping entry between payable and receivable accounts as per prudent Accounting norms.
6. In order to present a true and fair view of Receivable / payable position of RTL and other subsidiaries of RCOM in the financial statement, it was necessary to transfer / assign the receivable / payable with the mutual consent of all the parties concerned. It may be noted that transactions between RCOM and its subsidiaries are in ordinary course of business and are to be viewed as a single economic unit.
7. In FY 2015-16 RCOM discounted the bills under Purchase Invoice Financing facility.

# TRANSACTIONS WITH RELIANCE TELECOM LIMITED

(INR in Crores )

Particulars	Amount in Customer Ledger	Amount in Vendor ledger	Total
Opening Balance	2,479.20	1.04	2,480.24
Adjustment with Netizen Engineering Private Limited	-215.00	-	-215.00
Adjustment with RCIL	-600.00	-	-600.00
Adjustment with RWSL	-792.78	-	-792.78
Adjusted against Interest receivable	170.45	59.56	230.01
Adjustment with Department of Telecommunication	663.09	-	663.09
Bank Payments	9,916.06	375.86	10,291.92
Bank receipts	-10,902.29	-426.01	-11,328.30
Clearing	-8.55	-	-8.55
Transfer to Customer / Vendor	-283.92	296.42	12.50
Expenses Booked	-150.74	-363.09	-513.83
Income Booked	1,584.97	-	1,584.97
Loan - Purchase invoice financing	-	40.39	40.39
Other Assets / Adjustments	5.20	-9.03	-3.83
Statutory Receivable	-7.91	-	-7.91
Closing balance	1,857.77	-24.85	1,832.92

Source : SAP records of RCOM

# TRANSACTIONS WITH RELIANCE TELECOM LIMITED

Particulars	ICD	Vendor Account	Interest Receivable	Tr. Receivable	Total
<b>Opening balance as at 01st April, 2014</b>	<b>1,581.43</b>	<b>7.90</b>	<b>198.93</b>	<b>337.00</b>	<b>2,125.26</b>
ICD Given	9,763.84	-	-	-	9,763.84
ICD Taken / Received back	(8,811.76)	-	-	-	(8,811.76)
Revenue	-	-	-	1,486.29	1,486.29
Expenses	-	(615.56)	-	(6.41)	(621.97)
Recovery of Expenses	-	299.18	604.80	-	903.99
Payment	-	294.40	(799.72)	(1,792.76)	(2,298.08)
Payment made to DoT on behalf of RTL	663.09				663.09
Assignment with RICL	(600.00)				(600.00)
Assignment with RWSL	(550.00)				(550.00)
Assignment with Netizen	(215.00)				(215.00)
Assets purchased		(11.95)			(11.95)
Others	-	0.40	-	-	0.40
<b>Closing Balance as at 31st March, 2017</b>	<b>1,831.60</b>	<b>(25.63)</b>	<b>4.01</b>	<b>24.13</b>	<b>1,834.11</b>

Source : SAP records of RCOM

## 5-E.3.19 RELIANCE INFRA TEL LIMITED

## TRANSACTIONS WITH RELIANCE INFRA TEL LIMITED

- ▶ During the period FY 2014-15 to FY 2016-17, there were receipts in the books of RCOM amounting to INR 5,673.58 crores and payments amounting to INR 10,314.08 crores in ledger of RITL. RITL had an opening debit balance of INR 55.29 crores and closing credit balance of INR 1,287.25 crores
- ▶ Payments made to RITL on account of “Purchase Invoice Financing” amounted to INR 109.22 crores. These invoices were raised on RCOM and discounted with various Banks.
- ▶ Various adjustment entries were passed in the account of RITL in the books of RCOM. A brief summary of these adjustments are as follows:
  - An adjustment entry amounting to INR 675 crores was made against RCIL. By passing such adjustment entry, receivable balance of RITL was adjusted with RCIL.
  - An adjustment entry amounting to INR 648 crores was made against Netizen Engineering Private Limited. By passing such adjustment entry, payable balance of RITL was adjusted with Netizen Engineering Private Limited.
  - An adjustment entry amounting to INR 100 crores was made against RBTV. By passing such adjustment entry, receivable balance of RITL was adjusted with RBTV.
  - Also, adjustment with “Inter Co. Rec - RWSL” ledger amounted to INR 27.51 crores. Receivable balance of RITL was transferred to “Inter Co. Rec - RWSL” by passing such entry
  - Further, adjustment amounting to INR 775.22 crores were made against “Sundry Creditors Manual Posting” account.
- ▶ The above adjustments did not involve any movement of funds and were passed to reduce the receivable balance of RITL to RCOM in favour of other entities.

# TRANSACTIONS WITH RELIANCE INFRA TEL LIMITED

## Management Comments:

- RITL renders passive infrastructure (Tower & fiber) services to RCOM in the ordinary course of business for which RITL raised invoices on RCOM and RCOM discounted with banks under Purchase Invoice Financing facility.
- During the review period RITL, on behalf of RCOM, extended ICD of Rs. 675 crore to RCIL out of which RCIL refunded Rs. 375 crore resulting in net amount receivable of Rs. 300 crore from RCIL. RCOM had payable to RCIL against vendor account and the payable of RCIL was settled by assignment / transfer to RITL
- RCOM had extended Capital Advance to Netizen. RCOM transferred capital advance of Rs.648 crore to RITL to the extent of capex projects relating to tower expansion and utility upgrade pertaining to RITL. Hence the transfer was in the ordinary course of business.
- RBTV and RITL are subsidiaries of RCOM. There was a payable position in the books of RCOM to RBTV and receivable from RITL. Since RITL had receivable from RBTV, payable to RBTV was assigned to RITL. Therefore RBTV balance was squared off to the extent.
- There is no transaction with “Inter Co. Rec - RWSL”. During March, 2014 intercompany receivable / payable have been regrouped with vendor balances and the same reversed on 01<sup>st</sup> April, 2014.
- At the year end on 31<sup>st</sup> March 2014, RITL account was debited for payment through LC discounting so as to recognize the LC liability at the financial year end . The same was reversed on 01<sup>st</sup> April, 2014 and will be recognised on actual payment / retirement of LC on due date in the ordinary course of business.
- In order to present a true and fair view of Receivable / payable position of RITL and other subsidiaries of RCOM in the financial statement, it was necessary to transfer / assign the receivable / payable with the mutual consent of all the parties concerned. It may be noted that transactions between RCOM and its subsidiaries are in ordinary course of business and are to be viewed as a single economic unit.

# TRANSACTIONS WITH RELIANCE INFRA TEL LIMITED

(INR in Crores )

Particulars	Amount in Customer Ledger	Amount in Vendor ledger	Amount in GL (Inter Company Pay - RITL)	Total
Opening Balance (1 April 2014)	-	55.29	-	55.29
Bank Payment	668.62	9,645.46	-0.10	10,313.98
Bank receipts	-5,585.08	-88.50	-	-5,673.58
Transfer to Vendor / Customer	-	1,864.87	-	1,864.87
Expense	-	-9,556.34	-6.10	-9,562.44
Loan - Purchase invoice financing	-	109.22	-	109.22
Adjustment with RCIL	-	-675.00	-	-675
Adjustment with Netizen Engineering Private Limited	-	648.00	-	648
Adjustment with Netizen Rajasthan Private Limited	200	-200.00	-	0
Adjustment with RBTv	-	-100.00	-	-100
Capital Goods sale trf from RITL	-	-20.92	-	-20.92
Adjustment with Commercial Tax Officer	-	-0.44	-	-0.44
Adjustment with "Inter Co. Rec - RWSL"	-	-27.51	-	-27.51
Adjustment against "Sundry Creditors-Manual Posting"	-	-775.22	-	-775.22
Other Adjustments	-	-432.59	-126.26	-558.85
Regrouping	4,716.47	-323.84	135.65	4,528.28
Clearing	-	-1,409.74	-	-1,409.74
Adjustment in Inventory	-	-	-3.19	-3.19
Closing Balance (31 March 2017)	-	-1,287.25	-	-1,287.25

Source : SAP records of RCOM

# TRANSACTIONS WITH RELIANCE INFRA TEL LIMITED

Particulars	ICD	Vendor Account	Interest Receivable	Other Liabilities	Total
<b>Opening Balance as at 01st April, 2014</b>	<b>2,719</b>	<b>55</b>	<b>408</b>	<b>-</b>	<b>3,183</b>
Payment made	919	10,169	-	-	11,087
Amount received	(5,835)	-	(256)	(1,290)	(7,381)
Interest Income	-	-	722	-	722
Services availed - Passive Infrastructure	-	(10,868)	-	-	(10,868)
Assignment with RBTv	-	(100)	-	-	(100)
Assignment with RCIL	-	(675)	-	375	(300)
Assignment with Netizen	-	648	-	-	648
Recovery of Expenses	-	471	-	-	471
Regrouping with Vendor /Other liabilities	4,916	351	(874)	(4,393)	0
Received from Rjio	-	(50)	-	-	(50)
Others	-	(1)	-	-	(1)
<b>Closing Balance as at 31st March, 2017</b>	<b>2,719</b>	<b>-</b>	<b>-</b>	<b>(5,308)</b>	<b>(2,589)</b>

## 5-E.3. TRANSACTIONS OF SUBSTANTIAL AMOUNTS

### D. Share Capital issued

# SHARE CAPITAL ISSUED - FUNDS DIVERTED

- ▶ Utilisation of application money of INR 4808 crores received on issue of shares  
(INR in crores)

Utilization	Amount
Investment in Reliance Liquid Fund Direct Growth (MF)	2,633.00
Bank & Financial Institution	1,475.80
Connected Party	679.30
<b>Total</b>	<b>4,788.10</b>

During FY 2014-15, the Company allotted 33,82,86,197 equity shares of INR 5/- each at a offer price of INR 142.14 per equity share (including a Share premium of INR 137.14 per equity share) under Qualified Institutional Placement (QIP) to Qualified Institutional Buyers on 2 July 2014 and received an amount aggregating to INR 4,808.40 crore.

RCOM received INR 4,808.40 crores as application money which are utilized as follows:

- The parties to which shares were allotted were not provided to us.
- Out of the proceeds received as application money, INR 2,633.00 crores (55% of the total proceeds) were invested in in Reliance Liquid Fund Direct Growth (Mutual Funds) in July 2014. The amounts were further not traceable due to complexity of fund movement of investment and redemption back into the same mutual fund.
- Connected Party payment of INR 679.30 crores were paid to RITL amounting to INR 304.99 crores in the nature of fund transfers, INR 273.06 crores paid to RCIL in the nature of ICD and fund transfers, INR 62.50 crores paid to RWSL in the nature of fund transfers, INR 31.75 crores paid to RTL in the nature of fund transfers & INR 7 crores paid to RTSL in the nature of fund transfers.
- INR 1,475.80 crores are paid to Banks and Financial Institutions out of which INR 970 crores pertains to repayment of Term Loan of Yes bank, Term Loan repayment of Standard Chartered Bank INR 350.00 crores. payment to Deutsche bank INR 5.80 crores and Overdraft payment of Standard Chartered Bank INR 150.00 crores.
- Share capital was issued & funds received as application money were to be utilized to repay bank obligations. From the above, INR 3,312.30 crores (69% of the total application money) have been utilized as investment in Reliance Liquid Fund - Direct Growth & payments to Connected parties which appears to be diversion of funds

## 5-F. DETAILS OF ASSETS CHARGED

## DETAILS OF ASSETS CHARGED

- ▶ **Work steps performed:**
  - Mapping of charge amount from Charge documents (Form 8 and CHG-1) filed by company on MCA (Ministry of Company) website of RCOM, RITL, RTL and RCLL (Companies) to ascertain the total quantum of charges created, modified and satisfied;
  - Calculation of charge amount namely Creation amount, Modification amount and Satisfaction amount through Index of Charge as filed by Companies on MCA;
  - Identification of **Asset or property** charged on Loan by Companies through Deed of hypothecation as filed with charge documents and Register of Charges provided by Management;
  - Identifying Common charge document filed by Companies to find assets which have been charged by the companies to avail a common facility;(Amount of common charges filed by Companies have been considered only once for Charge amount calculation.); and
  - Matching amount of Asset charged on loan with Fixed Asset Register provided by Management to attempt to ascertain the adequacy of assets available with the companies on a best effort basis.
- ▶ **Disclaimers:**
  - For Asset identification, we have relied on Deed of Hypothecation filed by companies as an attachment with Charge documents filed on MCA and Register of Charge provided by Management;
  - We have relied on Fixed Asset Register provided by Management for calculation of Assets of RCOM. The assets of RITL, RTL and RCLL have been identified through fixed asset schedule appended to audited financial statements; and
  - Only movable assets (including moveable plant and machinery including tower assets and optic fibre cable and Capital work in progress) have been considered for the purpose of calculation of Assets to be matched with Charged Assets.

## SUMMARY OF CHARGES

- ▶ Charge documents extracted from MCA were reviewed for RCOM, RTIL, RTL and RCIL (Companies). RCIL was also included for review as common charge was created on specified assets of the above mentioned companies. Amount of charges created in specified year along with open charges of previous year had been considered for our analysis.
- ▶ Assets held by RCOM, RTIL, RTL and RCIL for Review Period were compared with assets charged as per charge documents.
- ▶ It was noted that amount of open charges as on 31<sup>st</sup> March 2014 were INR 35,421.12 crores and assets held by “Companies” amounted to INR 28,553 crores.
- ▶ **Brief summary of Charges amount and matching with Companies Assets as stated in FAR and financial statements are as follows:**

(INR in crores)

#	Particulars	2013-14	2014-15	2015-16	2016-17
A	Opening Balance	35,421.12	40,971.12	45,151.12	44,079.47
B	Amount of loan charged	8,466.00	8,950.00	8,550.95	8,290.00
C	Amount of loan satisfied	2,916.00	4,770.00	7,105.00	858.00
D	Amount of loan modified	-	-	2,517.60	2,400.00
E=A+B-C-D	Closing Balance	40,971.12	45,151.12	44,079.47	49,111.47
F	Total Assets *	28,533.48	27,060.71	27,509.73	26,163.43
G=F-E	Difference	-12,437.64	-18,090.41	-16,569.74	-22,948.04

\* Total Assets include Assets of RCOM, RTIL, RTL and RCIL

# Assets include movable plant and machinery including tower assets and optic fibre cables, Capital work in progress (pertaining to movable fixed assets).

## DETAILS OF CHARGES

- ▶ The details of assets of RCOM, RTL, RITL and RCIL under charge is given in the table below. The charge documents uploaded on MCA does not contain details of assets which were charged<sup>1</sup>. The following table shows the value of assets under charge from the fixed asset register given by the management.

(INR in crores)

	Assets	P&M	CWIP	Total
2013-14	RCOM	12,610.06	731.00	13,341.06
	RTL	3,439.82	363.17	3,802.99
	RITL	10,508.00	489.00	10,997.00
2014-15	RCIL	231.43	161.00	392.43
	RCOM	12,207.24	631.00	12,838.24
	RTL	3,527.84	149.71	3,677.55
2015-16	RITL	10,258.00	251.00	10,509.00
	RCIL	29.79	6.49	36.28
	RCOM	12,776.19	709.00	13,485.19
2016-17	RTL	3,505.98	165.46	3,671.44
	RITL	9,793.00	253.00	10,046.00
	RCIL	47.45	259.65	307.10
2016-17	RCOM	10,209.55	1,130.00	11,339.55
	RTL	3,345.09	1,053.52	4,398.61
	RITL	9,872.00	216.00	10,088.00
	RCIL	167.27	170.00	337.27

1. For RCOM forex Loss capitalization on Plant and Machinery was not considered
2. The figures for RCOM Plant and Machinery was considered from the data provided by the management
3. Plant and Machinery and CWIP for RTL, RITL and RCIL from 2013 to 17 were taken from financials
4. For the text of charge document refer Annexure-5.E.4.1

# SUMMARY OF CHARGES

## Management Comments:

- ▶ It was noted that amount of open charges as on 31<sup>st</sup> March 2014 were INR 35,421.12 crores and assets held by “Companies” amounted to INR 52,786 crores.
- ▶ Brief summary of Charges amount and matching with Companies Assets as stated in FAR and financial statements are as follows:

(INR in crores)

#	Particulars	2013-14	2014-15	2015-16	2016-17
A	Opening Balance	35,421.12	40,971.12	45,151.12	44,079.47
B	Amount of loan charged	8,466.00	8,950.00	8,550.95	8,290.00
C	Amount of loan satisfied	2,916.00	4,770.00	7,105.00	858.00
D	Amount of loan modified	-	-	2,517.60	2,400.00
E=A+B-C-D	Closing Balance	40,971.12	45,151.12	44,079.47	49,111.47
F	Total Assets *	52,786	49,809	62,634	51,553
G=F-E	Surplus	11,814.88	4,657.88	18,554.53	2,441.53

\* Total Assets include Assets of RCOM, RTIL, RTL and RCIL

# Assets include movable plant and machinery including tower assets and optic fibre cables, Capital work in progress (pertaining to movable fixed assets) intangible assets and capital advances.

As per above value of Assets as per Financial Statements are sufficient to cover the security on loans charged.

# SUMMARY OF CHARGES

## Management Comments :

Book Value of assets as per financial statements on which charge created/ to be created (INR in crores)

Year	Assets	P & M	License Fee / Spectrum	CWIP (including Spectrum under Development)	Capital Advance	Total
2013-14	RCPL	16,255	17,191	731	9	34,186
	RTL	3,440	1,508	363	37	5,348
	RITL	10,508	0	489	412	11,409
	RCIL	213		161	1,469	1,843
	Total	30,416	18,699	1,744	1,927	52,786
2014-15	RCPL	16,059	15,331	631	21	32,042
	RTL	3,528	1,328	150	32	5,038
	RITL	10,258	0	251	728	11,237
	RCIL	30	0	6	1,456	1,492
	Total	29,875	16,659	1,038	2,237	49,809
2015-16	RCPL	16,957	13,645	8,017	4,881	43,500
	RTL	3,506	3,123	987	31	7,647
	RITL	9,793	0	253	1,124	11,170
	RCIL	47	0	260	10	317
	Total	30,303	16,768	9,517	6,046	62,634
2016-17	RCPL	13,773	13,628	1,196	4,229	32,826
	RTL	3,345	2,945	1,054		7,344
	RITL	9,872	0	216	1,088	11,176
	RCIL	37	0	170	0	207
	Total	27,027	16,573	2,636	5,317	51,553

**BDO Conclusion:** Value of loan obtained is much higher than the assets charged by RCOM at the end of each year during the Review Period. The sanction letters do not include intangible assets and capital advance.

Source: Charge Documents, MCA records, Audited Financial Statements,  
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## 5-G. RBI GUIDELINES

*The subsequent slides in this section constitute conclusion of key observations in the report and should not be construed as a substitute of the detailed observations in the report.*

# RBI GUIDELINES

RBI has issued the Master Circular on Frauds-Classification and Reporting dated 1 July 2016 (No. DBS.CO.CFMC. BC. No.1/23.04.001/2016-17). As per the guidelines, the frauds have been classified into defined categories which include the following, to have uniformity in reporting regarding 'fraud':

1. Misappropriation and criminal breach of trust.
2. Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.

As per Circular No: DBOD. No.DL(W).BC ./110 /20.16.003(1)/2001-02 dated 30 May 2002, "Diversion of Funds" has been defined to include any one of the following :

- a) utilisation of short-term working capital funds for long-term purposes not in conformity with the terms of sanction;
- b) deploying borrowed funds for purposes / activities or creation of assets other than those for which the loan was sanctioned;
- c) transferring funds to the subsidiaries / Group companies or other corporates by whatever modalities;
- d) routing of funds through any bank other than the lender bank or members of consortium without prior permission of the lender;
- e) investment in other companies by way of acquiring equities / debt instruments without approval of lenders;
- f) shortfall in deployment of funds vis-à-vis the amounts disbursed / drawn and the difference not being accounted for.

We have relied on the above definitions in the following classifications.

# RBI GUIDELINES

Sr. Key Observations No. Company

Detailed Observations

1 Utilisation & Diversion of Loan Funds RCOM, RTL and RITL

- **Potential Diversion of Loans:** Loans from multiple banks were potentially utilised for repayment of loans to other banks, transfer of funds to related / connected entities, investment in FD / Mutual Funds etc. which was in contravention to the terms and conditions of the sanction letter of the loans. Discrepancies in utilisation of loans amounting to INR 13,852.77 crores were noted which indicates potential diversion of loan funds.
- **Potential Routing of Funds - RITL:** It was noted from the analysis that out of Term Loans received by RITL from banks INR 1,114.00 crores were transferred from RITL to RCIL then subsequently to RCOM which was utilised by RCOM to repay term loans of Banks. RCOM has repaid bank loans out of the funds received from RITL. On seeing the overall flow of transactions, it appears that RITL took loans for repaying the liabilities of RCOM, which is not as per the terms of sanction.
- **Potential Routing of Funds - RCOM:** RCOM obtained loans from Bank of Baroda amounting to INR 469.45 crores. This amount was directly transferred in the accounts of RTSL and RCIL, in two separate transactions. Later, the money was transferred back to RCOM and then routed to Related entities and banks for payment of loans.

# RBI GUIDELINES

Sr. No. Key Observations Company

Detailed Observations

1 Utilisation & Diversion of Loan Funds RCOM, RTL and RITL

It was noted from the analysis that out of Term Loans of INR 1,976 crores were received by RITL from banks. It was transferred from RITL to RCIL then subsequently to RCOM which was utilised by RCOM to repay term loans of Banks. RCOM has repaid INR 1,901.5 crores to banks out of the funds received from RITL. On seeing the overall flow of transactions it appears that RITL took loans for repaying the liabilities of RCOM, which is not as per the terms of sanction.

The summary of the above transactions is as follows:

Transaction	Amount misutilised	Reference
Potential Diversion of Loan proceeds		5-A.2
RCOM	11,643.80	
RITL	2,007.03	
RTL	201.94	
Potential Routing of loan funds by RITL	1,114.00	5-A.3
Potential diversion of funds -RCOM	469.45	5-A.8
<b>Total</b>	<b>15,436.22</b>	

# RBI GUIDELINES

## Management Comments:

Under Ind AS which is based on IFRS, Holding Company and Subsidiaries are treated as one economic unit. Therefore the RCOM has operated on the basis that liquid funds must be used for the purpose of RCOM group.

The banks and lenders are fully aware that RCOM group operates as a single economic entity. This is established by the concept of borrower group created comprising of RCOM, RITL, RTL and RCIL. Assets of the borrower group have been offered as security in favor of all the lenders. Master Security Trustee Agreement (MSTA) was signed in March, 2011 and each company is jointly and severally liable for all the loans of the borrower group. All the existing lenders as of March, 2011 signed the MSTA and lenders of new facilities after march 2011 acceded to the MSTA through Deed of Accession (DOA) .

It is a misconception that RCOM, RITL, RTL and RCIL are distinct entities and Borrowing of all these entities are to be treated as single borrowing. Hence borrowing be it in RITL or RCOM or RTL or RCIL are all the same.

RITL received the Term Loans of Rs. 1,976 crore and paid to its holding Company RCIL. RCIL paid to RCOM Rs. 1,690 crore and Rs. 286 crore to RWSL and RWSL paid to RCOM.

End utilisation of Rs. 1,976 crore is as under -

Loan Repayment	- Rs.1,153 crore
ECB Loan repayment	- Rs. 595 crore
Payment to DoT	- Rs. 125 crore
Statutory & Opex	- Rs. 103 crore

Repayment of bank loans were made to keep the account standard.

RITL is the subsidiary of RCIL. RCIL and RWSL are subsidiaries of RCOM.

RCOM being the holding company provides financial support to its subsidiaries for their operations in ordinary course of business as subsidiaries are more akin to operating divisions.

Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. Further, at the time when the transaction happened, this was in ordinary course of business and the Company was neither in SDR nor under IBC. Hence there is no misappropriation and no criminal breach of trust.

# RBI GUIDELINES

## Management Comments (contd):

RCOM has transferred only Rs. 257 crore to RTL instead of mentioned amount Rs. 502 crore.

RTL has utilised Rs. 257 crore as under -

- Service tax / TDS payments (Statutory Dues) Rs. 54 crore,
- License Fees (Paid to DoT) Rs. 56 crore,
- Payment to Banks (Interest) Rs. 7 crore,
- Opex & Others Rs. 125 crore.
- Paid to subsidiaries for Opex / Statutory payments Rs. 15 crore

Total Rs. 257 crore (Refer A of Annexure 1)

As explained above no payment has been made to outside group entities.

Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

RTL has transferred Rs. 222 crore to RCOM and RCOM utilised as under -

- Payment to Banks on due date Rs. 162 crore ( to keep the account standard)
  - Opex payment of RCIL Rs. 60 crore
- Total Rs. 222 crore (Refer B of Annexure 1)

RCOM had only temporarily invested in Mutual Funds till the end utilisation was made so that funds are not kept idle. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

RCOM has transferred only Rs. 1,301 crore to RITL instead of mentioned amount Rs. 1,503 crore.

RITL has utilised Rs. 1,301 crore as under -

- Payment to Banks on due date Rs.1,232 crore ( to keep the account standard)
- TDS Rs. 8 crore
- Opex payment Rs. 61 crore

Total Rs. 1,301 crore (Refer C of Annexure 1)

Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

# RBI GUIDELINES

## Management Comments (contd):

RCOM being the holding company provides financial support to its subsidiaries for their operations in ordinary course of business as subsidiaries are more akin to operating divisions. Canara Bank loan utilisation of Rs. 60 crore was for payment of Bandwidth charges by RCIL. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. Further, at the time when the transaction happened, this was in ordinary course of business and the Company was neither in SDR nor under IBC. Funds received from Banks / Financial institution was temporarily parked in Mutual Funds till the end utilisation was made so that funds are not kept idle. In view of facts mentioned above, there is no misappropriation of funds and no criminal breach of trust.

Fund utilisation were as per sanction terms. (Annexure -2)

- i) Out of the Bond proceeds Rs. 1,894 crore(USD 300 Mn) Rs. 947 crore mentioned as parked in SCB Fixed Deposit. As per RBI Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations, ECB proceeds are allowed to be parked in Term Deposits vide para 4.2 of the Master Directions pending utilisation of proceeds for the end use purpose.
  - ii) Rs. 350 crore from Bank of India received on 27th March, 2015 and Rs. 310 crore from SCB received on 30th March, 2015 were temporary kept in mutual fund and utilised towards payment of installment of Spectrum Rs. 633 crore on due date 08th April, 2015.
  - iii) Syndicate Bank - Rs. 111 crore was not invested in Mutual fund, but Rs. 118 were transferred internally to RTIL and finally its utilized for RTIL Loan repayment purpose. Rs. 34 crore received on 27th February, 2015 were invested in Mutual fund on 02nd March, 2015 and utilized for CDB loan payment on 05th March, 2015.
  - iv) Rs. 79 crore received from Indian Overseas Bank and Rs. 100 crore from SCB were kept in Mutual Fund for temporary period before actual utilisation.
- All the amounts mentioned as parked in Fixed Deposit /Mutual Fund are explained above. In view of facts mentioned above, there neither misappropriation nor criminal breach of trust.

IDFC has retained Rs. 32.31 crore out of sanctioned loan in accordance with the Sanction letter for meeting their DSCR. The amount was kept in Fixed Deposit by IDFC which the bank liquidated unilaterally on 25th October, 2017 and adjusted against Principal Rs 22.75 crore and Interest of Rs 9.56 crore.

In view of facts mentioned above, there is no misappropriation and no criminal breach of trust.

# RBI GUIDELINES

## BDO Conclusion

RCOM, RTL, RTIL and RCL are different legal entities and loans obtained in each entity should be utilised for the purpose mentioned in the respective sanction letters. They have been considered likewise in this Forensic Audit Report.

The Management agrees with the findings from BDO India that the loans were invested / diverted to Mutual Funds, Fixed Deposits and diverted to other group companies. In case of investments in Mutual Funds, the duration of investment is not relevant and increases the risks associated with the borrowed funds.

Based on the information received from the Management, the lenders and the Resolution Professional till 26 June 2020 and further analysis of the same, borrowed funds to the extent of INR 15,436.22 was misappropriated and in non-compliance to the terms of the sanction letters and considered diversion as per the Master Circular issued by the Reserve Bank of India and the same should be read in conjunction with the circular DBS.CO.CFMC.BC.No.1/23.04.001/2016-17on classification and reporting of Fraud.

# RBI GUIDELINES

Sr. No.	Key Observations	Company	Detailed Observations
2	Invoice Financing of RITL		<ul style="list-style-type: none"><li>In July 2015, RITL has discounted bills worth INR 200 crores and transferred the proceeds to RCIL i.e. short-term loan to pay as related party loans. From subsequent months, it was noted that new bills were discounted to repay the original facility of previous month.</li><li>RITL has discounted bills of RCOM worth INR 8,514.70 crores and of RTL worth INR 1,041.42 crores and these funds were majorly used for making payments to connected parties.</li></ul>

## Management Comments:

Under Ind AS which is based on IFRS, Holding Company and Subsidiaries are treated as one economic unit. Therefore the RCOM has operated on the basis that liquid funds must be used for the purpose of RCOM group.

The banks and lenders are fully aware that RCOM group operates as a single economic entity. This is established by the concept of borrower group created comprising of RCOM, RITL, RTL and RCIL. Assets of the borrower group have been offered as security in favor of all the lenders. Master Security Trustee Agreement (MSTA) was signed in March, 2011 and each company is jointly and severally liable for all the loans of the borrower group. All the existing lenders as of March, 2011 signed the MSTA and lenders of new facilities after march 2011 acceded to the MSTA through Deed of Accession (DOA).

It is a misconception that RCOM, RITL, RTL and RCIL are distinct entities and Borrowing of all these entities are to be treated as single borrowing. Hence borrowing be it in RITL or RCOM or RTL or RCIL are all the same.

RITL is the subsidiary of RCIL and RCIL is subsidiary of RCOM. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit.

Proceeds of Rs. 200 cr. were received towards Sales Invoice Financing from SCB on 15th July, 2015 for the first time as part of Working Capital facility. There after on due date the loan was repaid to keep the account standard.

Source: RBI Guidelines, Audited Financial Statements, information provided by Management, SAP Reports

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# RBI GUIDELINES

## Management Comments:

RITL is the subsidiary of RCL and RCL is subsidiary of RCOM. Transactions between RCOM and its subsidiaries are to be viewed as a single economic unit. At the time when the transaction happened, this was in ordinary course of business and the Company was neither in SDR nor under IBC.

Proceeds of Rs. 200 cr. were received towards Sales Invoice Financing from SCB on 15th July, 2015 for the first time as part of Working Capital facility. There after on due date the loan was repaid to keep the account standard.

On retiring the outstanding working capital facility, fresh facility was availed against new sales invoices in the ordinary course of business.

Utilization of First time proceeds:

1. RITL paid Rs. 200 crore to its holding company RCL as LCD on 15th July, 2015 and RCL paid to its holding Company RCOM.

2. RCOM utilised the fund for payment to DoT Rs. 182 crore for License Fees (Revenue share) and Rs. 18 crore for opex payments. RITL owns and operates telecommunication towers, Optic Fiber Cable (OFC) network & related assets and provide these passive infrastructure assets on shared basis to wireless and other communications service providers. In normal course of business transactions RITL raises invoices for the aforesaid services utilized by RCOM and usually RCOM makes payment through LC to RITL and RITL discounts the LC payment received.

The activity of RITL liquidating sales invoice facility by discounting LC received from RCOM and availing the replenished facility against a new sales invoice are in line with the normal business financing cycles for monthly operations. This was normal business transaction and at the time when transactions happened the Company was neither in SDR nor under IBC.

Hence the transactions are as per the requirement of business and Observation that ". Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property and Misappropriation and criminal breach of trust" is not correct.

## BDO Conclusion

Based on the findings during the Forensic Audit to the extent of information made available from the Management, the Lenders, and the Resolution Professional, it was noted that the invoice financing / discounting was used for round-tripping of loans to and / or from related parties. In the absence of supporting documents from the Management till 26 June 2020, these transactions appear to be misappropriated and can be classified as diversion of loan funds as per the Master Circular issued by the Reserve Bank of India and the same should be read in conjunction with the circular DBS.CO.CFMC.BC.No.1/23.04.001/2016-17 on classification and reporting of Fraud.

# RBI GUIDELINES

Sr. No.	Key Observations	Company	Detailed Observations
3	Netizen Engineering Private Limited and RITL	RCOM, RTL and RITL	RCOM has paid INR 5,525 crores to Netizen Engineering Private Limited during the year 2015-16 in the form of Capex advances, though INR 4,318 crores was receivable as on 1 May 2017. Similarly in RITL books, an advance of INR 640 crores paid to Netizen for Capex project was outstanding on 31 March 2018. In lieu of these transfers, RCIL (subsidiary of RCOM) acquired RoW assets from Netizen. Netizen had in turn acquired the same assets from another company, MPNL, which was connected to RCOM. In FY 2017-18, an impairment of INR 1,000 Crores was recorded on the assets acquired in the books of RCIL.

## Management Comments :

Capital Advance to Netizen -

Capital Advances were extended in ordinary course of business for roll out of the following Capex projects:

1. Enhancing Fiber Readiness to meet 3 G & 4 G requirement of Wireless Business
2. Fiber Re-routing and Aerial to underground conversion due to Infrastructure Expansion capacity, underlying rights of way
3. Dark Fiber and Duct Delivery to other Operator
4. Core, Collector and MAN Network Upgrade
5. MCN (Media Conversion Nodes) Infra Upgrade to prepare for Distributed Data Centre (DDC) Readiness
6. Sites Preparation for 4G Rollout
7. Duct Replacement programme for Future use
8. Up gradation of tower Infrastrure to standard operating conditions

RCOM paid Capital advances of Rs. 5,300 crore to Netizen on 20th January 2016 and the same was received by RCOM against receivables on the same day and the said amount was ultimately paid for Spectrum liability to Department of Telecommunications (DoT), Government of India on 20th January, 2016.

# RBI GUIDELINES

## Management Comments:

- RCOM and RITL transferred capital advance of Rs. 4,318 crore and 612 crore respectively to RCIL and RCIL acquired the OFC assets of Rs. 3,037 crore on 28th May 2017 from Netizen against the said receivables, which was necessary for the purpose of monetisation of fiber assets.
- This was the normal transaction of Business at that time, as the Company was neither in SDR nor under IBC.
- Right of Way/ Work (RoW) is required from State Government authorities for carrying out trenching and ducting and creating Optic Fibre Cable (OFC) Assets in various States. RoW is essential (valuable asset) without which OFC assets cannot be created and also further repair / maintenance work cannot be carried out.
- In accordance with the Court approved Scheme of Amalgamation, 6 RoW companies were merged with MP Network Private Limited (MPNL) with effect from Appointed date 31st March 2014. By virtue of the Court approved Scheme, assets relating to Right of Way / Work (RoW) of 36,121 route km in 6 States were to be accounted at fair value and consequently accounted at Rs 3,594 crore as on 1st April 2014 based on Fair Valuation report of a registered Valuer.
- In May 2017, MPNL sold the OFC undertaking comprising of Right of Work (RoW) of 36,121 route km in 6 States to NEPL at its book value of Rs 3,035 crore. RCOM and RITL on 28th May, 2017 assigned the outstanding Capital advances receivable from NEPL of Rs 4,318 crore and Rs 612 crore respectively to RCIL. Thereafter, on 28th May, 2017, RCIL acquired the said RoW assets from NEPL for a value of Rs 3,037 crore. Thus, the payable got adjusted against the advances and the assets were acquired without any cash outflow.
- The Financial Year 2016-17 was a challenging year for the entire telecom sector. The hyper competition in the sector brought significant disruption and impacted the sector's operational and financial health and in the case of RCOM the decline has been very steep.
- In December 2017 RCOM group entered into a binding agreement for sale of fiber assets with RJIO and hence the fiber assets were classified as assets held for sale in financial statements of March, 2018.
- The aggregate value of Optical Fiber Cable (OFC or Fiber) assets in RCOM, RITL and RCIL was Rs. 8,400 crore. RJIO had bid of Rs. 3,000 crore for OFC assets including RoW, over and above Rs. 4,214 crore (FY 2015 to FY 2017). Indefeasible right of use (IRU) revenue received from RJIO recognised as upfront revenue. Therefore the monetisable value of fiber assets from RJIO amounted to Rs. 7,214 crore and accordingly estimated provision of Rs. 1,000 crore was created in RCIL as of March, 2018 against assets held for sale in accordance with Ind AS.
- Hence the transactions are as per the requirement of business and Observation that "Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property" is not correct.

Source: RBI Guidelines, Audited Financial Statements, information provided by Management, SAP Reports

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# RBI GUIDELINES

## BDO Conclusion:

From the scheme of transactions, it was noted that Netizen had received a Capex advance of INR 5,525 crores (net) from RCOM during FY 2015-16. In 2017-18, Netizen acquired two assets (one tangible worth INR 3,041.24 crores and a receivable worth INR 3,042 crores) from MPNL one of which was immediately transferred to RCIL. The valuation of these assets is not clear. The loss on sale of asset to RCIL (INR 3,044.10 crores) can be related to the asset sold to RCIL (which was later impaired by INR 1,000 crores). On transfer of this asset, RCOM transferred the Capex advance it had given to Netizen to receivable balance from RCIL. In addition, multiple other accounts have been assigned to Netizen account to reduce receivable balance in the books of RCOM and RTL.

The financial background of Netizen is not commensurate with the scale of activities as shown in the books of RCOM. Further, Netizen and RCOM appear to be closely connected entities.

The above scheme of transactions i.e. granting of advances to a connected entity, Netizen (with inadequate business profile that was derived basis financial statement analysis) amounting to INR 5,525 crores (net), transfer of assets from related entity to Netizen and subsequent assignment of the receivable to another group company, RCIL, seems suspect in nature. Further, in the absence of valuation report / other supporting documents for the assets acquired from Netizen by RCIL, the basis of valuation and veracity of the assets cannot be ascertained.

# RBI GUIDELINES

Sr. No.	Key Observations	Company	Detailed Observations
4	Issue of Preference Shares in lieu of Dues	RITL	<p>As on 01 April 2013, INR 1,347.70 crores was receivable from RTL in the books of RITL. RTL issued preference shares worth INR 1,347.70 crores to RITL in satisfaction of the receivable amount on 31 March 2014. RITL sold the preference shares worth INR 1,347.70 crores to RCTNL on same date i.e. 31 March 2014 for INR 260 crores, thereby incurring a loss of INR 1,087.70 crores. RCTNL received INR 260 crores from RTL and paid the same to RITL for purchase of preference shares of RTL.</p> <p>Considering that the investments were made and sold at 80.71% loss on the same day, it appears that the receivable balance from RTL was fabricated.</p> <p>In FY 2016-17, Preference shares worth INR 2,000 crores was sold for INR 200 crores to RBL</p>

## Management Comments:

At the outset, the observation that investment was made and sold on the same day is incorrect. The investment was made on 11th December, 2013 and sold was on 31st March, 2014.

RTL was a anchor tenant of RITL towers. In FY 2010-11 RITL paid Rs. 1,348 crore to DOT, Government of India on behalf of RTL for acquiring 3G spectrum in eight circles. Receivable from RTL was due to the said payment, hence observation that the receivable balance from RTL was fictitious is not correct.

In FY 2013-14, RTL allotted preference shares to RITL against the said receivables. Subsequently RITL sold preference shares to its Wholly Owned Subsidiary (WoS) RCTNL at Rs.260 crore. RCTNL was subsidiary of RITL till 20 February, 2015 and subsequently remains a subsidiary of RCOM.

# RBI GUIDELINES

## Management Comments:

This transaction is between holding company and its wholly owned subsidiary and there is a no loss in RCOM consolidated Financials. This benefited RITL as it reduced standalone book profit which is the basis for application of MAT or book profit tax. The sale price was not indicative of the fair value of preference shares. This fact was mentioned in the notes to accounts of FY 2013-14 vide note no 2.40 reproduced as under :

"During the year, the Company has subscribed to Preference Shares against a bonafide debt payable in money by a fellow subsidiary aggregating to Rs. 1,348 crore. The said Preference Shares were sold by the Company to its subsidiary for Rs. 260 crore, thereby recording loss of Rs. 1,088 crore, which represents assistance provided by the Company to its subsidiary by having subscribed to the shares of its fellow subsidiary at a price in excess of their fair value arrived at after considering the restrictive terms which provide for redemption only after 20 years and should therefore be considered to be a non refundable grant by the company to its fellow subsidiary".

The same was also referred by Auditors in the Auditors report of FY 2013-14.

Further, at the time when the transactions happened, RCOM and RITL were neither in SDR nor under IBC.

Hence the transactions are as per the requirement of business and Observation that "Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property" is not correct.

## BDO Conclusion:

RITL received INR 260 crores from RITL in lieu of INR 1,347.70 crores, the amount was channeled through RCTNL by issuing preference shares. In the absence of adequate justification / basis of valuation of the shares and limited / no data provided by the Management, we are unable to comment on the balances and transactions.

Similarly, in another instance, a receivable of INR 2,000 crores was settled for INR 200 crores, by issuing Preference shares to RBL. In the absence of adequate justification / basis of valuation of the shares and limited / no data provided by the Management, though the transaction appears to be in the ordinary course of business but in the absence of data from the management, we are unable to comment further on the balances and transactions.

# RBI GUIDELINES

Sr. No.	Key Observations	Company	Detailed Observations
5	Party-wise Analysis	RCOM, RTL and RITL	<p>There were many assignments in the books of RCOM, RTL and RITL where in many receivable and payable balances were transferred to corresponding party to the assignment -</p> <ol style="list-style-type: none"> <li>1. Netizen Engineering Private Limited - INR 683.98 crores</li> <li>2. Independent TV Limited - INR 100 crores with RITL</li> <li>3. Reliance Communication Infrastructure Limited - INR 3,346.42 crores</li> </ol>

## Management Comments :

RCIL and RBTV are subsidiaries of RCOM. In order to present a true and fair view of Receivable / payable position of RCOM and its subsidiaries in the financial statement, it was necessary to transfer / assign the receivable / payable with the mutual consent of all the parties concerned. It may be noted that transactions between RCOM and its subsidiaries are in ordinary course of business and are to be viewed as a single economic unit.

1. Assignment of Receivable Rs. 683.98 crore to Netizen- (BDO Slide 132) break up is under -

RCOM-FY17	RITL-FY17	RTL-FY16	To
RTSL	RRL	Sapphire	RTSL
102	165	92	325
			Netizen
			684

i) Receivables from Netizen in the books of RTSL (Rs. 102 crore) and RRL (Rs. 165 crore ) were transferred to RCOM so that the capital advance can be adjusted against capex orders issued by RCOM thus ensuring adjustment of receivables from Netizen.

ii) Receivables from Netizen in the books of RTSL (Rs. 325 crore) was transferred to RTL so that advance can be adjusted against capex orders to be issued.

iii) Receivables from Sapphire was transferred to the account of Netizen in the books of RITL based on consent of both the parties so that the capital advance to Netizen can be adjusted against capex orders issued thus ensuring adjustment of receivables from Netizen

2. RBTV Rs. 100 crore with RITL -

RBTV and RITL are subsidiaries of RCOM. There was a payable position in the books of RCOM to RBTV and receivable from RITL. Since RITL had receivable from RBTV, payable to RBTV was assigned to RITL. Therefore net position reflected..

# RBI GUIDELINES

## 3. Reliance Communication Infrastructure Limited - Assignment

In order to reflect the overall Receivable / payable position, as per the Generally Accepted Accounting Principles (GAAP), it was necessary to consolidate across the group the receivable / payable position vis a vis third parties and to achieve this it was necessary to transfer / assign the receivable / payable with the mutual consent of all the parties concerned.

It may be noted that transactions between RCOM and its subsidiaries are in ordinary course of business and are to be viewed as a single economic unit.

Sr.	Particulars	As reported by BDO	As per Company	Note
1	In RCOM books RBPO RCTL RITL RTL	408.91 -340.00 675.00 600.00	- -340 300 600	A B C D
2	in RITL Books RCOM	-456.42	-300	C
3	in RTL Books Sapphire	-275.00	-275	E
		<b>612.49</b>	<b>-15</b>	

A. This is not an assignment. BPO division of RBPO got merged with RCLL and hence the balance of RBPO became part of RCLL resulting in payable by RCLL to RCOM as at 31st March 2014.

B. Assignment of payable balance of Rs. 340 crores with RCTL.

C. During the review period RITL, on behalf of RCOM, extended ICD of Rs. 675 crore to RCLL out of which RCLL refunded Rs. 375 crore resulting in net amount receivable of Rs. 300 crore from RCLL and corresponding amount payable to RITL in the books of RCOM.

D. On 31ST March 2014 RCOM received Rs. 600 crore from RCLL and paid to RTL. RTL, paid the same to Reliance Communications Tamilnadu Private Limited (RTCPL) on behalf of RCOM. Accordingly in the books of RCOM receivable from RCTPL and payable to RCLL of Rs. 600 crore has been recognized in FY 2013-14.

E. The assignment with Sapphire was done on April 01, 2015 and the amount was received back on 20th January, 2016 from Sapphire. Hence the transactions are as per the requirement of business and Observation that "Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property" is not correct..

**BDO Conclusion:** Given the range and variety of transactions entered with RCLL by RCOM, RITL and RTL, the nature of relationship between these companies and RCLL cannot be ascertained. The usage of funds which RCLL has received from RCOM, RITL and RTL cannot be commented upon and is outside purview of scope of work for forensic audit. In absence of details of revenue and lack of supporting documents being provided by the Management, it cannot be ascertained the veracity of the collections from RCLL.

# RBI GUIDELINES

## Management Comments : ANNEXURE -1

Table -A

Sr.	Bank Name	Loan Amount	Transferred by RCOM to RTL	L2 - Entity (Amount transferred by RTL)	Rs. In Crore	End Utilisation
1	<b>RCOM</b>					
1.1	ICICI Bank Ltd	175.86				
1.2	IDBI Bank Ltd	250.00	9.80	Service Tax Payment	9.80	Service Tax Payment
1.3	India Infoline Finance Ltd.	150.00	35.00	Service Tax Payment	32.18	Service Tax Payment
1.4	IndusInd Bank	800.00	16.00	TDS	4.00	TDS Payment
1.5	Standard Chartered Bank	450.00	23.50	Service Tax Payment	8.39	Service Tax Payment
1.6				Opex	15.11	LC
1.7	Syndicate Bank	460.00	-			
1.8	United Bank of India	250.00				
1.9	Yes Bank	865.00	172.20	Department of Telecommunication IUC / Opex Payment Bank Interest Reliance Communications Ltd Paid to subsidiaries for Opex / Statutory payments	56.45 93.39 7.25 15.11	License Fees Opex / IUC Bank Interest Opex
	<b>Total - RCOM</b>	<b>3,400.86</b>	<b>256.50</b>		<b>14.82</b>	

Table -B

Sr.	Bank Name	Loan Amount	Transferred by RTL to RCOM	L2 - Entity (Amount transferred by RCOM)	Rs. In Crore	End Utilisation
2	<b>RTL</b>					
2.1	Bank of India	50.00	50.00	Mutual Fund Investments	50.00	ECB Loan payment
2.2	Canara Bank	60.00	60.00	RCIL	60.00	RCIL paid for Bandwidth charges
2.3	Central Bank of India	20.00	20.00	Syndicate Bank	20.00	Term Loan Paid
2.4	Corporation Bank	15.00	11.00	Syndicate Bank	11.00	Term Loan Paid
2.5	Indian Overseas Bank	20.00	20.00	Mutual Fund Investments	20.00	Bank Loan Payment
2.6	Syndicate Bank	40.00	40.00	Mutual Fund Investments	40.00	ECB Loan Payment
2.7	Union Bank of India	25.00	20.93	Industrial and Commercial Bank Of China	20.93	ECB Loan Payment
	<b>Total - RTL</b>	<b>230.00</b>	<b>221.93</b>		<b>221.93</b>	

# RBI GUIDELINES

## Management Comments : ANNEXURE -1

Table -C

Sr.	Bank Name	Loan Amount	Transferred by RCOM to RITL	L2 - Entity (Amount transferred by RITL)	Rs. In Crore	End Utilisation
<b>3</b>	<b>RCOM</b>					
3.1	Axis Bank	200.00	200.00	DBS Bank Ltd	200.00	ECB Loan Payment
3.2	Canara Bank	240.00	23.00	RCIL	23.00	Loan Payment
3.3	DBS	112.00	-			
3.4	HDFC Bank	100.00	100.00	Barclays Capital	100.00	ECB Loan Payment
3.5	India Infoline Finance Ltd	150.00	-			
3.6	IndusInd Bank	1,300.00	46.00	RCIL	46.00	BY RITL - TDS -8 crore; Opex-38 crore
3.7	Standard Chartered Bank	150.00	150.00	Barclays Capital	150.00	ECB Loan Payment
		150.00	9.00	RCIL	9.00	BY RITL -Loan Payment -8 crore, Opex-1 crore
		15.00	-			
3.8	Yes Bank	281.63	250.70	Barclays Capital	250.70	ECB Loan Payment
		345.00	-			
		500.00	500.00	RCIL	500.00	Loan Payment
		300.00	22.00	RCIL	22.00	Opex -22 crore (RCOM-20 + RITL 2)
	<b>Total - RCOM</b>	<b>3,843.63</b>	<b>1,300.70</b>		<b>1,300.70</b>	

# RBI GUIDELINES

## Management Comments : ANNEXURE -2 - FUND UTILISATION

Sr.	Bank	Amount	Purpose	Actual Utilisation
1	Axis	13.75	Cash Flow Mismatches	ECB repayment
2	Bank of India	350.00	Capex, Opex and repayment of liabilities	Spectrum fees
3	Barclays bank	300.00	Commercial Paper	Bank Loan repayment
4	Deutsche Bank AG	469.69	CAPEX and payment to DOT	Spectrum fees
5	Indian Overseas Bank	79.08	Capex, Opex and repayment of liabilities	Opex
6	IndusInd Bank Limited	80.00	OPEX and repayment of liabilities	Bank Loan repayment
7	Standard Chartered Bank	2,304.04	Capex and Opex	Capex Rs. 1,894 crore, Spectrum fees Rs.283 crore, Statutory dues Rs. 51 crore and Opex Rs. 52 crore, bank loan repayment Rs. 24
8	Syndicate Bank	423.00	Capex, Opex and repayment of liabilities	Bank Loan repayment
		<b>4,019.56</b>		

# 5-H. OTHER DETAILS

## 5-H.1 Corporate Guarantee

## CORPORATE GUARANTEE GIVEN BY RCOM

Reliance Communications Limited has issued Corporate Guarantee on behalf of its subsidiaries, refer table below for details of guarantee given for FY 2016-17 and FY 2015-16\*:

Name of companies	FY 2016-17			FY 2015-16		
	Facility	Amount utilised	%utilised	Facility	Amount utilised	%utilised
Reliance Infratel Ltd	3,859	3,245	84%	3,155	3,094	98%
Reliance Telecom Ltd	3,533	1,845	52%	3,606	2,009	56%
Reliance Communications Infrastructure Ltd	599	186	31%	530	193	36%
Reliance Big TV Ltd	263	147	56%	244	201	82%
Reliance Webstore Ltd	366	101	28%	361	80	22%
Reliance Tech Services Ltd. (RTSL)	60	9	15%	180	145	80%
Reliance IDC	30	5	17%	25	1	2%
Reliance WiMax Ltd	2	2	100%	2	2	100%
Gateway Net Trading Pte Ltd	973	-	0%	994	-	0%
<b>Total</b>	<b>9,685</b>	<b>5,540</b>		<b>9,097</b>	<b>5,725</b>	

During FY 2016-17, RCOM gave major part of guarantee to RITL & RTL of INR 3,859 crores and INR 3,533 crores out of which INR 3,245 crores and INR 1,845 crores are contingent in nature to repay banks towards ECB / STL/LTL/ NCD.

During FY 2015-16, RCOM gave major part of guarantee to RITL & RTL of INR 3,155 crores and INR 3,606 crores out of which INR 3,094 crores and INR 2,009 crores are contingent in nature to repay banks towards ECB / STL/LTL/ NCD.

Source : As given by management  
376

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## 6. DISCLAIMERS

## DISCLAIMERS (1/3)

- ▶ The scope of assignment was limited to the scope of work mentioned in Appointment Letter dated 7 May 2019.
- ▶ This Report (“Report”) is prepared solely for SBI is intended for your information purposes, subject to the terms and conditions mentioned in the Appointment Letter and may not be relied upon by other parties (“Third Party”). Neither this deliverable nor its contents may be distributed to, discussed with, or otherwise disclosed to any Third Party without the prior written consent of BDO India LLP (“BDO India” or “BDO” or “we” or “our” or “us” ). Any other persons who choose to rely on these observations may do so entirely at their own risk.
- ▶ Our procedure and findings are based solely on the data, documentation, information and explanation that has been provided to us during the forensic audit and till 26 June 2020. In case, we come across any information which may have a bearing on the findings and observations made in this report after submission of this Report, we will have no responsibility to alter or modify this Report. In case additional information becomes available from or with respect to the engagement we would be glad to carry out additional procedure as may be separately agreed with the Client.
- ▶ The work carried out and analysis presented in this Report are based on the result of our discussion with representatives of the Banks and are not always supported by written documentation. We make no representation regarding the sufficiency of the procedures performed either for the purpose for which this engagement was sought or for any other. Findings are based on circumstantial evidence and partially concluded in the absence of adequate supporting / documents. Should additional information and documents be subsequently available, observations may change, and it may be necessary to revise our findings accordingly.
- ▶ Our findings and observations are based on the work procedures and steps performed by us during the forensic audit for the Review Period. We have relied on various reports exported/generated by the ERP system and on the narration/text column maintained in the books of accounts of the Target.
- ▶ We have relied on the information provided by the Banks and RCOM, RITL and RTL and our observations are based primarily on the review of such information. In respect of the Bank account statements of RCOM, RITL and RTL received in soft copy form, no independent verification with the original documents is carried out. Information in certain transactions mentioned in the bank statements of RCOM, RITL and RTL were not sufficient to ascertain the payee and nature of transaction.
- ▶ Accounting masking in terms of individual entries, routing of entries through pool accounts with merged narrations to make it difficult for analysis.

## DISCLAIMERS (2/3)

- ▶ During our review, we received photocopies / scanned copies of certain documents from banks & management as proof of the transaction, we have relied on the same.
- ▶ BDO is not responsible for exhaustiveness of information as it is possible that BDO might not be able to access all the information.
- ▶ Information / observations from public domain searches (wherever applicable) is based upon information collected from various relevant public domain sources. We would like to classify this information as hearsay in nature.
- ▶ We have relied on the information provided by RCOM and representations of auditor, employees, promoter of RCOM that all data and information they provided are correct and accurate to the best of their knowledge and that no fact or information that would have had a material bearing on our findings has been intentionally withheld or otherwise omitted.
- ▶ Information in certain transactions mentioned in the Bank account statements of RCOM were not sufficient to ascertain the payee and nature of transaction. Hence the analysis performed and observations thereof on the RCOM accounts are based on limited information provided to us by the Banks. Further, we have attempted to co-relate and identify payees based on the partial/ complete account number or names mentioned in the description and as per the details provided by the Banks.
- ▶ Although, information may have been gathered from public records and online public records which is generally accepted to be accurate, neither can we guarantee its veracity, nor can we monitor the speed with which these public records source their records. In undertaking the public record research and information gathering on this engagement, efforts were made to identify information currently available. Neither have we identified information previously filed on, but subsequently removed from, the public records prior to this date nor have we identified information subsequently filed on those data sources after this period in which our work has been completed.
- ▶ The nature of our work pertaining to conducting desktop search was based on the information available on public domain in India (and to the extent relevant, outside India). Information obtained was not subjected to independent verification by us.
- ▶ This Report does not constitute an engagement to provide audit, compilation, review, or attestation services made in accordance with the generally accepted auditing standards in India and, consequently, no assurance will be expressed. Our work would not be any expression of an opinion or testimony of expert witness. In any manner, the engagement does not extend to provide advice, analysis and observations relating to legal and regulatory issues.
- ▶ In no circumstances shall we be liable, for any loss or damage, of whatsoever nature, arising from information material to our work being withheld or concealed from us or misrepresented to us by any person of whom we made information requests at the bank or on field.

## DISCLAIMERS (3/3)

- ▶ We assume no responsibility for the accuracy and completeness of information, that cost / benefit and other considerations will preclude us from pursuing every conceivable source of information. Further, we have used professional judgment to identify the information source to be searched. If any other professional undertook similar procedures on the same subjects, such professional might provide different findings. Accordingly, we do not provide assurance that all information will be available in the public and private domain.
- ▶ Our findings and reports should not be interpreted as a documentary evidence or as a title search verification report and / or as a valuation report / certification for any of the assets or properties identified in our reports.
- ▶ BDO has not identified, addressed or corrected any errors or defects in the computer systems, other devices or components thereof (“Systems”), whether or not due to imprecise or ambiguous entry, storage, interpretation or processing or reporting of data. We will not be responsible for any defect or problem arising out of or related to data processing in any Systems.
- ▶ Our reports and comments should not be considered a definitive pronouncement on the individual or the company.
- ▶ BDO does not provide any opinion in respect to the business entity or individuals on whom this research is conducted.
- ▶ BDO India is an accounting consulting firm and we have formed our findings basis our understanding of the Master Circular guidelines from the Reserve Bank of India. Our procedures are based on analysis of transactions as presented in the books of account on best effort basis and to the extent of information made available by the Corporate Debtor, the Resolution Professional, and the Lenders till 26 June 2020. We did not obtain a legal view / interpretation from legal counsel to interpret the RBI guidelines or applicability.
- ▶ When assisting the client in the Performance of BDO’s activities, BDO has not:
  - Determined which, if any, recommendations should be implemented
  - Acted on behalf of management in reporting to the Board of Directors, or Audit Committee
  - Have custody of assets
  - Act in any capacity equivalent to a member of management or an employee
  - Assess the quality of source data

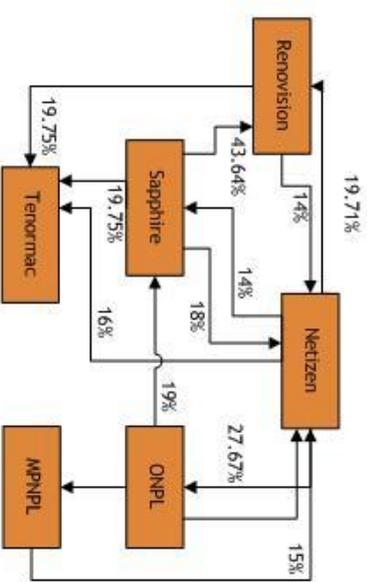
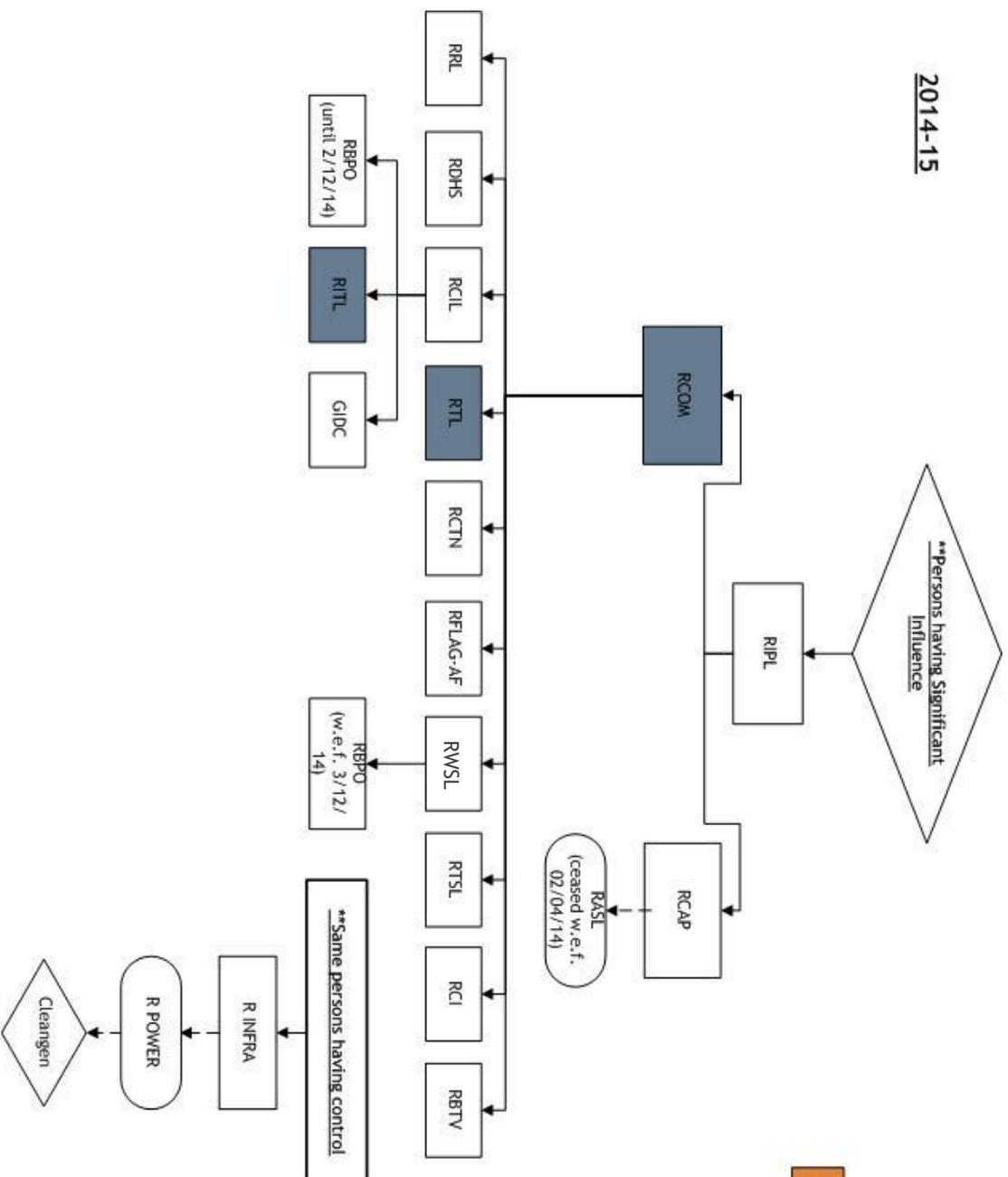
# 7. APPENDIX

# 7.1. APPENDIX - 1

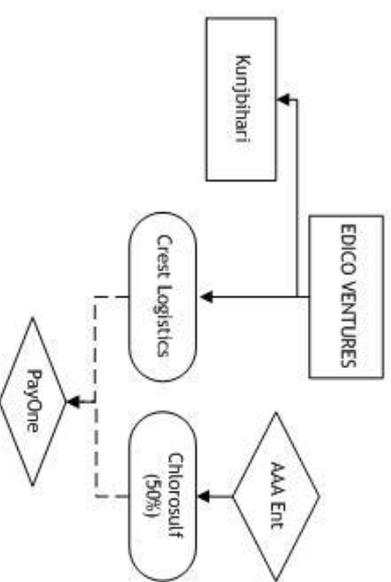


# APPENDIX: I - RELATIONSHIP BETWEEN RCOM ENTITIES FOR 2014-15

2014-15

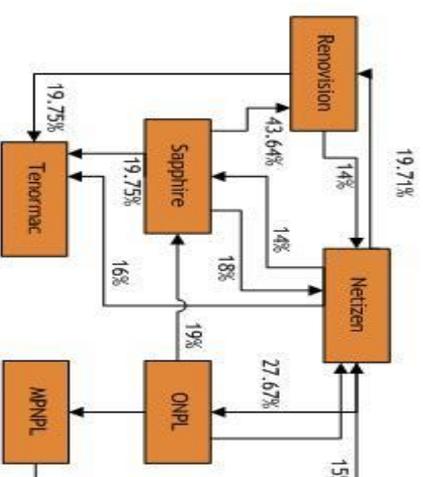
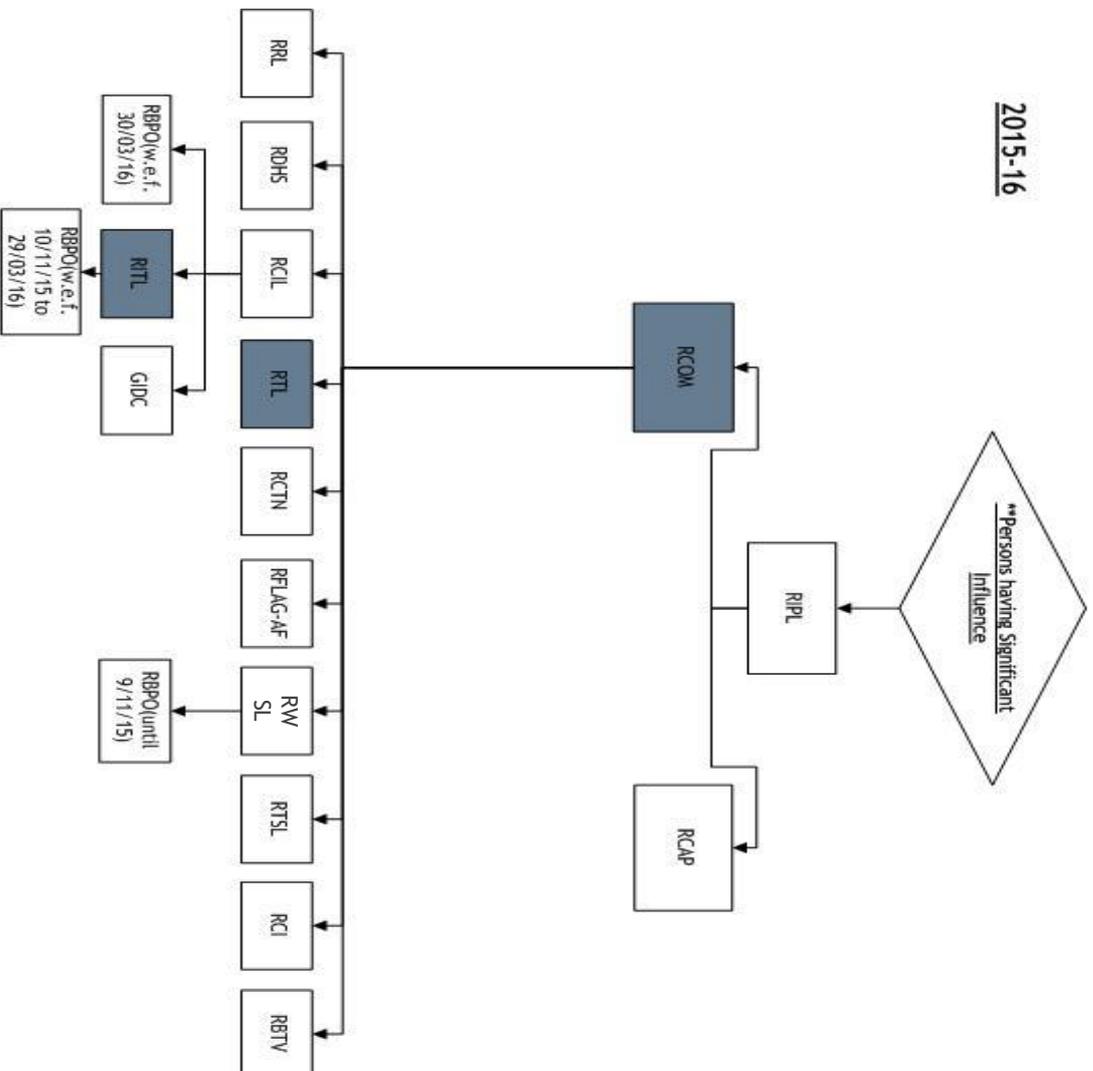


Netizen, ONPL and MPNPL directors were the current employees of RCOM. ONPL has the registered office same as RCOM.

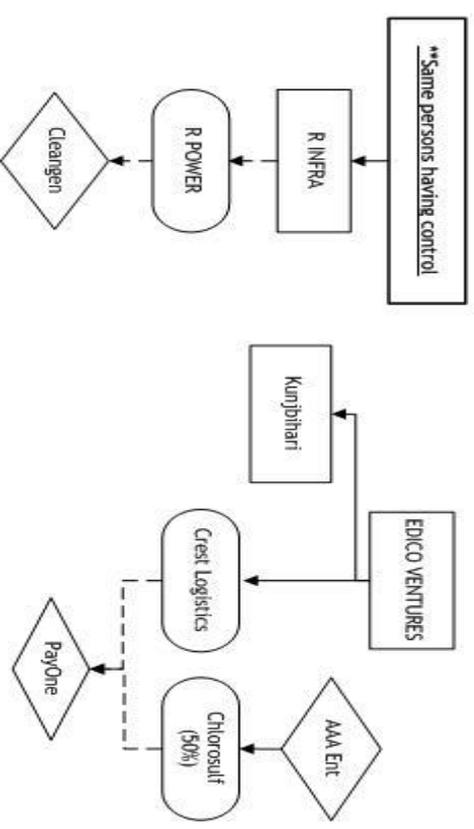


# APPENDIX: I - RELATIONSHIP BETWEEN RCOM ENTITIES FOR 2015-16

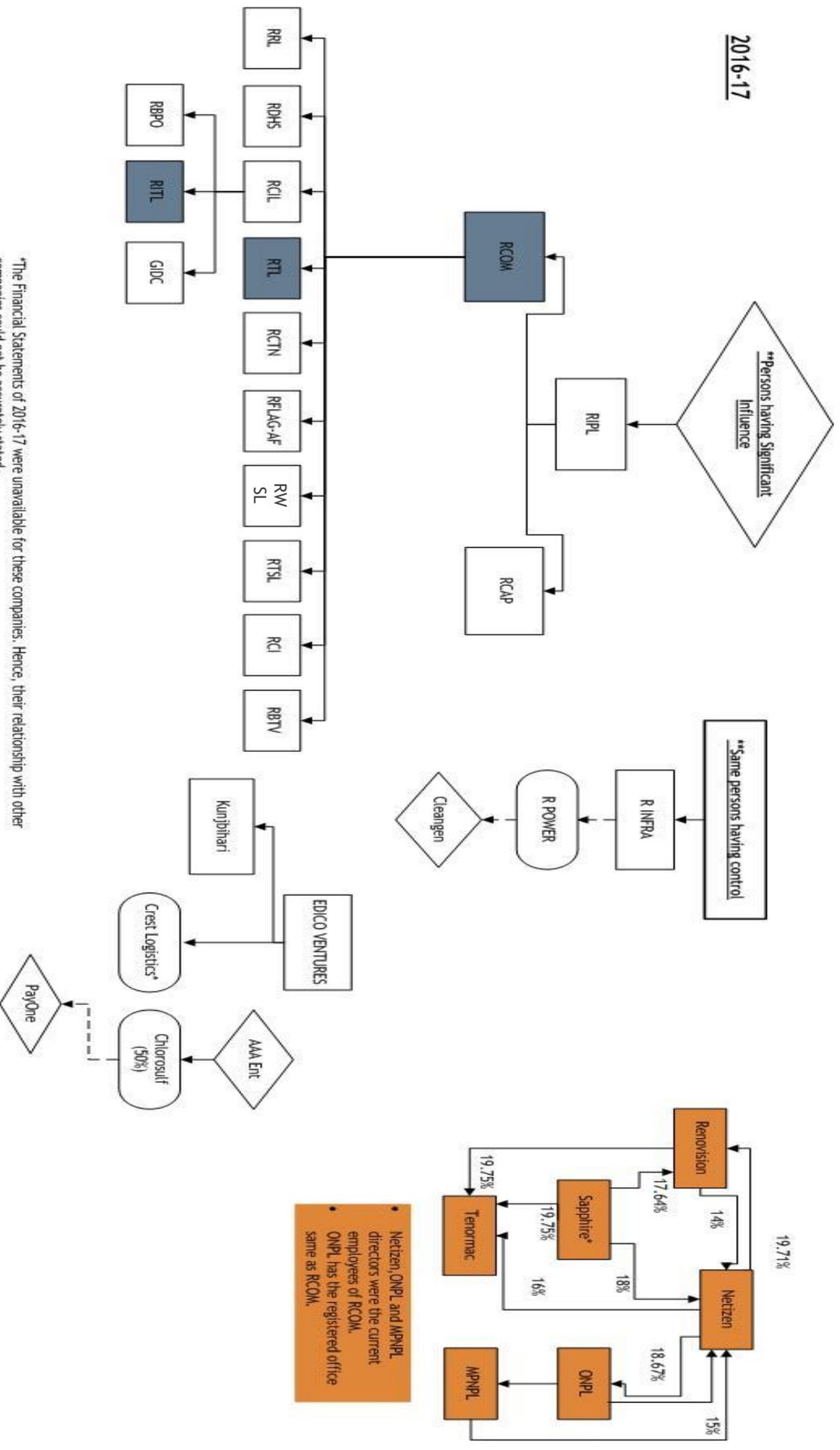
2015-16



• Netizen, ONPL, and MPNPPL directors were the current employees of RCOM.  
 • ONPL has the registered office same as RCOM.



# APPENDIX: I - RELATIONSHIP BETWEEN RCOM ENTITIES FOR 2016-17



\*The Financial Statements of 2016-17 were unavailable for these companies. Hence, their relationship with other companies could not be accurately stated.

## 7.2. APPENDIX - 2

# LIST OF CONNECTED PARTIES

Name of Party	Relation	Reason
AAAC	Related	Fellow subsidiary of RCOM
AAAI	Related	Fellow subsidiary of RCOM
ADAE	Related	Fellow subsidiary of RCOM
Chlorosulf	Connected	Common Directors with related parties
Cleangen	Related	Promoter group has significant influence
Finnese	Connected	Employees of RCOM are directors
GIDC	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL and RTTL
Kunjbihari	Connected	Fellow subsidiary of Crest Logistics
Netizen	Connected	Employees of RCOM are directors
RASL	Related	Fellow Subsidiary of RCOM
RBEnt	Related	Fellow Subsidiary of RCOM
RBL	Related	Subsidiary of RCOM
RBPO	Related	Subsidiary of RCOM
RBTv	Related	Subsidiary of RCOM, RTL, RTTL
RCAP	Related	Fellow subsidiary of RCOM
RCI	Related	Subsidiary of RCOM
RCIL	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL and Holding Co of RTTL
RCTN	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL and RTTL
RDHS	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL and RTTL
RFLAG-AF	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL and RTTL
RGBV	Related	Subsidiary of RCOM
RGICL	Related	Fellow Subsidiary of RCOM
RIPL	Related	Holding Co of RCOM
RRL	Related	Subsidiary of RCOM, RTL, RTTL
RRL (TFIL)	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL and RTTL
RTI(Cyprus)	Related	Subsidiary of RCOM
RTSL	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL
RWSL	Related	Subsidiary of RCOM, Fellow Subsidiary of RTL
Sapphire	Connected	Cross Holding with Netizen Engineering Pvt Ltd

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**DELHI NCR - Office 2**  
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**KOCHI**  
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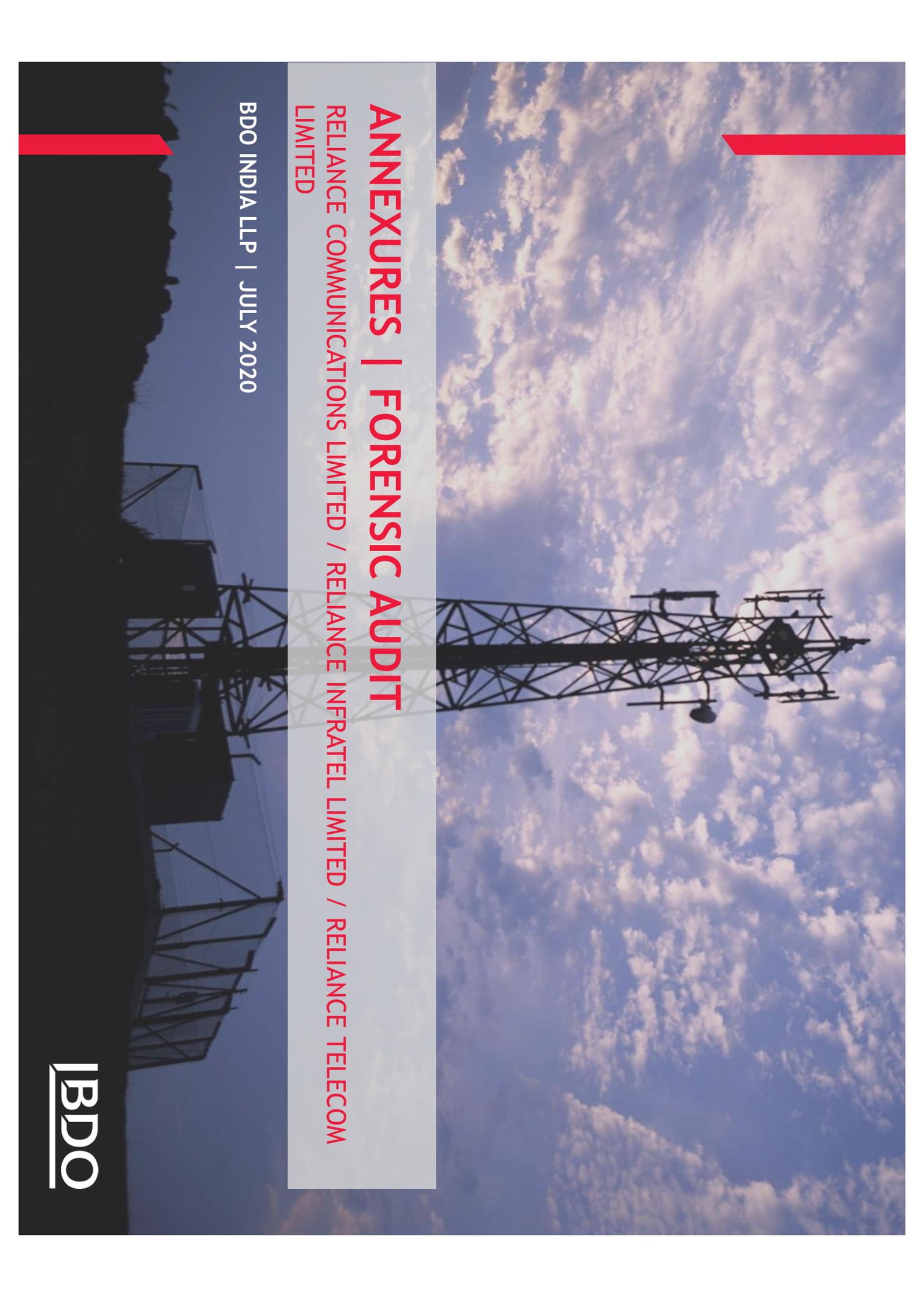
**MUMBAI - Office 2**  
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Nehru Road, Near Domestic Airport  
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**BDO**



**ANNEXURES | FORENSIC AUDIT**  
RELIANCE COMMUNICATIONS LIMITED / RELIANCE INFRATEL LIMITED / RELIANCE TELECOM  
LIMITED

BDO INDIA LLP | JULY 2020

# ANNEXURE -3.1

# SBI: 63 ACCOUNTS FOR WHICH DATA COULD NOT BE EXTRACTED

List of accounts (which were identified in the books of the target entities) for which statements could not be fetched as confirmed by SBI.

Bank	Bank	Account No.	Bank	Bank	Account No.	Bank	Bank	Account No.
RCOM	SBI	10901124984	RTL	SBI	11089179562	RTL	SBI	10437693255
RCOM	SBI	10923553500	RTL	SBI	10881233787	RTL	SBI	10792144297
RCOM	SBI	11045080096	RTL	SBI	10501579390	RTL	SBI	11038720559
RCOM	SBI	30278901233	RTL	SBI	11018599864	RTL	SBI	10551093482
RCOM	SBI	30038668971	RTL	SBI	10176345327	RTL	SBI	10723019722
RCOM	SBI	63007880239	RTL	SBI	10965237326	RTL	SBI	10835925047
RCOM	SBI	10373626835	RTL	SBI	11004627232			
RCOM	SBI	1000050780	RTL	SBI	10958147984			
RCOM	SBI	30449021529	RTL	SBI	10762900908			
RTL	SBI	10976586680	RTL	SBI	10638565995			
RTL	SBI	10395463656	RTL	SBI	10987961693			
RTL	SBI	10547192912	RTL	SBI	11027372659			
RTL	SBI	10752699495	RTL	SBI	10966437040			
RTL	SBI	10612343643	RTL	SBI	10705634295			
RTL	SBI	10495622637	RTL	SBI	30010777038			
RTL	SBI	10377381276	RTL	SBI	10833265795			
RTL	SBI	10456585010	RTL	SBI	10894250334			
RTL	SBI	10434282942	RTL	SBI	11214097419			
RTL	SBI	10861705462	RTL	SBI	10537063331			
RTL	SBI	10196611057	RTL	SBI	10915025626			
RTL	SBI	11083090190	RTL	SBI	10234246014			
RTL	SBI	11276461080	RTL	SBI	10364271712			
RTL	SBI	10913106632	RTL	SBI	30087798016			
RTL	SBI	11109328223	RTL	SBI	30030646239			
RTL	SBI	10574413090	RTL	SBI	11520034163			
RTL	SBI	10847134721	RTL	SBI	10835925058			
RTL	SBI	10621582818	RTL	SBI	11056320037			
RTL	SBI	11157505922	RTL	SBI	11159545192			
RTL	SBI	11043400882	RTL	SBI	10437693255			

# ANNEXURE -3.2

# BANK STATEMENTS NOT LINKED TO TARGET COMPANY'S PAN

List of statements (which were identified in the books of the target entities) which were not provided by HDFC Bank as PAN of the target entity were not linked to these bank statements.

Sr	Bank accounts	Company	Sr.No	Bank accounts	Company	Sr.No	Bank accounts	Company	Sr.No	Bank accounts	Company
1	310000450	RCOM	24	00330310000288	RCOM	47	01090310000139	RCOM	70	00600310016718	RITL
2	19732010000025	RCOM	25	00350310000401	RCOM	48	01130310000312	RCOM	71	00670310000328	RITL
3	00001305001690	RCOM	26	00540310000499	RCOM	49	01210310000056	RCOM	72	01020310000424	RITL
4	00030310006677	RCOM	27	00540310000829	RCOM	50	01220310000160	RCOM	73	01500310000392	RITL
5	00030310008940	RCOM	28	00570310000019	RCOM	51	01230310000058	RCOM	74	02410310000245	RITL
6	00040310003741	RCOM	29	00580310000167	RCOM	52	01250310000060	RCOM	75	02410310000252	RITL
7	00040310004725	RCOM	30	00590310000141	RCOM	53	01420310000051	RCOM	76	02850310000144	RITL
8	03240310000038	RCOM	31	00600310002755	RCOM	54	01500310000193	RCOM	77	02850310000161	RITL
9	00060310000730	RCOM	32	00600310004585	RCOM	55	01640310000136	RCOM	78	05480310000018	RTL
10	00060310001188	RCOM	33	00600310008273	RCOM	56	02030310000013	RCOM	79	00140079952001	RTL
11	00060310001309	RCOM	34	00600310009830	RCOM	57	02410310000115	RCOM	80	00600310004698	RTL
12	00070310001708	RCOM	35	00600310012892	RCOM	58	02850310000058	RCOM	81	00622050000241	RTL
13	00070310002293	RCOM	36	00600310013513	RCOM	59	02850310000065	RCOM	82	01220310000401	RTL
14	00080310000145	RCOM	37	00600350052699	RCOM	60	CA0310000666	RITL	83	01500310000410	RTL
15	00080310000334	RCOM	38	00602220003363	RCOM	61	00070310002856	RITL	84	01510310000160	RTL
16	00080310000454	RCOM	39	00602220003380	RCOM	62	00070310003000	RITL	85	01520310000309	RTL
17	00090310002512	RCOM	40	00602590000166	RCOM	63	00080310000498	RITL	86	01920310000118	RTL
18	00140310002634	RCOM	41	00620310000303	RCOM	64	00080310000550	RITL	87	02240310000121	RTL
19	00200310000234	RCOM	42	00630310000080	RCOM	65	00200310000690	RITL	88	02340310000101	RTL
20	00200310000519	RCOM	43	00640310000202	RCOM	66	00540310000637	RITL	89	02400310001574	RTL
21	00210310001496	RCOM	44	00670310000180	RCOM	67	00540310000733	RITL	90	02640310000293	RTL
22	00250310000067	RCOM	45	00780310000473	RCOM	68	00600310005044	RITL	91	05240310000027	RTL
23	00310310000318	RCOM	46	01020310000225	RCOM	69	00600310007461	RITL			

# ANNEXURE -3.3

# TRANSACTIONS IN BANK ACCOUNT DECLARED CLOSED BY THE BANK

As per the Bank Book (SAP Records) INR 713.5 crores (in 8 transactions) was received in Ledger account (MUMB) ICI-04799-R of ICICI Bank. This GL pertains to ICICI bank account number 405004799 which the bank has confirmed via email dated 23 September 2019 to be closed on 3 August 2010. Below attachment contains the mail confirmation from the bank regarding closure of bank account.



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Document

# ANNEXURE - 5-A.1.1

## REPAYMENT OF LOANS TO BANKS/FI OUT OF BANK LOANS

Out of INR 31,580 crores Bank loans received as term loan, sales invoicing, Packing credit, ECB from various banks, 43% of the funds amounting to INR 13,667.73 crores were utilised for repayment of loans and other obligations to Banks/Financial Institutions (FI) (i.e. INR 12,848.61 crores, INR 670.73 crores and INR 148.39 crores) by RCOM, RTIL and RTL respectively. Below is a summary of Banks/Financial institution paid.

Names of Banks/ FI	Amount (INR in crores)
Standard Chartered Bank	3,654.88
China Development Bank	2,233.29
State Bank Of India	1,717.14
Yes Bank	1,150.38
Deutsche Bank A.G.	646.67
Export Development Canada	437.83
Commercial Paper	430.00
The Export Import Bank Of China	390.61
The Hongkong & Shanghai Banking	339.61
BNP Paribas	330.00
Syndicate Bank	314.10
Industrial And Commercial Bank Of China	305.87
Indian Overseas Bank	262.05
LIC Of India	238.51
Axis Bank	205.00
Indusind Bank Limited	196.76
Exim	136.91
India Bulls	117.36
HDFC Bank Ltd.	100.46

Names of Banks/ FI	Amount (INR in crores)
Barclays Capital	100.00
Various Banks	102.25
India Infoline	32.50
Bank Of Baroda	28.47
IDBI Bank Ltd	28.27
United Bank Of India	25.90
UCO Bank	24.38
Canara Bank	20.84
Barclays Bank	20.38
Deutsche Bank	18.95
Corporation Bank	14.88
Bank Of India	14.30
Central Bank Of India	9.58
Union Bank Of India	6.90
Oriental Bank Of Commerce	6.29
IFCI	3.69
Bank Of Maharashtra	2.41
Punjab National Bank	0.29
<b>Total</b>	<b>13,667.73</b>

# RCOM | END USE SUMMARY - 2013-14 (1/2)

(INR in Crores)

Received from	Receipt Amount	End Use Beneficiary Type	End Use - Amount
Yes Bank	2,820.00	Connected Party Payment	1,134.46
		Investments	885.88
		Banks /FI	549.06
		Third Party	170.96
		Salary	24.12
		Statutory dues	23.12
		<b>Total</b>	<b>2,787.61</b>
HDFC Bank	700.00	Connected Party Payment	400.00
		Banks /FI	300.00
		<b>Total</b>	<b>700.00</b>
Standard Chartered Bank	500.00	Connected Party Payment	273.20
		Banks /FI	145.45
		Statutory dues	70.00
		Third Party	0.95
		<b>Total</b>	<b>489.60</b>
IDBI Bank	550.00	Connected Party Payment	278.85
		Banks /FI	61.74
		Statutory dues	36.08
		Investments	16.45
		Third Party	9.49
		<b>Total</b>	<b>402.60</b>
Bank of Baroda	250.00	Banks /FI	250.00
		<b>Total</b>	<b>250.00</b>
United Bank of India	250.00	Banks /FI	137.74
		Third Party	68.22
		Connected Party Payment	34.05
		<b>Total</b>	<b>240.00</b>
India Bulls	240.00	Investments	240.00
		<b>Total</b>	<b>240.00</b>

# RCOM | END USE SUMMARY - 2013-14 (2/2)

(INR in Crores)

Received from	Receipt Amount	End Use Beneficiary Type	End Use - Amount
Canara Bank	240.00	Connected Party Payment	222.22
		Total	222.22
Indus Ind Bank	200.00	Banks /FI	200.00
		Total	200.00
India Infoline Finance Ltd	150.00	Connected Party Payment	150.00
		Total	150.00
Indian Overseas Bank	100.00	Investments	79.08
		Total	79.08
<b>Grand Total</b>	<b>6,000.00</b>	<b>Grand Total</b>	<b>5,761.12</b>

# RCOM | END USE SUMMARY - 2014-15 (1/1)

(INR in Crores)

Received from	Receipt Amount	End Use Beneficiary Type	End Use - Amount
State Bank of India	1,500.00	Banks / FI	1,500.00
		Banks / FI	1,500.00
Yes Bank	1,270.00	Connected Party Payment	665.68
		Third Party	521.80
		Third Party	44.37
		Banks / FI	1,231.84
		Banks / FI	619.18
		Investments	410.00
Standard Chartered Bank	1,160.00	Connected Party Payment	68.77
		Third Party	36.62
		Statutory dues	15.00
		Third Party	1,149.57
Deutsche Bank AG	469.84	Third Party	469.84
		Banks / FI	469.84
		Banks / FI	308.00
		Investments	111.00
Syndicate Bank	460.00	Connected Party Payment	15.00
		Connected Party Payment	434.00
		Banks / FI	275.00
Union Bank of India	275.00	Banks / FI	275.00
		Banks / FI	230.00
Indian Overseas Bank	230.00	Banks / FI	230.00
		Connected Party Payment	230.00
India Infoline Finance Ltd	150.00	Connected Party Payment	107.50
		Banks / FI	36.50
		Banks / FI	144.00
<b>Grand Total</b>	<b>5,514.84</b>		<b>5,434.25</b>

# RCOM | END USE SUMMARY - 2015-16 (1/2)

(INR in Crores)

Received from	Receipt Amount	End Use Beneficiary Type	End Use - Amount
Standard Chartered Bank	4,404.04	Connected Party Payment	1,842.79
		Banks /FI	1,433.66
		Investments	953.92
		Third Party	115.00
		<b>4,345.37</b>	
Indus Ind Bank	1,500.00	Connected Party Payment	1,237.11
		Banks /FI	174.05
		Statutory dues	33.79
		Investments	20.00
		<b>1,464.95</b>	
Barclays Bank	919.72	Banks /FI	436.93
		Connected Party Payment	286.04
		Third Party	78.09
		Statutory dues	10.00
		<b>811.05</b>	
India Infoline Finance Ltd	575.00	Banks /FI	291.61
		Connected Party Payment	283.35
		<b>574.96</b>	
Axis Bank	500.00	Banks /FI	437.83
		Investments	48.50
		<b>486.33</b>	
Bank of India	350.00	Investments	350.00
		<b>350.00</b>	
Deutsche Bank	320.00	Connected Party Payment	196.00
		Banks /FI	123.61
		<b>319.61</b>	
ICICI Bank Ltd	293.16	Banks /FI	143.16
		Connected Party Payment	143.10
		<b>286.26</b>	

# RCOM | END USE SUMMARY - 2015-16 (2/2)

(INR in Crores)

Received from	Receipt Amount	End Use Beneficiary Type	End Use - Amount
Indian Infrastructure Finance Co Ltd	248.00	Connected Party Payment Banks /FI	199.00 25.00
			<b>224.00</b>
Agricole Bank	192.00	Connected Party Payment	192.00
			<b>192.00</b>
Yes Bank	175.00	Banks /FI	175.00
			<b>175.00</b>
Bank of Baroda	160.45	Connected Party Payment Third Party Banks /FI	126.70 24.50 2.60
			<b>153.81</b>
DBS	112.00	Connected Party Payment Third Party	58.17 50.18
			<b>108.34</b>
ICBC Bank	75.00	Connected Party Payment Banks /FI Third Party	58.90 9.84 5.88
			<b>74.62</b>
<b>Grand Total</b>	<b>9,824.38</b>		<b>9,566.30</b>

# RCOM | END USE SUMMARY - 2016-17 (1/1)

(INR in Crores)

Received from	Receipt Amount	End Use Beneficiary Type	End Use - Amount
Standard Chartered Bank	2,081.00	Banks /FI Connected Party Payment	1,783.20 205.31
Yes Bank	1,060.00	Banks /FI Connected Party Payment	687.53 355.00
State Bank of India	565.00	Banks /FI	1,042.53
Deutsche Bank AG	476.67	Banks /FI Connected Party Payment	559.34 376.67
Union Bank of India	500.00	Banks /FI Connected Party Payment	476.67 403.14
DBS	300.00	Banks /FI Connected Party Payment	58.00 461.14
ICICI Bank Ltd	293.10	Banks /FI Connected Party Payment	282.68 17.00
Dena bank	250.00	Connected Party Payment	299.68
Axis Bank	200.00	Connected Party Payment	224.43
Grand Total	5,725.77		65.86 290.29 250.00 250.00 200.00 200.00 5,568.16

# RTL | END USE SUMMARY 2013-17

Received from	Receipt Amount	End Use - Beneficiary type	End-Use Amount
State Bank of India	125.00	Payment to bank	125.00
		<b>Total</b>	<b>125.00</b>
Canara Bank	60.00	Connected party Payment	60.00
		<b>Total</b>	<b>60.00</b>
Bank of India	50.00	Connected party Payment	50.00
		<b>Total</b>	<b>50.00</b>
Syndicate Bank	40.00	Connected party Payment	40.00
		<b>Total</b>	<b>40.00</b>
Indian Overseas Bank	40.00	Connected party Payment	20.00
		<b>Total</b>	<b>40.00</b>
Union Bank of India	25.00	Connected party Payment	20.94
		Third party payment	3.97
		LC	0.06
<b>Total</b>		<b>24.97</b>	
Central Bank of India	20.00	Connected party Payment	20.00
		<b>Total</b>	<b>20.00</b>
Corporation Bank	15.00	Connected party Payment	11.00
		Third party payment	0.61
		Payment to bank	3.39
<b>Total</b>		<b>15.00</b>	
<b>Grand Total</b>	<b>375.00</b>	<b>Total</b>	<b>374.97</b>

# RITL | END USE SUMMARY 2013-17

Received from	Receipt Amount	End Use Beneficiary Type	End Use - Amount
Yes Bank	1,245.00	Connected party payments	1,224.65
		Bank/FI	15.35
HDFC Bank	830.00	Connected party payments	724.00
		others	68.00
		Bank/FI	20.38
State Bank of India	635.00	Bank/FI	812.38
		Bank/FI	635.00
IDFC	525.75	Connected party payments	635.00
		Investments	493.00
Deutsche Bank	514.75	Investments	32.31
		Connected party payments	525.31
Barclays bank	190.00	Connected party payments	508.37
		Connected party payments	508.37
Standard Chartered Bank	200.00	Connected party payments	190.00
		Connected party payments	190.00
Grand Total	4,140.50	Connected party payments	200.00
			200.00
			4,111.06

# ANNEXURE - 5-A.1.1.1



# BUYER'S CREDIT FACILITY OUTSTANDING

Details of Buyer's Credit Facility Outstanding in the books of RCOM, RTIL and RTL from various banks in during review period is as follows *(USD in Crores)*

L/c Opening Bank	Drawdown Bank	RCOM	2013-14			2014-15			2015-16			2016-17		
			RTIL	RTL	RCOM	RTIL	RTL	RCOM	RTIL	RTL	RCOM	RTIL	RTL	
Bank of Baroda	Bank of Baroda, Bahrain	-	-	-	-	-	-	-	-	-	-	-	-	-
	Deutsche Bank, Tokyo	-	0.09	-	-	-	0.01	-	-	0.02	0.01	-	0.15	0.01
	Canara Bank, Hongkong	-	-	-	-	-	-	-	-	0.01	-	-	-	-
Deutsche Bank, Tokyo	Deutsche Bank, Tokyo	1.50	-	-	1.75	-	-	-	-	2.50	-	-	2.44	-
	Allahabad Bank,	-	-	-	-	-	-	-	-	-	-	-	1.97	-
	Hongkong	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporation Bank	Bank of India, New York	-	-	-	-	-	-	-	-	-	-	-	0.07	-
	Punjab National Bank, Hongkong	0.08	-	-	-	-	-	-	-	-	-	-	-	-
	HSBC Bank, Mauritius	0.09	-	-	-	-	-	-	-	-	-	-	-	-
Deutsche Bank	Canara Bank, Hongkong	-	-	-	-	-	-	-	-	0.21	-	-	-	-
	Deutsche	-	-	-	-	-	-	-	-	-	-	-	0.01	-
	Bank, Singapore	0.09	-	-	-	-	-	-	-	0.04	-	-	-	-
HDFC Bank	HDFC Bank, Bahrain	-	-	-	-	-	0.01	-	-	-	-	-	-	-
	HDFC Bank, Hongkong	-	-	-	-	0.01	-	-	-	-	0.05	-	-	0.01
	HDFC Bank, Bahrain	-	-	-	-	-	-	-	-	0.01	-	-	-	0.08
IDBI Bank	Deutsche Bank, Tokyo	-	0.01	-	-	-	-	-	-	-	-	-	-	-
	Deutsche Bank, Tokyo	1.32	-	1.05	1.47	-	-	0.04	0.43	-	0.04	0.90	-	-
	Punjab National Bank, Hongkong	-	-	-	-	-	-	-	-	-	-	0.38	-	0.08
Punjab National Bank	Allahabad Bank, Hongkong	-	-	-	-	-	-	-	-	-	-	-	0.21	-
	HSBC Bank, Mauritius	0.18	-	-	-	-	-	-	-	-	-	-	-	-
	Deutsche Bank, Tokyo	0.27	-	-	-	-	-	-	-	-	-	-	-	-
Syndicate Bank	Deutsche Bank, Tokyo	0.62	0.03	-	0.43	0.03	-	-	0.89	-	-	0.29	-	-
	Allahabad Bank, Hongkong	-	-	-	-	-	-	-	-	-	-	0.18	-	-
	Bank of India, New York	-	-	-	-	-	-	-	-	-	-	0.10	-	-
Grand Total	Canara Bank, Hongkong	-	-	-	-	-	-	-	0.10	-	-	-	-	-
		4.17	0.13	1.05	3.65	0.06	0.04	4.21	0.07	0.04	6.73	0.10	0.08	

# BUYER'S CREDIT DEVOLVED

Details of Buyer's Credit Facility devolved by foreign vendors of RCOM from various banks in March 2017 is as follows

(In Crores)

LUT Bank	Drawdown Bank	Vendor	USD	INR
Corporation Bank	Deutsche Bank, Tokyo	Ingram Micro India Ltd & Redington Distribution Pte Ltd	0.01	0.44
		Tyco Electronics Middle East Fze	0.04	2.52
Punjab National Bank	Deutsche Bank, Tokyo	Huawei International Pte Limited	0.09	5.98
		Ciena Communications International Inc	0.08	5.16
		GrenTech RF Hongkong Co. Limited	0.02	1.40
Syndicate Bank	Deutsche Bank, Tokyo	Huawei International Pte Limited	0.00	0.25
		Telebyte Technologies Pte Ltd	0.02	1.48
<b>Grand Total</b>			<b>0.26</b>	<b>17.24</b>

# ANNEXURE - 5-A.1.2

## PAYMENT TO CONNECTED ENTITIES OUT OF BANK LOANS

Payment to connected parties cumulatively amounted to INR 12,692.31 crores (41%) (i.e. INR 9,130.35 crores, INR 3,340.02 crores & INR 221.94 crores respectively) by RCOM, RITL and RTL respectively. List of connected entities to which funds have been transferred out of loans received from Banks/ Financial Institutions are as under:

(INR in Crores)

Connected Parties	RCOM	RITL	RTL	Grand Total
Reliance Communications Infrastructure Limited	2,612.32	2,774.02	-	5,386.34
Reliance Webstores Pvt.Ltd.	1,457.30	-	-	1,457.30
Reliance Infratel Ltd	1,435.23	-	-	1,435.23
Netizen Engineering Private Limited	950.00	-	-	950.00
Reliance Telecom Limited	783.77	-	-	783.77
Reliance Realty Limited	196.05	393.00	-	589.05
Reliance Capital Limited	540.49	-	-	540.49
Reliance Communications Ltd	-	73.00	221.94	294.94
Reliance Communications Inc	247.41	-	-	247.41
Reliance Big Tv Pvt. Ltd.	102.10	100.00	-	202.10
Reliance Globalcom BV	199.66	-	-	199.66
Reliance Tech Services Limited	189.10	-	-	189.10
Reliance Globalcom Ltd	137.84	-	-	137.84
Globalcom IDC Limited	111.03	-	-	111.03
RGL Bermuda	67.66	-	-	67.66
Finnese Innovations Pvt. Ltd.	58.27	-	-	58.27
Flag Atlantic France	40.00	-	-	40.00
Reliance Global Management	2.10	-	-	2.10
<b>Total</b>	<b>9,130.35</b>	<b>3,340.02</b>	<b>221.94</b>	<b>12,692.31</b>

# ANNEXURE - 5-A.5.1

## INVESTMENTS NOT PERMITTED BY SANCTION LETTERS

- **Axis Bank** : As per the Sanction letter from Axis Bank, dated 17 June 2015, the sanctioned purpose of the loan was funding cash flow mismatches and specifically excluded use of the loan for subscription to shares / debentures, extending loans to subsidiary companies / associates for LCD or any speculative purposes. Thus, investment in Mutual Funds was not permitted.
- **Bank Of India** : As per the Sanction letter from Bank Of India, dated 3 October 2016, the sanctioned purpose of the loan was ongoing capital expenditure, operational expenditure, repayment of existing liabilities other than any related party / shareholder loans. Thus, investment in Fixed Deposits was not permitted.
- **IDBI Bank** : As per the Sanction letter from IDBI Bank, dated 20 February 2015, the sanctioned purpose of the loan was ongoing capital expenditure, operational expenditure, repayment of existing liabilities other than any related party / shareholder loans. Thus, investment in Mutual funds was not permitted.
- **Deutsche Bank AG** : As per the Facility Agreement\* from Deutsche Bank AG, the sanctioned purpose of the loan was part financing of capital expenditure and payment of spectrum fees to Department of Telecommunication for Government Of India. Thus, investment in Fixed Deposits was not permitted.
- **Indian Overseas bank** : As per the Facility Agreement\* from Deutsche Bank AG, the sanctioned purpose of the loan was part financing of capital expenditure and payment of spectrum fees to Department of Telecommunication for Government Of India. Thus, investment in Mutual Funds was not permitted.
- **IndusInd Bank Limited** : As per the Sanction letter from IndusInd Bank Limited, dated 5 November 2016, the sanctioned purpose of the loan was repayment of existing debt / liabilities and other operational expenditure - Short Term Loan. Thus, investment in Mutual Funds was not permitted.

\*As per the unsigned Facility Agreement made available.

## INVESTMENTS NOT PERMITTED BY SANCTION LETTERS

- **Syndicate Bank** : As per the Sanction letter from Syndicate Bank, dated 30 December 2014, the sanctioned purpose of the loan was ongoing capital expenditure, operational expenditure, repayment of existing liabilities other than any related party / shareholder loans. Thus, investment in Mutual Funds was not permitted.
- **Standard Chartered Bank** : As per the Sanction letter from Standard Chartered Bank, dated 12 April 2017, the sanctioned purpose of the loan was, inter alia: (i) investment (such as the import of capital goods, new projects, modernisation or expansion of existing production units) in the real sector (i.e. the industrial sector including small and medium enterprises, infrastructure sector and specified service sectors); (ii) overseas direct investment in joint ventures or wholly owned subsidiaries (subject to applicable guidelines); (iii) acquisition of shares in the Government's disinvestment programme of public sector units; (iv) lending to self-help groups or for micro-credit or bona fide microfinance activity; (iv) payment of interest during construction by companies engaged in infrastructure sector, (v) refinancing of bridge finance used for import of capital goods by infrastructure companies; (vi) import of services, technical knowhow and payment of license fee subject to certain restrictions; (vii) payment of spectrum allocation fee; and (viii) refinancing of ECBS subject to certain conditions and specifically excluded use of the loan for Lending, investment in capital markets, acquisition of company in India, investment in real estate, general corporate purpose ( including working capital), acquisition of land. Thus, investment in Mutual Funds and Fixed Deposits was not permitted.

\*As per the unsigned Facility Agreement made available.

# ANNEXURE - 5-A.6.1.1.

# RCOM | SUMMARY OF TRANSACTIONS WITH CONSORTIUM VS NON-CONSORTIUM BANKS

	Lenders	Debit_Amount	Credit_Amount	Number of Debit Transactions	Number of Credit Transactions
		INR in crores			
Consortium Banks	State Bank of India	-6,455.41	7,463.69	3549	2344
	IDBI Bank	-1,922.24	2,163.75	582	1250
	Corporation Bank	-1,005.90	955.28	1327	807
	Indian Overseas Bank	-565.45	565.72	62	50
	UNION BANK	-213.88	219.74	18	8
	UCO Bank	-106.80	36.50	20	3
Non consortium Banks	Oriental Bank of Commerce	-1.30	1.25	9	4
	Syndicate Bank	-0.03	0.06	4	1
	<b>Grand Total</b>	<b>-10,271.01</b>	<b>11,406.00</b>	<b>5571</b>	<b>4467</b>
		<b>2%</b>	<b>2%</b>	<b>1%</b>	<b>2%</b>
Non consortium Banks	HDFC Bank	-4,23,646.75	4,23,409.84	355814	76810
	Standard Chartered Bank	-22,283.13	22,283.72	15623	69403
	Yes Bank	-11,475.22	11,471.22	18088	75327
	HSBC	-3,974.13	3,979.19	308	555
	ICICI Bank	-3,909.41	3,923.81	966	4511
	Deutsche bank	-3,816.36	3,777.09	130	1076
	Axis Bank	-3,430.53	3,518.13	121	89
	DBS	-3,300.73	3,302.11	66	61
	IndusftCom BKOfChina Ltd	-2,882.29	2,882.84	93	44
	Punjab National Bank	-2,495.54	2,394.67	1555	1410
Bank of Maharashtra	-2,378.15	2,378.21	66	78	
Indusind Bank	-2,290.33	2,290.34	40	34	
United Bank Of India	-1,815.63	1,815.92	133	117	

# RCOM | SUMMARY OF TRANSACTIONS WITH CONSORTIUM VS NON-CONSORTIUM BANKS

	Lenders		Debit_Amount		Credit_Amount		Number of Debit Transactions		Number of Credit Transactions	
			INR in crores							
ABN			-1,103.60		1,103.56		36		21	
Vijaya Bank			-7.94		8.58		11		13	
BNP Paribas			-2.95		2.97		361		19	
JP MORGAN			-1.85		25.30		13		11	
Non consortium			-0.21		0.20		89		18	
Banks										
Jammu & Kashmir Bank Limited			-0.00		-		1			
Federal Bank			-0.00		-		1			
UBS			-		0.26				1	
<b>Grand Total</b>			<b>-4,90,116.03</b>		<b>4,89,822.86</b>		<b>394030</b>		<b>229796</b>	
			<b>98%</b>		<b>98%</b>		<b>99%</b>		<b>98%</b>	
<b>Grand total</b>			<b>-5,00,387.05</b>		<b>5,01,228.86</b>		<b>3,99,601</b>		<b>2,34,263</b>	

# ANNEXURE - 5-A.8.1

# POTENTIAL DIVERSION OF FUNDS - BANK OF BARODA LOAN

The instruction letter given by rcom to BOB for disbursement of INR 374.22 crores and INR 95.22 crores on 05 September 2015 and 28 August 2015 is as follows :



Adobe Acrobat  
Document



Adobe Acrobat  
Document

# ANNEXURE - 5-A.9.1

# RITL | UTILISATION COMPARED WITH SANCTION LETTER (1/5)

Sample snapshot of sanction letters for utilisation commented in observation no. 5-A.2 are given below:

RITL SBI -635 crores

<b>4. Lender:</b>	State Bank of India (Sole Lender)
<b>5. Facility:</b>	A Term loan Facility of Rs.1200 Crore for 18 months under sole Banking arrangement to the Borrower(s) earmarked as under - Rs. 565 Cr to Borrower 1 (RCOM) & - Rs. 635 Cr to Borrower 2 (RITL) All terms & conditions mentioned herein shall apply to both term loans of the Facility.
<b>6. Purpose of the Facility:</b>	To make payments of Schedule liabilities related to ECB Loans other than any related party/ shareholder loans in RCom and RITL

# RITL | UTILISATION COMPARED WITH SANCTION LETTER (2/5)

## RITL Yes bank -345 crores

YBI/DEI/FL/0229/2016-17 June 3, 2016 Reliance Infratel Limited Reliance Centre Maharaja Ranjit Singh Marg Barakhamba Road New Delhi - 110002	<p><b>Facility:</b> Term Loan (New Facility)</p> <p><b>Amount:</b> 3,450,000,000/- INR (Indian Billion and Four Hundred Fifty Million Only)</p> <p><b>Tenor:</b> Upto 60 months</p> <p><b>Nature:</b> Non revolving</p> <p><b>Purpose:</b> The Facility shall be utilized by the Borrower towards: (a) Capital expenditure including Maintenance expenditure, Reimbursement of capital expenditure incurred during Q2-Q4 FY 16 and (b) Long-term Working capital requirements</p>
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## RITL Yes bank -125 crores

March 01, 2016 Reliance Infratel Limited Mumbai	<p><b>Subject:</b> Short Term Loan Facility of INR 125 crores to Reliance Infratel Limited</p>
YBI/MUM/FL/ 659A/2014-2015 November 19, 2014 Reliance Communications Limited	<p>ed by the Borrower towards working capital r or cash flow mismatches. Cash flow mismatch nt at the time of each disbursement</p>

\*FT in the text of transaction was considered as LCD during the analysis

Source: Sanction Letters, Bank Statements, Bank book

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Strictly Private and Confidential

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (3/5)

RCOM Yes bank -500 crores

YBL/MUM/FL/ 659A/2014-2015 November 19, 2014	
Reliance Communications Limited	
<b>Facility Description</b>	
Facility: Term Loan (New Facility)	
Amount: INR 5,000,000,000/- (Indian Rupees Five Billion only)	
Nature: Non Revolving	
Purpose: The Facility shall be utilized by the Borrower towards Capital expenditure including Maintenance expenditure / Reimbursement of capital expenditure incurred during FY14 and H1 FY 15	

RCOM Yes bank -345Vcrores

YBL/DEI/FL/0227/2016-17 June 3, 2016	
Reliance Communications Limited	
<b>Facility Description</b>	
Facility: Term Loan (New Facility)	
Amount: INR 3,450,000,000/- (Indian Rupee Three Billion and Four Hundred Fifty Million Only)	
Purpose: The Facility shall be utilized by the Borrower towards:	
(a) Capital expenditure including Maintenance expenditure, Reimbursement of capital expenditure incurred during Q2-Q4 FY 16 and	
(b) Long-term working capital requirements	

\*FT in the text of transaction was considered as LCD during the analysis

Source: Sanction Letters, Bank Statements, Bank book

Strictly Private and Confidential

# RCOM | UTILISATION COMPARED WITH SANCTION LETTER (4/5)

RCOM ICICI bank -180 crores

<b>Borrower</b>	Reliance Communications Limited, a listed company incorporated under Indian laws
<b>Lender</b>	ICICI Bank Limited
<b>Existing Facility</b>	Ruppee term loan of ₹3,000.0 million granted to the Borrower by Lender pursuant to facility agreement dated July 30, 2015("Existing Agreement").
<b>Facility</b>	Ruppee term loan facility of upto ₹3,000.0 million ("Facility Amount") which would be divided into following two tranches: Facility A: ₹ 1,800.0 million ("Facility A Amount") Facility B: ₹ 1,200.0 million ("Facility B Amount")
<b>Purpose</b>	The proceeds of the Facility shall be utilized for the following: <ol style="list-style-type: none"> <li>1. Capital expenditure requirements of the Borrower;</li> <li>2. Long term working capital requirements of the Borrower;</li> <li>3. Transaction related expenses</li> </ol>

RCOM ICICI bank -300 crores

<b>Borrower</b>	Reliance Communications Limited, a listed company incorporated under Indian laws
<b>Lender</b>	ICICI Bank Limited
<b>Facility</b>	Ruppee term loan facility of upto ₹3,000.0 million ("Facility Amount").
<b>Purpose</b>	The proceeds of the Facility shall be utilized for the following: <ol style="list-style-type: none"> <li>1. Capital expenditure requirements of the Borrower;</li> <li>2. Reimbursement of capital expenditure incurred by the Borrower in the past 6 months;</li> <li>3. Long Term Working Capital requirements of the Borrower;</li> <li>4. Transaction related expenses</li> </ol>

\*FT in the text of transaction was considered as LCD during the analysis

Source: Sanction Letters, Bank Statements, Bank book

# RTL | UTILISATION COMPARED WITH SANCTION LETTER (5/5)

RTL Syndicate bank -40 crores

Nariman Point Branch  
227, Nariman Bhavan,  
Ground floor,  
Mumbai - 400 021



SYNDICATE BANK  
A MEMBER OF THE STATE BANKS OF INDIA GROUP

☎ : 22029881  
☎ : 22843017  
AGM : 22842865  
Fax: 22024812

Email: [mh.503Zmumnp@syndicatebank.co.in](mailto:mh.503Zmumnp@syndicatebank.co.in)

Ref No: 2684/NP-T/RCOM/2014

Date: 30.12.2014

M/s Reliance Communications Limited  
Reliance Centre,  
19, Watchand Hirachand Marg,  
Ballard Estate, Mumbai -- 400 001

Dear Sir,

Sub: Your request for approval of New Business Plan

With reference to your request, we have pleasure to inform you that sanctioning Authority has approved the Revised Business Plan of M/s Reliance Communications Limited (Consolidated), and to permit the branch to release our share of Rs.500.00 crores (Rs.460.00 crores to Reliance Communications Limited and Rs.40.00 crores to Reliance Telecom Limited) towards

7. Purpose of the Facility:	For meeting ongoing - 1. Capital expenditure 2. Operational expenditure 3. Repayment of existing liabilities, other than any related party/ shareholder loans
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\*FT in the text of transaction was considered as LCD during the analysis

Source: Sanction Letters, Bank Statements, Bank book  
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# ANNEXURE - 5-C

# REVENUE BREAKUP - RCOM, RITL AND RTL

The detailed breakup of revenue is given as per the below attachments:



Microsoft Excel  
Worksheet  
5-C.1



Microsoft Excel  
Worksheet  
5-C.2



Microsoft Excel  
Worksheet  
5-C.3



Microsoft Excel  
Worksheet  
5-C.4



Microsoft Excel  
Worksheet  
5-C.5



Microsoft Excel  
Worksheet  
5-C.6



Microsoft Excel  
Worksheet  
5-C.7

# ANNEXURE - 5-D

ICD

# ANNEXURE - 5-D.1

ICD - RCOM

# PAYMENT TO CONNECTED ENTITIES OUT OF ICD RECEIVED BY RCOM

(INR in Crores)

ICD Received from	Amount received	Payment to connected parties	Amount
CHLOROSULF PVT LTD	1,914.96	Chlorosulf	963.14
		RCIL	20.00
		RBTV	20.40
		RCAP	27.96
		RCIL	362.30
		RITL	95.23
		RTSL	27.67
		RTL	84.22
		RWSPPL	64.05
		TFIL	250.00
Kunjibhari Developers Pvt. Ltd	132.39	RTL	32.39
		TFIL	100.00
RELIANCE CLEANGEN LIMITED	446.59	RBTV	5.50
		RCGL	62.00
		RCIL	198.50
		RELIANCE INFOCOMM LTD. EMPLOYE	0.99
		RITL	140.00
		RISPL	1.00
		RTSL	6.10
		RTL	24.50
		RWSPPL	8.00
Reliance Industries Ltd	34.68	RCIL	25.00
		RITL	9.68
<b>Grand Total</b>	<b>2,528.63</b>		<b>2,528.63</b>

# PAYMENT TO BANKS OUT OF ICD RECEIVED BY RCOM

(INR in Crores)

ICD Received from	Amount received	Payment to banks	Amount
		Axis	16.35
		Bank of Baroda	35.49
		Canara Bank	16.09
		Central Bank of India	6.09
		China Development Bank	120.00
		Corporation Bank	2.55
		DBS BANK LTD	4.96
		IDBI Bank Ltd	28.13
		IFCI	90.87
CHLOROSULF PVT LTD	445.81	INDIA INFOLINE FINANCE LTD	1.12
		Indian Overseas Bank	1.41
		Oriental Bank of Commerce	4.46
		State Bank of India	63.35
		Syndicate Bank	10.00
		UCO Bank	17.35
		Union Bank of India	5.98
		UNITED BANK OF INDIA	2.27
		Yes Bank	19.34
Kunjbihari Developers Pvt. Ltd	26.88	State Bank of India	26.88

# PAYMENT TO BANKS OUT OF ICD RECEIVED BY RCOM

(INR in Crores)

ICD Received from	Amount received	Payment to banks	Amount
<b>RELIANCE CLEANGEN LIMITED</b>	798.63	Axis	2.76
		Bank of Baroda	12.37
		Bank of India	4.56
		Canara Bank	7.79
		Central Bank of India	16.80
		Corporation Bank	14.00
		IDBI Bank Ltd	9.12
		IFCI	2.46
		INDIA INFOLINE FINANCE LTD	12.50
		Indian Overseas Bank	1.37
		IndusInd Bank Limited	13.19
		Oriental Bank of Commerce	12.46
		Standard Chartered Bank	33.00
		State Bank of India	20.28
		Syndicate Bank	4.84
		UCO Bank	8.39
		Union Bank of India	2.89
		UNITED BANK OF INDIA	4.45
		Yes Bank	615.38
Reliance Industries Ltd	612.91	China Development Bank	612.91
<b>Grand Total</b>	<b>1884.22</b>		<b>1,884.22</b>

# PAYMENT TO THIRD PARTIES OUT OF ICD RECEIVED BY RCOM

(INR in Crores)

ICD Received from	Amount received	Payment to third parties	Amount
		BSNL	1.38
		AIRCEL LTD	3.62
		ATC TELECOM TOWER CORPORATION	2.04
		Avaya India Private Limited	7.87
		AVNET TECHNOLOGY SOLUTIONS	10.85
		BHARTI AIRTEL LIMITED	0.99
		Chennai Network Infrastructure Ltd	2.25
		COMMERCIAL TAX OFFICER	0.02
		Ericsson India Private Limited	5.00
		GTL INFRASTRUCTURE LTD	1.24
		IDEA CELLULAR LTD	2.12
		KOCHAR INFOTECH PVT LTD	1.54
		ORACLE INDIA PVT LTD	2.57
		Reliance Jio Infocomm Limited	7.63
		SOTC Travel Services Private L	0.83
		UBICO NETWORKS PVT LTD	1.00
		Vertex Customer Management India	7.86
		VIOM NETWORKS LTD	7.49
		VODAFONE CELLULAR LTD	5.78
		VODAFONE DIGILINK LTD	6.69
		VODAFONE MOBILE SERVICES LIMITED	26.49
		VODAFONE SPACETEL LTD	1.47
		ACE ANTENNA INDIA PRIVATE LIMITED	0.66
RELIANCE CLEANGEN LIMITED	0.66		

**Grand Total**

**107.39**

**107.39**

# ICD REPAID BY RCOM OUT OF FUNDS RECEIVED

## ICD REPAID BY RCOM OUT OF FUNDS RECEIVED FROM CONNECTED ENTITIES

(INR in Crores)

ICD Repaid	Amount	Source of funds	Amount
		Netizen	200.00
		RCIL	326.40
		Chlorosulf	1,178.00
CHLOROSULF PVT LTD	2,118.95	RITL	130.00
		RTL	24.00
		RTSL	200.00
		RWSL	60.56
		RCIL	9.00
RELIANCE CLEANGEN LIMITED	140	RITL	100.00
		RWSL	31.00
<b>Grand Total</b>	<b>2,258.95</b>		<b>1,080.96</b>
<b>ICD REPAID BY RCOM OUT OF FUNDS RECEIVED FROM THIRD PARTY</b>			
ICD Repaid	Amount	Source of funds	Amount
RELIANCE CLEANGEN LIMITED	70.00	Standard Chartered Bank	70.00

## ICD REPAID BY RCOM OUT OF FUNDS RECEIVED FROM BANK

ICD Repaid	Amount	Source of funds	Amount
CHLOROSULF PVT LTD	88.00	Reliance Jio	88.00

# ANNEXURE - 5-D.2

ICD - RITTL

# PAYMENT TO CONNECTED PARTIES OUT OF ICD RECEIVED BY RITL

(INR in Crores)

ICD Received from	Amount received	Payment to connected parties	Amount
Rcap		Rcap	600.00
	1523.18	RCIL	839.18
		RCPL	84.00
		Netizen	2,187.59
		Rcap	150.00
		RCIL	1,115.89
		RCPL	1,579.65
RCIL	6795.87	RCTNL	340.00
		RADAG	7.74
		RBTV	190.00
		RRL	25.00
		RTL	1,200.00
		RRL	400.13
Rcom	400.13		
Reliance stocks and shares	125.00	RCIL	125.00
<b>Grand Total</b>	<b>8844.18</b>		<b>8,844.18</b>

# PAYMENT TO BANKS OUT OF ICD RECEIVED BY RITL

(INR in Crores)

ICD Received from	Amount received	Payment to banks	Amount
Rcap	32.00	SBI	32.00
		Barclays capital	200.00
		DBS Bank Ltd.	100.00
		HDFC Bank	238.13
RCIL	811.81	The Hongkong & Shanghai Banking	18.68
		Unsecured Wcap Term Loan	50.00
		Yes	205.00
Rcom	199.60	DBS Bank Ltd.	199.60
<b>Grand Total</b>	<b>1043.41</b>		<b>1,043.42</b>

# ICD REPAID BY RITL OUT OF FUNDS RECEIVED

## ICD REPAID BY RITL OUT OF FUNDS RECEIVED FROM CONNECTED ENTITIES

(INR in Crores)

ICD Repaid	Amount	Source of funds	Amount
Netizen	61.74	RCIL	61.74
		Netizen	1,547.00
		RCIL	1,261.43
		RCPL	5,039.86
		RCTNL	600.00
RCIL	10,018.64	RBTV	16.83
		RCAP	215.00
		RASL	125.00
		RTL	1,094.55
		Sapphire	51.74
		GIDC	23.88
		RBTV	433.37
		RCIL	1,530.44
		RCPL	485.42
RCOM	5,566.70	RCAP	60.00
		RELLANCE DIGITAL HOME SER LTD	210.00
		RRL	100.39
		RTL	2,740.42
		Sapphire	50.00
<b>Grand Total</b>	<b>15,647.08</b>		<b>15,647.07</b>

# ICD REPAID BY RITL OUT OF FUNDS RECEIVED

## ICD REPAID BY RITL OUT OF FUNDS RECEIVED FROM THIRD PARTY

(INR in Crores)

ICD Repaid	Amount	Source of funds	Amount
RCIL	969.36	Infotel telecom Ltd	223.00
		RJIO	593.11
<b>Total</b>	<b>969.36</b>		<b>816.11</b>

## ICD REPAID BY RITL OUT OF FUNDS RECEIVED FROM BANK

ICD Repaid	Amount	Source of funds	Amount
RCIL	1035.65	HDFC Bank	316.00
		Yes Bank	719.65
<b>Total</b>	<b>1035.65</b>		<b>1,035.65</b>

# ANNEXURE - 5-D.3

ICD - RTL

# PAYMENT TO CONNECTED PARTIES OUT OF ICD RECEIVED BY RTL

(INR in Crores)

ICD Received from	Amount received	Payment to connected parties	Amount
RBPO	2500.00	RCPL	2,500.00
		RTL	4,391.20
		RCPL	1,675.02
		RCIL	240.64
		GIDC	34.65
RCOM	7831.10	RTSL	567.75
		Sapphire	1.03
		Netizen	200.00
		RCTNL	600.00
		RWSL	120.80
RTL	1200.00	RCPL	1,200.00
RTSL	93.81	RCPL	93.81
		RTL	91.86
RWSL	130.74	RCPL	31.41
		RCIL	7.47
<b>Grand Total</b>	<b>11755.65</b>		<b>11,755.65</b>

# PAYMENT TO BANKS OUT OF ICD RECEIVED BY RTL

(INR in Crores)

ICD Received from	Amount received	Payment to banks	Amount
		Canara Bank	1.22
		China Development Bank	140.54
		Deutsche Bank, AG	2.33
		HSBC FRANCE	41.01
		IDBI Bank Ltd	8.61
		Indian Overseas Bank	0.22
	197.10	State Bank of India	1.44
		Bank of India	0.51
		Syndicate Bank	0.41
		Union Bank of India	0.25
		Oriental Bank of Commerce	0.20
		Central Bank of India	0.20
		Corporation Bank	0.15
<b>Grand Total</b>	<b>197.10</b>		<b>197.10</b>

# PAYMENT TO THIRD PARTIES OUT OF ICD RECEIVED BY RTL

(INR in Crores)

ICD Received from	Amount received	Payment to third parties	Amount
		ASCEND TELECOM INFRASTRUCTURE	0.24
		BHARTI AIRTEL LTD	0.42
		Chennai Network Infrastructure Ltd	5.06
		DEPARTMENT OF TELECOMMUNICATIO	367.26
		DISHNET WIRELESS LIMITED	3.81
		EASY MOBILE INDIA	0.37
		EFFORT BPO LTD	1.00
		GTL INFRASTRUCTURE LTD	3.42
		HUNGAMA DIGITAL MEDIA	0.59
	651.41	One Point One Solutions Pvt. Ltd.	0.42
		Tata Teleservices Limited	4.38
		TECH MAHINDRA LIMITED	2.00
		VIOM NETWORKS LTD	12.62
		Vodafone Mobile Services Ltd	10.31
		Indus Towers Ltd	4.65
		License fees	230.65
		ASSOCIATION OF UNIFIED TELECOM	0.15
		ATC Telecom Infrastructure Pvt Ltd	2.59
		BHARTI INFRA TEL LTD	1.47
<b>Grand Total</b>	<b>651.41</b>		<b>651.41</b>

# ICD REPAID BY RTL OUT OF FUNDS RECEIVED

## ICD REPAID BY RTL OUT OF FUNDS RECEIVED FROM CONNECTED ENTITIES

(INR in Crores)

ICD Repaid	Amount	Source of funds	Amount
		Netizen	250.00
		RBML	0.15
		RCPL	40.29
		RBPO	2,500.00
		RCIL	8.11
RCOM	6183.68	Reliance Info Inf	10.60
		RWSL	150.00
		RITL	1,200.00
		RTSL	93.81
		RWSL	1,549.04
		Sapphire	381.68
		RCPL	2,200.00
RTL	2500.00	RWSL	300.00
RTSL	93.81	RCPL	93.81
<b>Grand Total</b>	<b>8777.49</b>		<b>8,777.50</b>

# ICD REPAID BY RTL OUT OF FUNDS RECEIVED

## ICD REPAID BY RTL OUT OF FUNDS RECEIVED FROM THIRD PARTY

(INR in Crores)

ICD Repaid	Amount	Source of funds	Amount
RCOM	27.85	Multiple small payments	18.32
		RJIO	6.57
		Tata Teleservices Limited	2.95
Grand Total	27.85		27.85

## ICD REPAID BY RTL OUT OF FUNDS RECEIVED FROM BANK

ICD Repaid	Amount	Source of funds	Amount
		Bank of India	50.00
		Central Bank of India	20.00
RCOM	132.48	SBI Bank	1.54
		Syndicate Bank	40.00
		Union Bank of India	20.94
Grand Total	132.48		132.48

# ANNEXURE - 5-E.1.1

# BACKGROUND OF ONPL

<b>Previous Names</b>	NIL
<b>Registered Address</b>	H BLOCK, 1ST FLOOR, DHIRUBHAI AMBANI KNOWLEDGE CITY, NAVI MUMBAI MH 400710 IN (Same as RCOM)
<b>Incorporation date</b>	17-Feb-2000
<b>Type of Service</b>	Other computer related activities (for example maintenance of websites of other firms/ creation of multimedia presentations for other firms etc).

## Shareholding pattern of Orissa Network Private Limited

2013-14		2014-15		2015-16 to 2017-18 *	
Name of share holders	%	Name of share holders	%	Name of share holders	%
Netizen India Private Limited	27.3%	Netizen India Private Limited	27.3%	Netizen India Private Limited	27.3%
Reliance Infocom Engineering Private Limited*	27.6%	Reliance Infocom Engineering Private Limited*	27.6%	Reliance Infocom Engineering Private Limited*	27.6%
Worldtel Tamilnadu Private Limited	16.6%	Worldtel Tamilnadu Private Limited	16.6%	Reliance Entertainment Private Limited	16.6%
WBNPL	17.3%	WBNPL	17.3%	WBNPL	17.3%
Reliance Data Centre Limited	11%	Reliance Globalcom Management Private Limited	11%	Reliance Globalcom Management Private Limited	11%
<b>Total</b>	<b>100%</b>		<b>100%</b>		<b>100%</b>

\* From F.Y 2015-16 to 2017-18, there is no change in shareholding pattern of Orissa Network Private Limited.  
59 Subject to Management Discussion and Internal Risk Review

Strictly Private and Confidential



# ANNEXURE - 5-E.1.2

# REGISTERED OFFICE & CONTACT DETAILS OF OMPL & RCOM

FORM NO. MGT 9

Annexure- A

## EXTRACT OF ANNUAL RETURN

As on financial year ended on March 31, 2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

### I. REGISTRATION AND OTHER DETAILS:

i.	CIN	U72900MH2000PTC221162
ii.	Registration Date	17/02/2000
iii.	Name of the Company	Orissa Network Private Limited
iv.	Category/Sub-category of the Company	Private Company/ Limited by Shares
v.	Address of the Registered office and contact details	H Block, 1 <sup>st</sup> Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai – 400710 Ph.: 022-30386286
vi.	Whether listed company	Yes/ No
vii.	Name, Address & contact details of the Registrar and Transfer Agent, if any.	-

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated -

- No Major operations have been carried out during the financial year.

11/22/2019

Reliance Communications Ltd Board of Directors & Management, Room Registered Office, Rcom Registrars, Company Information...

#### Registered Office Address

H Block, Dhirubhai Ambani Knowledge City, 1st Floor, Navi Mumbai, Maharashtra, 400710

Tel. : 022-30386286,

Fax. : 022-30376622,

Email : [RCOM.investors@reliancecda.com](mailto:RCOM.investors@reliancecda.com)

Website : [www.rcom.co.in](http://www.rcom.co.in)

# ANNEXURE - 5-E.1.3

# NATURE OF BUSINESS OF MPNL

FORM NO. MGT 9

## EXTRACT OF ANNUAL RETURN

As on financial year ended on March 31, 2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

### I. REGISTRATION AND OTHER DETAILS:

i.	CIN	U72200MH2000PTC21312
ii.	Registration Date	01/03/2000
iii.	Name of the Company	M.P. Network Private Limited
iv.	Category/Sub-category of the Company	Private Company/ Limited by Shares
v.	Address of the Registered office and contact details	6th Floor, Plot No. 82, Nagin Mahal, Veer Nariman Road, Churchgate, Mumbai -400020 Ph: 022 30762556
vi.	Whether listed company	Yes/ No
vii.	Name, Address & contact details of the Registrar and Transfer Agent, if any.	-

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1.	Consultancy fees	7020	100%

# ANNEXURE - 5-E.1.4

# CLOSING BALANCE OF LOANS ADVANCED BY NETIZEN

Party Names	As at 31 March 2018	As at 31 March 2017	As at 31 March 2016
Sapphire Cable & Services Private Limited	2,229.65	2,229.65	2,092.31
Tenormac Enterprises Private Limited	5,022.98	2,078.88	2,594.14
Telebraod Enterprises Private Limited	711.00	711.00	711.00
Reliance Big Entertainment Private Limited	124.00	124.00	99.00
M. P. Network Private Limited	70.68	70.68	67.61
Orissa Networks Private Limited	19.41	19.41	19.54
West Bengal Network Private Limited	19.07	19.07	19.07
Reliance Innoventures Private Limited	10.00	10.00	10.00
Paradox Studios Limited	7.76	7.76	7.81
Innomedia Technologies Private Limited	0.01	0.01	-
Real Soft Cyber Systems Private Limited	0.00	0.00	-
<b>Total</b>	<b>8,214.56</b>	<b>5,270.45</b>	<b>5,620.48</b>

# ANNEXURE - 5-E.1.5

# NETIZEN - EPF

EPFO:Payment Details - Google Chrome

unifiedportal-epfo.epfindia.gov.in/publicPortal/no-auth/estSearch/viewPaymentDetails/THVSH01166790002\_HDIV\_STATE\_=16-119-054F51EF568511578A62B0E7778419B1



## EMPLOYEES' PROVIDENT FUND ORGANISATION, INDIA MINISTRY OF LABOUR & EMPLOYMENT, GOVERNMENT OF INDIA

Payment Details

Excel

TRRN	Date Of Credit	Amount	Wage Month	No. of Employee	ECR
3191701001816	16-JAN-2017 16:21:26	44,919	DEC-16	7	YES
3191702004826	15-FEB-2017 23:55:27	41,531	JAN-17	7	YES
3191704005285	21-APR-2017 16:28:05	42,987	MAR-17	7	YES
3191705003821	15-MAY-2017 21:07:40	29,874	APR-17	6	YES
3191706006088	15-JUN-2017 17:08:17	29,695	MAY-17	6	YES
3191707006078	15-JUL-2017 16:28:22	29,697	JUN-17	6	YES
3191708003492	17-AUG-2017 04:54:27	29,905	JUL-17	6	YES
3191709005449	16-SEP-2017 20:52:52	29,198	AUG-17	6	YES
3191710003816	16-OCT-2017 19:17:16	30,780	SEP-17	6	YES

Showing page 1 of 4

Previous     Next

unifiedportal-epfo.epfindia.gov.in/publicPortal/no-auth/estSearch/viewPaymentDetails/THVSH01166790007\_HDIV\_STATE\_=16-119-054F51EF568511578A62B0E7778419B1



## EMPLOYEES' PROVIDENT FUND ORGANISATION, INDIA MINISTRY OF LABOUR & EMPLOYMENT, GOVERNMENT OF INDIA

Payment Details

Excel

TRRN	Date Of Credit	Amount	Wage Month	No. of Employee	ECR
3191907006993	19-JUL-2019 23:55:34	10,208	JUN-19	2	YES
3191908004849	13-SEP-2019 12:57:47	10,208	JUL-19	2	YES
3191909004373	15-SEP-2019 04:53:49	56,16,414	AUG-19	1590	YES
3191910007773	14-OCT-2019 20:40:04	67,54,849	SEP-19	1875	YES
3191911007952	13-NOV-2019 16:32:31	63,26,984	OCT-19	1755	YES

Search:

# ANNEXURE - 5-E.3.1

# TRANSACTIONS OF SUBSTANTIAL AMOUNTS

List of Vendors considered/excluded for analysis of transactions of substantial amounts

Sr. No.	Party	Status	Sr. No.	Party	Status
1	Aircel Limited	Excluded	28	Ap Transco	Included
2	Bharti Airtel Limited	Excluded	29	Apar Industries Ltd	Included
3	Bharti Cellular Limited Coimba	Excluded	30	Ashit M Desai	Included
4	Bharti Hexacom Limited	Excluded	31	Atbir Gupta	Included
5	Bharti Infratel Ltd	Excluded	32	Atc India Tower Corporation	Included
6	Department Of Telecommunicatio	Excluded	33	Atc Telecom Infrastructure Pvt Ltd	Included
7	Dishnet Wireless Limited	Excluded	34	Atc Telecom Tower Corporation	Included
8	Idea Cellular Limited	Excluded	35	Avaya India Private Limited	Included
9	Indus Towers Limited	Excluded	36	Avnet Technology Solutions	Included
10	Karnataka Power Transmission	Excluded	37	Barclays Bank Plc	Included
11	Service Tax On Foreign	Excluded	38	Baroda Municipal Corporation	Included
12	Tata Teleservices Limited	Excluded	39	Bharat Electrical & Instrument	Included
13	Vertex Customer Management India	Excluded	40	Bhushan Mongia	Included
14	Vodafone Cellular Ltd	Excluded	41	Billdesk	Included
15	Vodafone Digilink Ltd	Excluded	42	Bsnl	Included
16	Vodafone Mobile Services Limited	Excluded	43	Chander S Goyal	Included
17	Vodafone South Ltd	Excluded	44	Charanjeet Narang	Included
18	Vodafone Spacetel Ltd	Excluded	45	Chayanika Sharma	Included
19	West Bengal State Electricity	Excluded	46	Chennai Network Infrastructure Ltd	Included
20	Ahmedabad Urban Development	Included	47	Chlorosulf Pvt Ltd	Included
21	Alcatel Lucent World	Included	48	Cisco Systems Capital (India) Pvt L	Included
22	Alcatel Lucent Managed Solutions	Included	49	Clisa India Limited	Included
23	Alcatel-Lucent France	Included	50	Commissioner Municipal Corporat	Included
24	Alpha Consultants	Included	51	Comparex India Private Limited	Included
25	American Express Banking	Included	52	Crest Logistics And Engineers Pvt.L	Included
26	Anil Anil Sehgal	Included	53	Cummins India Ltd	Included
27	Ao Rseeb	Included	54	Dataram Hasija	Included

# TRANSACTIONS OF SUBSTANTIAL AMOUNTS

List of Vendors considered/excluded for analysis of transactions of substantial amounts

Sr. No.	Party	Status	Sr. No.	Party	Status
55	Delhi Vidyt Board	Included	82	Karun Sharma	Included
56	Dharminder Singh	Included	83	Kunjibhari Developers Pvt. Ltd	Included
57	Eastcompeace India Pvt Ltd	Included	84	Macronet Mercantile Pvt Ltd	Included
58	Ericsson India Pvt Ltd	Included	85	Maharashtra Airport Developmen	Included
59	Finnese Innovations Pvt. Ltd.	Included	86	Mahipal Singh	Included
60	Flag Atlantic France	Included	87	Manish Bhagwan Khewalkar	Included
61	Gagandeep Arora	Included	88	Mohan Jyoti Engineering &	Included
62	Globalcom Idc Limited	Included	89	Monika Malik .	Included
63	Goa Industrial	Included	90	Mumbai International Airport	Included
64	Gourav Soni	Included	91	Netizen Engineering Private Limited	Included
65	Gtl Infrastructure Ltd	Included	92	Nis Sparta Limited	Included
66	Gujarat Electricity Board	Included	93	Nokia Solutions & Networks India Pv	Included
67	Harjinder Singh	Included	94	One Time Vendor - Ho	Included
68	Hbl Power Systems Limited	Included	95	Oracle India Pvt Ltd	Included
69	Hewlett Packard Enterprise India Pvt Ltd	Included	96	Oriental Insurance Co Ltd	Included
70	Hewlett Packard Financial Services (India) Private Limited	Included	97	Pace Power Systems Pvt Ltd	Included
71	Huawei International Pte Ltd	Included	98	Pandhe Infracons Pvt Ltd	Included
72	Ibm Global Financing India Pvt Ltd	Included	99	Pappu S	Included
73	Icc Development International	Included	100	Pnb A/C Customs Duty A/C Relia	Included
74	Idfc Bank Limited	Included	101	Powerhf India Private Limited	Included
75	Idt Telecom Asia Pacific Ltd	Included	102	Precision Infomatic M Pvt Ltd	Included
76	India Infoline Finance Ltd	Included	103	Raj K Mamtani	Included
77	India Infrastrucutre Finance Co Ltd	Included	104	Ramchandra Negi	Included
78	Indiabulls Housing Finance Ltd	Included	105	Rao Mpseb, Bhopal	Included
79	Iora International Pte Ltd	Included	106	Redington (India) Limited	Included
80	Kalidas Khanna	Included	107	Redington Distribution Pte Ltd	Included
81	Kamini Muglani	Included	108	Registrar High Court Of Bombay	Included

# TRANSACTIONS OF SUBSTANTIAL AMOUNTS

List of Vendors considered/excluded for analysis of transactions of substantial amounts

Sr. No.	Party	Status	Sr. No.	Party	Status
109	Reliance Ada Group Pvt Ltd	Included	138	Sapphire Cable & Services Pvt Ltd	Included
110	Reliance Ada Group Trustees	Included	139	Se/Cedc/Central	Included
111	Reliance Big Tv Ltd	Included	140	Sigma Services	Included
112	Reliance Bpo Pvt Ltd	Included	141	Sonata Information Technology	Included
113	Reliance Capital Limited	Included	142	Sotc Travel Services Private L	Included
114	Reliance Cleangen Limited	Included	143	Standard Chartered Bank	Included
115	Reliance Communication Infrastructure Ltd	Included	144	State Bank Of India	Included
116	Reliance Communications Inc	Included	145	Sterlite Technologies Ltd	Included
117	Reliance Communications Ltd	Included	146	Sudhir Kumar Sinha	Included
118	Reliance Communications Tamilnadu Ltd	Included	147	Sukhan S Verma	Included
119	Reliance Communications Uk Ltd	Included	148	Suresh Kashyap	Included
120	Reliance Digital Home Ser Ltd	Included	149	Tabraiz Alvi	Included
121	Reliance Global Management Services Pvt. Ltd.	Included	150	Taranjeet K Gujral	Included
122	Reliance Globalcom Ltd	Included	151	Tarun Sharma	Included
123	Reliance Hr Services Pvt Ltd	Included	152	Telenor (India) Communications Pvt	Included
124	Reliance Industries Ltd	Included	153	Telewings Communications	Included
125	Reliance Infocomm (Bso)	Included	154	The Chief Executive Officer	Included
126	Reliance Infocomm (Ild)	Included	155	The Royal Bank Of Scotland	Included
127	Reliance Infocomm (Nld)	Included	156	Tower Vision India Pvt Ltd	Included
128	Reliance Infocomm Ltd. Employee	Included	157	Trilok Pali	Included
129	Reliance Infrastructure Limited	Included	158	U P Network Pvt Ltd	Included
130	Reliance Infratel Ltd	Included	159	United Bank Of India - Indian	Included
131	Reliance Jio Infocomm Limited	Included	160	Vandeep Watia	Included
132	Reliance Realty Limited	Included	161	Vertiv Energy Private Limited	Included
133	Reliance Share & Stock Brokers Pvt.	Included	162	Vineet Kaul	Included
134	Reliance Tech Services Pvt Ltd	Included	163	Viom Networks Ltd	Included
135	Reliance Telecom Limited	Included	164	Zeus Services	Included
136	Reliance Webstore Ltd	Included	165	Zte Corporation	Included
137	Ripu D Singh Bedi	Included			

# ANNEXURE - 5-E.3.2.1

# TRANSACTIONS WITH RELIANCE BHUTAN LIMITED

## ▶ BACKGROUND:

Previous Name of the company	Reliance Infocomm Solutions Limited / Reliance Digital Home Services Limited
Corporate Identity Number (CIN)	U72900MH2001PLC131597
Date of Incorporation	16 April 2001
Registered Address	"H" Block, 1st Floor Dhirubhai Ambani Knowledge City, Koparkhairanne Navi Mumbai Thane Mh 400710 In
Line of Business	Commercial and Industrial
Related Party	Subsidiary of RCOM (2013-14 to 2016-17) & RITL (2016-17)
Paid-up Share Capital	INR 5,00,000

## ▶ Financial Analysis

(INR in Crores)

Particulars	2013-14	2014-15	2015-16	2016-17
Revenue from operation ( Amount in thousands)	0	0	0	0
Other exp ( Other Amount in thousands)	0.01	0	0	0
Share capital	0.05	0.05	0.05	0.05
Reserves and surplus	-0.04	-0.04	-0.04	-0.04
Loan from related party	0.04	0.04	0.04	300.04
Investment in related party	0	0	0	200.00
Other receivable	0	0	0	100.04

## ▶ On further analysis of RBL, it was observed that:

- Company is not engaged in any business, as there is no income, expense, assets etc.
- INR 300 crores received as Loan from RCL is paid to RITL, out of which 200 crores is related to purchase of preference shares

# ANNEXURE - 5-E.3.13.1

# CREATIVE ASHTECH POWER PROJECTS PVT LTD - SHAREHOLDERS

Shareholders	2013-14		2014-15		2015-16		2016-17	
	No. of Shares	% of Holding						
Jolly Power plant Equipment Private Limited	32,000	15.95%	32,000	15.95%	32,000	15.95%	32,000	15.95%
Shivani Power Plant Equipment Private Limited	32,000	15.95%	32,000	15.95%	32,000	15.95%	32,000	15.95%
Aashish Power Plant Equipment Private Limited	32,000	15.95%	32,000	15.95%	32,000	15.95%	32,000	15.95%
Demech Overseas Constructions Private Limited	4,000	1.99%	4,000	1.99%	4,000	1.99%	4,000	1.99%
Tulip Advisors Private Limited **	4,000	1.99%	4,000	1.99%	4,000	1.99%	4,000	1.99%
Vishwakarma Equipment Finance (India) Limited	60	0.03%	60	0.03%	60	0.03%	60	0.03%
Value Cop Securities and Finance Limited	60	0.03%	60	0.03%	60	0.03%	60	0.03%
Mind Tree Industrial Finance Limited	60	0.03%	60	0.03%	60	0.03%	60	0.03%
Traitrya Constructions Finance Limited	60	0.03%	60	0.03%	60	0.03%	60	0.03%
Shriyam Auto-Fin Limited	60	0.03%	60	0.03%	60	0.03%	60	0.03%
Pearl Housing Finance (India) Limited	60	0.03%	60	0.03%	60	0.03%	60	0.03%
Mahimma Mercantile Credits Limited	61	0.03%	61	0.03%	61	0.03%	61	0.03%
Neptune Steel Strips Limited	63	0.03%	63	0.03%	63	0.03%	63	0.03%
Oscar Wireless solutions Private Limited	24	0.01%	24	0.01%	24	0.01%	24	0.01%
Airwave Cellular Private Limited	30	0.01%	30	0.01%	30	0.01%	30	0.01%
REL Utility Engineers Limited/Crest Logistics & Engineers Limited	30	0.01%	30	0.01%	30	0.01%	30	0.01%
Aaina Soft-Tech Private Limited	68	0.03%	68	0.03%	68	0.03%	68	0.03%
Spice Commerce & Trade Private Limited	32,000	15.95%	32,000	15.95%	32,000	15.95%	32,000	15.95%
Skyline Global Trade Private Limited	32,000	15.95%	32,000	15.95%	32,000	15.95%	32,000	15.95%
Space Trade Enterprises Private Limited	32,000	15.95%	32,000	15.95%	32,000	15.95%	32,000	15.95%
<b>Total shares</b>	<b>2,00,636</b>	<b>100.00%</b>	<b>2,00,636</b>	<b>100.00%</b>	<b>2,00,636</b>	<b>100.00%</b>	<b>2,00,636</b>	<b>100.00%</b>

\*\*Tulip Advisor Private Limited have its registered office at H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai 400710.

# ANNEXURE - 5-E.3.16.1

# TRANSACTIONS WITH RELIANCE JIO INFOCOMM LIMITED

Data Entry View

Document Number	1000050917	Company Code	RCPL	Fiscal Year	2016
Document Date	05.07.2016	Posting Date	31.03.2017	Period	12
Reference	SPECTRUM	Cross-Comp.No.			
Currency	INR	Texts exist	<input type="checkbox"/>	Ledger Group	

C..	Item	PK	Account	Description	Assignment	Amount	Cling doc.	BusA	Curr.	Text
RCPL	1	40	4300010	Lic Fees Acc. Amort.	spectrum sale	1,573,042,038.87		1000	INR	sale of CDMA 4 circles basic and liberalize
	2	40	4300010	Lic Fees Acc. Amort.	spectrum sale	368,538,962.00		1000	INR	sale of CDMA 4 circles basic and liberalize
	3	50	4300000	Ent. Fees Tel. Lic.	spectrum sale	2,913,301,067.13-		1000	INR	sale of CDMA 4 circles basic and liberalize
	4	50	4300000	Ent. Fees Tel. Lic.	spectrum sale	1,824,100,613.00-		1000	INR	sale of CDMA 4 circles basic and liberalize
	5	50	4300000	Ent. Fees Tel. Lic.	spectrum sale	9,165,815,369.16-		1000	INR	sale of CDMA 4 circles basic and liberalize
	6	40	3210020	Cust. Advances- LT	spectrum sale	9,970,000,000.00		1000	INR	sale of CDMA 4 circles basic and liberalize
	7	40	7700010	Loss-Sale-Assets-MP	spectrum sale	646,522,831.00		1000	INR	sale of CDMA 4 circles basic and liberalize
	8	40	1135000	General Reserve 1	spectrum sale	1,345,113,217.42		1000	INR	sale of CDMA (9 circles) basic and liberal
						<b>0.00</b>				<b>INR</b>

Data Entry View

Document Number	1000050916	Company Code	RCPL	Fiscal Year	2016
Document Date	17.05.2016	Posting Date	31.03.2017	Period	12
Reference	SPECTRUM	Cross-Comp.No.			
Currency	INR	Texts exist	<input type="checkbox"/>	Ledger Group	

C..	Item	PK	Account	Description	Assignment	Amount	Cling doc.	BusA	Curr.	Text
RCPL	1	40	4300010	Lic Fees Acc. Amort.	spectrum sale	2,952,106,139.38		1000	INR	sale of CDMA (9 circles) basic and liberal
	2	40	4300010	Lic Fees Acc. Amort.	spectrum sale	560,643,325.00		1000	INR	sale of CDMA (9 circles) basic and liberal
	3	50	4300000	Ent. Fees Tel. Lic.	spectrum sale	7,815,864,353.55-		1000	INR	sale of CDMA (9 circles) basic and liberal
	4	50	4300000	Ent. Fees Tel. Lic.	spectrum sale	3,003,991,057.00-		1000	INR	sale of CDMA (9 circles) basic and liberal
	5	50	4300000	Ent. Fees Tel. Lic.	spectrum sale	27,590,628,730.00-		1000	INR	sale of CDMA (9 circles) basic and liberal
	6	40	3210020	Cust. Advances- LT	spectrum sale	28,600,000,000.00		1000	INR	sale of CDMA (9 circles) basic and liberal
	7	40	7700010	Loss-Sale-Assets-MP	spectrum sale	1,438,770,982.80		1000	INR	sale of CDMA (9 circles) basic and liberal
	8	40	1135000	General Reserve 1	spectrum sale	4,858,963,693.37		1000	INR	sale of CDMA (9 circles) basic and liberal
						<b>0.00</b>				<b>INR</b>

# ANNEXURE -5.E.4.1

## DEFINITION OF CHARGED PROPERTY AS DEFINED IN THE HYPOTHECATION DEED

In pursuance of the aforesaid, each of the Security Providers do hereby hypothecate as and by way of a first ranking *pari passu* charge to the Security Trustee, acting in trust for and for the benefit of the Secured Parties, for the purpose of securing the due discharge by the Borrower of all its obligations in connection with the Secured Facilities as specified in Schedule I herein, all of its following assets:

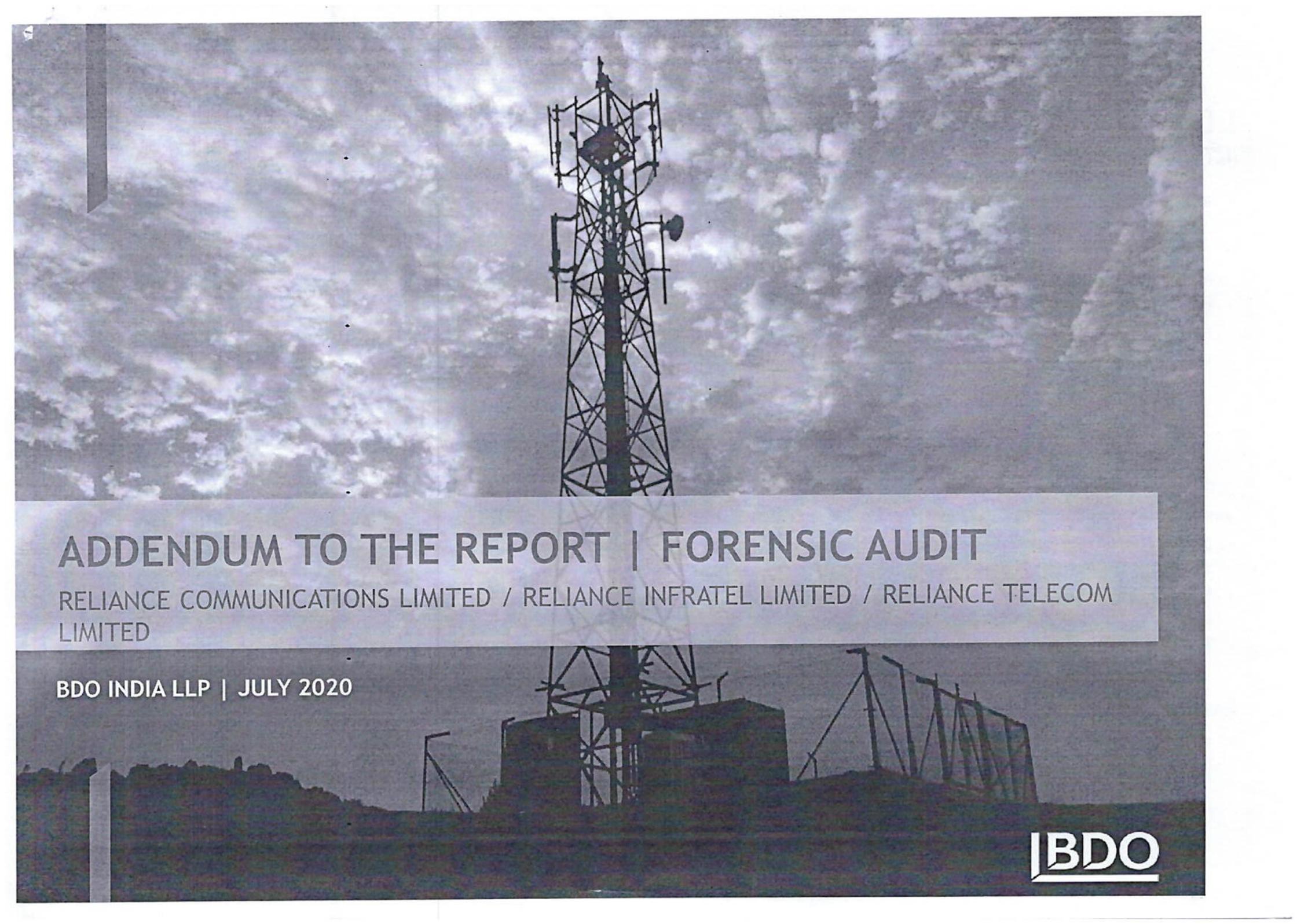
(i) all and singular of the whole of the Security Providers' present and future moveable plant and machinery including (without limitation) tower assets and optic fibre cables, if any, (whether attached or otherwise), capital work in progress (pertaining to Moveable Fixed Assets), whether installed or not and whether lying loose or in cases or which are lying or are stored in or to be stored in or to be brought into or upon any site or any of the Security Providers' premises, warehouses, stockyards and go-downs or those of the Security Providers' agents, affiliates, associates or representatives or at various work sites or at any place or places wherever else situated or wherever else the same may be and/or that may at present or hereafter be held by any party anywhere to the order and disposition of the Security Provider or in the course of transit or delivery and all replacements thereof and additions thereof whether by way of substitution, replacement, conversion, realisation or otherwise howsoever, together with all benefits, rights and incidentals attached thereto which are now or shall at anytime hereafter be owned by the Security Provider and all right, title, interest, property, claims and demands whatsoever of the Security Provider unto and upon the same; and

(ii) all the rights, title, interest, benefits, claims and demands whatsoever of the Security Provider in, to, under and in respect of all Insurance Contracts entered in relation to the Movable Fixed Assets described above and an endorsement of the said Insurance Contracts in favour of the Security Trustee to the satisfaction of the Secured Lender and all rights, claims and benefits to all monies receivable thereunder and all other claims thereunder.

The properties described in (i) and (ii) above are hereinafter collectively referred to as the "**Charged Property**".

For the avoidance of doubt, it is hereby clarified that cash/ cash equivalents of the Security Providers shall not form part of the Hypothecated Property. Provided however, the Security Providers or any of them shall not create any charge over their/ its cash/ cash equivalents in favour of any other Person unless they/ it create/s a *pari-passu* ranking charge over such cash/ cash equivalents in favour of the Security Trustee for the benefit of the Secured Lenders.

Further, it is hereby clarified for the avoidance of doubt, that the hypothecation and first charge created pursuant to this Clause in favour of the Security Trustee for the benefit of the Secured Lender shall rank *pari passu inter se*, and without any preference or priority over each other.



# ADDENDUM TO THE REPORT | FORENSIC AUDIT

RELIANCE COMMUNICATIONS LIMITED / RELIANCE INFRATEL LIMITED / RELIANCE TELECOM LIMITED

BDO INDIA LLP | JULY 2020





# LC - BANK OF MAHARASHTRA

## INTRODUCTION

- RCOM has availed non-fund based facility (Letter of Credit (LC)- Import / Inland) from Bank of Maharashtra (BOM) vide a letter of 30 June 2014 for INR 500 Crores.
- During our Forensic Audit review, we were not provided with the details of non-fund based facilities like LC, BC etc. by the Management of RCOM.
- During the Consortium Meeting of 20 July 2020, BOM has requested to comment on LC facility sanctioned to RCOM during the period from June 2014 till March 2017, which was agreed during the Consortium Meeting.
- We have received following data from Bank of Maharashtra as supporting for LC sanctioned by them:
  - List of LCs issued to RCOM from July 2014 to December 2016
  - List of LCs devolved in FY 2017-18
  - LC Statement.

### SANCTION SUMMARY

- RCOM has availed non-fund based facility (Letter of Credit - Import / Inland) from Bank of Maharashtra (BOM) vide a letter of 30 June 2014 for INR 500 Crores.
- The purpose of the sanction was to provide LC facility to its subsidiary RITL for import / purchase of telecom equipment, diesel, availing passive telecom infrastructure etc.
- Tenure for inland LC was for 180 days.

### DATA LIMITATION

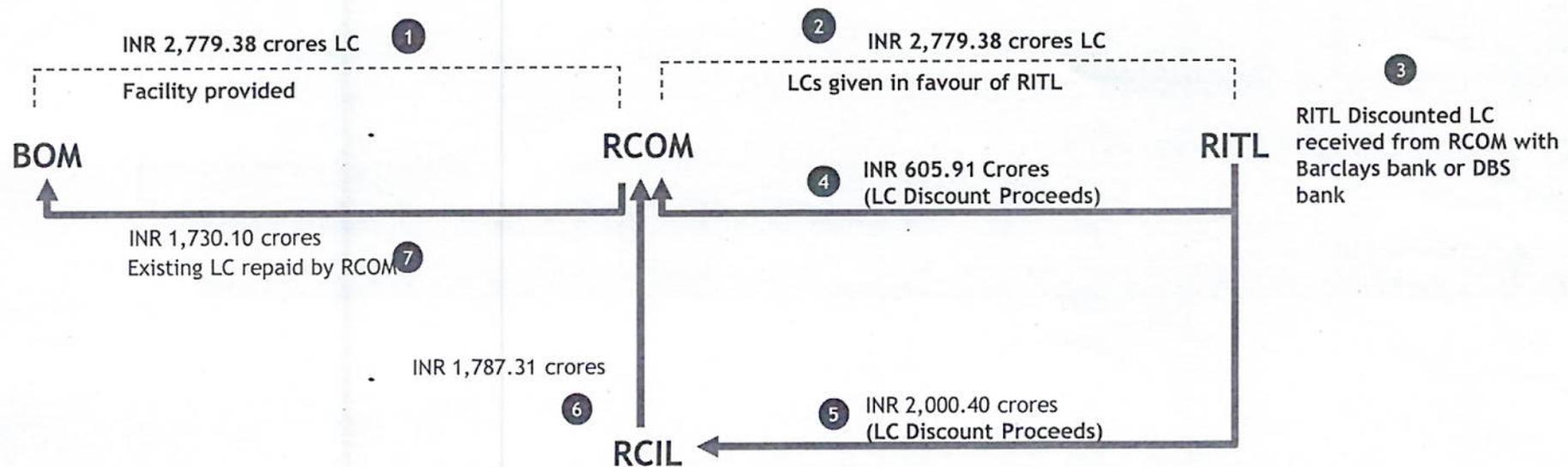
- Invoices, workings and other supporting for the LCs were not available. Hence, we cannot comment on the genuineness of the transactions.

# LC - BANK OF MAHARASHTRA

## CIRCULAR ROUTING OF FUNDS BETWEEN RITL AND RCOM

### MODUS

- RITL discounted LCs worth INR 2,779.38 Crores of RCOM issued by Bank of Maharashtra (BOM). RITL routed funds back to various bank accounts of RCOM amounting to INR 2,393.22 crores through a series of transactions on the same date. Out of these, transactions amounting to INR 1,787.31 crores were routed to RCOM through RCIL.
- By doing so, the OD limit in various accounts of RCOM were restored.
- At the end of nearly 180 days, RCOM repaid the existing LC which were then due, by utilising the amount received on discounting. This was done by obtaining new LCs to repay the outstanding LC, leading to potential evergreening of facility extended by BOM.
- Overall, INR 1,730.10 crores were paid back to BOM by this scheme of transactions.
- 12 LCs taken by RCOM amounting to INR 499.57 Crores in November and December 2016 were devolved in FY 2017-18.
- Refer to diagram below for explanation of the movement of funds between related entities



# LC - BANK OF MAHARASHTRA

## CIRCULAR ROUTING OF FUNDS BETWEEN RITL AND RCOM

- The following shows fund trail of LCs of RCOM discounted by RITL and utilisation of discounted proceeds to repay BOM LCs due:

Books of RITL		Received by RCOM		Books of RCOM		% utilisation
End Use	Amount	Amount	End Use	Amount		
RCIL	2,000.40	1,787.31	Reliance Infratel Ltd - BOM LC	1,353.71	57%	
			Reliance Telecom Ltd	137.60	6%	
			Reliance Communication Infrastructure Ltd	176.17	7%	
			Service Tax	24.10	1%	
			Reliance Webstores Limited	15.23	1%	
			LIC - NCD Interest	14.33	1%	
			Emirates Telecommunication	4.61	0%	
			<b>Total</b>	<b>1,725.75</b>		
RCOM	605.91	605.91	Reliance Infratel Ltd - BOM LC	376.39	16%	
			Reliance Communication Infrastructure Ltd	107.00	4%	
			Reliance Webstores Limited	62.50	3%	
			Reliance Infratel Ltd - PNB LC	14.38	1%	
<b>Total</b>	<b>560.27</b>					
Sales IV Fin	105.62		NA	NA		
<b>Grand Total</b>	<b>2,711.93</b>	<b>2,393.22</b>	<b>Grand Total</b>	<b>2,286.03</b>		

# LC - BANK OF MAHARASHTRA

## CIRCULAR ROUTING OF FUNDS BETWEEN RITL AND RCOM

### Instances of Evergreening (existing LC repaid by obtaining fresh LC) :

- The following are the cases which show that existing LC repaid by availing new LC facility from BOM:
- From the below, we understand that at the time nearing expiry, fresh LCs were availed and utilised to repay the existing ones.

	LC Availed				LC Repaid			
	LC NO	Issue Date	LC amount	Payment date	LC NO	LC amount	Amount used for repayment	No. of days
1	0000214LC0000127	04-07-2014	200.00	02-01-2015	0000215LC0000001	229.28	126.53	182
2	0000214LC0000129	07-07-2014	69.80	06-01-2015	0000215LC0000010	69.81	9.80	183
				06-01-2015	0000215LC0000002	199.98	60.00	183
3	0000215LC0000002	05-01-2015	199.98	03-07-2015	0000215LC0000339	139.78	269.73	179
4	0000215LC0000010	06-01-2015	69.81	03-07-2015	0000215LC0000340	129.96		178
5	0000215LC0000321	30-06-2015	30.02	23-12-2015	0000215LC0000649	29.57	29.56	176
6	0000215LC0000322	30-06-2015	98.61	21-12-2015	0000215LC0000644	50.49	97.13	174
				21-12-2015	0000215LC0000645	46.64		174
7	0000215LC0000320	30-06-2015	100.64	22-12-2015	0000215LC0000647	50.49	99.13	175
				22-12-2015	0000215LC0000648	48.63		175
8	0000215LC0000339	03-07-2015	139.78	28-12-2015	0000215LC0000656	70.35	95.89	178
				28-12-2015	0000215LC0000658	67.33		178

Contd...

# LC - BANK OF MAHARASHTRA

## CIRCULAR ROUTING OF FUNDS BETWEEN RITL AND RCOM

LC NO	LC Taken			LC Repaid				
	Issue Date	LC amount	Payment date	LC NO	LC amount	Amount used for repayment	No. of days	
9	0000215LC0000340	03-07-2015	129.96	18-12-2015	0000215LC0000634	61.72	128.00	168
				18-12-2015	0000215LC0000635	66.30		168
10	0000215LC0000634	18-12-2015	61.72	15-06-2016	0000216LC0000833	61.65	61.64	180
11	0000215LC0000635	18-12-2015	66.30	10-06-2016	0000216LC0000830	66.29	66.29	175
12	0000215LC0000644	21-12-2015	50.49	09-06-2016	0000216LC0000828	50.44	50.00	171
13	0000215LC0000648	22-12-2015	48.63	17-06-2016	0000216LC0000835	48.60	40.99	178
14	0000215LC0000656	28-12-2015	70.35	22-06-2016	0000216LC0000838	42.10	70.27	177
				22-06-2016	0000216LC0000837	28.18		177
15	0000215LC0000658	28-12-2015	67.33	24-06-2016	0000216LC0000840	27.79	67.23	179
				24-06-2016	0000216LC0000841	39.45		179
16	0000216LC0000828	09-06-2016	50.44	05-12-2016	0000216LC0000912	50.43	50.43	179
17	0000216LC0000830	10-06-2016	66.29	06-12-2016	0000216LC0000913	66.29	66.29	179
18	0000216LC0000831	14-06-2016	46.63	08-12-2016	0000216LC0000914	46.62	46.62	177
19	0000216LC0000833	15-06-2016	61.65	09-12-2016	0000216LC0000916	61.65	61.64	177
20	0000216LC0000834	16-06-2016	50.46	08-12-2016	0000216LC0000915	50.46	50.45	175
21	0000216LC0000835	17-06-2016	48.60	13-12-2016	0000216LC0000917	48.60	45.00	179
22	0000216LC0000838	22-06-2016	42.10	22-11-2016	0000216LC0000904	42.09	42.09	153
23	0000216LC0000837	22-06-2016	28.18	16-12-2016	0000216LC0000920	28.18	28.18	177
24	0000216LC0000840	24-06-2016	27.79	20-12-2016	0000216LC0000921	27.79	27.78	179
25	0000216LC0000841	24-06-2016	39.45	19-11-2016	0000216LC0000903	39.43	39.43	148
Total			1,864.99			2,086.35	1,730.10	



# LC - BANK OF MAHARASHTRA

## CIRCULAR ROUTING OF FUNDS BETWEEN RITL AND RCOM

### BDO CONCLUSION:

Based on the findings during the Forensic Audit, to the extent of information made available from Bank of Maharashtra, it was noted that the LC discounting was used for round-tripping of loans to and / or from related parties and for repayment of outstanding LCs. In the absence of supporting documents to the contrary, these transactions can be classified as potential evergreening and diversion of loan funds.

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