



भारतीय स्टेट बैंक
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State Bank of India

परियोजना वित्त एसबीयू, व्होल्टास हाऊस, पहिला आणि दुसरा मजला,
23, जे. एन. हेरेडिया मार्ग, बलार्ड इस्टेट, फोर्ट, मुंबई - 400 001.

परियोजना वित्त एसबीयू, व्होल्टास हाऊस, प्रथम एवं द्वितीय तल,
23, जे. एन. हेरेडिया मार्ग, बलार्ड एस्टेट, फोर्ट, मुंबई - 400 001.

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PFSBU/Team-07/RCom/ 546

Date 06.06.2017

Ref. No. :

To all the LENDERS
As per the enclosed sheet

Dear Sir / Madam,

Reliance Communications Ltd (Consolidated)
Minutes of Joint Lenders Forum (JLF) meeting dated 02.06.2017

We enclose herewith minutes of the JLF meeting held on 02.06.2017 at Ball Room , Hotel Taj Mahal Colaba Mumbai.

Yours faithfully,

Syamprasad Ankala
Asst. General Manager
(Project Finance)



List of enclosures:

1. List of Banks present in the meeting.
2. Company's presentation dated 02.06.2017.
3. RCOM group exposure with all the lenders as presented by the company on the date of JLF
4. Attendance sheet.
5. Minutes of the JLF meeting (MOM) dated 02.06.2017.

Company : Reliance Communications Limited (Consolidated)

Place : Ball Room , Taj Mahal hotel. Colaba Mumbai

Date : 02.06.2017 **Time**: 11:30AM

Minutes of Meeting of the Joint lenders forum

Shri Punit Garg, President (Reliance Communications Group), welcomed all the members of the consortium of lenders and the officials of the Reliance Communications Group. All the member banks who were present confirmed that the account was standard (some of them being SMA-2) in their book.

The agenda set by the Company was to discuss the challenges faced by Telecom Industry as a whole, business profile of RCOM, update on Company's various strategic initiatives, current issues faced by it and the way forward.

1. Sector Overview

- a) **Criticality of Telecom sector** to Indian economy was discussed which contributed directly and indirectly 6.5% to overall GDP in 2015 and contributed ~INR 1.3 Lakh Cr. annually to national exchequer
- b) It was highlighted that the total debt of the sector as on March 2017 was ~ INR 7,75,000 crores including Deferred spectrum payment to GoI
- c) The sector was now showing a decline in operational performance primarily due to launch of free services by new operator. Data showing double digit de-growth in Revenue and EBITDA figures from Q2 to Q4 were also discussed.
- d) The forum was informed that in 2008 there were 14 players in the Industry which has since consolidated to 6 as of date.
- e) Comparative analysis was made on the sector specific levies in different countries for Telecom sector. It was evident that India was most heavily taxed.

2. Government Initiatives:

- a) Company informed that the impact on telecom sector has directly impacted the revenues of the government by 20% and seen a job loss of ~10,000 in the last year which is expected to increase to ~30,000-40,000 jobs in next 12-18 months
- b) Taking cognizance, Government of India has formed an Inter-Ministerial Group and has already started engaging with all stakeholders to get a view on the issues and possible recommendations. Lenders were well aware of the same due to engagement with DoT on these matters.

3. Company Business Overview

Company gave a detailed segment-wise position of RCOM group as per company's



presentation attached here with.

4. Strategic transformation initiatives

- I. It was informed that The company has initiated various strategic initiatives since 2015 which are expected to complete by September 2017 and bring down the debt levels to manageable levels. Some of the transactions discussed were as follows;
 - a) **Strategic Merger with SSTL:** The Merger with SSTL which will extend the spectrum validity by 12 years to FY 2033 has received all approvals and final NOC from DOT is awaited. The company expects to close the transaction by June 30th 2017.
 - b) **Strategic tie-up with Jio:** The Reciprocal rights to utilise RJIO towers and RJIO OFC enables RCOM to have opex light model in future. 4G spectrum trading and sharing arrangement in the 800 Mhz and ICR arrangement in 1800/2300 Mhz will enable RCom to be capex light while expanding 4G footprint.
 - c) **Strategic Sale of Wireless Business to Aircel:** – Company has received shareholder, SEBI, CCI approval, for merger with Aircel and awaiting clearance from NCLT. Subsequently, the company will approach DoT and lenders for approval. The transaction is expected to be completed by Sep 2017.
 - d) **Strategic Sale of tower assets to Brookfield:** This sale will enable company to raise upfront cash of Rs 11,000 crore and have 49% upside through non-voting right shares which can be monetized after 3 years. The transaction is expected to complete by 30th September 2017 after receiving approval from NCLT and Lenders.
- ii. Sale of tower unit and strategic sale of wireless business will help the company to reduce the debt by Rs 25,000 crore from current levels of about Rs 45,000 crore. The Company explained that further deleveraging plans which may inter alia include the following;
 - a) Strategic Transaction of Global / Indian Enterprise business and Data Centres
 - b) Strategic sale of DTH business
 - c) Monetization of 49% economic upside in tower company (3 year standstill period after which it can be sold or listed after 5 years),
 - d) Monetization of Dhirubhai Ambani Knowledge City & Delhi Property
 - e) Monetization of 50% stake in Aircel – in full or part

5. Current Challenges with Company:

The company then explained that despite the efforts undertaken in last 2 years, the Company was facing immediate debt servicing problems due to bunched up payment in next 4 years as given below;



Repayment schedule	FY 18	FY 19	FY 20	FY 21 and beyond
Repayments	17,907	8,386	7,557	5,570

It was explained by the Company that the status quo position will lead to some of its account turning NPA and jeopardizing the two transactions which are expected to reduce debt by Rs 25,000 crore.

Shri Punit Garg welcomed Shri Suchismit Ghosh, SVP (SBI Capital Market Ltd.) to explain the consortium on the options available to revitalise the company.

6. Shri S Ghosh explained that there are 9 options to revitalise the account as per the extant regulations. However, due to inability of refinancing avenues in telecom sector, only 4 were discussed which are as follows:
 - a) Change of management through SDR
 - b) Change of management through outside SDR
 - c) Sustainable Structuring of Stressed Assets (S4A)
 - d) JLF with CAP - Restructuring
7. Mr Ghosh explained that at present, RCOM was already implementing strategic transactions for change of Control in two of its major business lines viz. tower and wireless which represent nearly 70% of the business of the Company. Hence SDR/outside SDR route was most suitable for the Company and Lenders
8. Further, Shri S Ghosh explained the impact of SDR for lenders:
 - a) Account remains standard given that none of the facilities are in sub-standard category as of the reference date
 - b) Standstill period of 18 months will begin from the reference date
 - c) No immediate provisioning required
9. Other options such as Sustainable Structuring of Stressed Assets (S4A) were ruled out as even Part A debt under the regulation would not be sustainable given the bunched up repayments in first 4 years.
10. JLF and CAP were not considered as this possibly jeopardizes the Aircel & Brookfield transactions which are very crucial in reducing the overall debt.



11. At last Shri Punit Garg restated the objective for the stakeholder shall be debt reduction and long term viability of the remaining business to service the left over debt.
12. Some Lenders wanted to know why the Company had come in so late with the request for considering various options and why this agenda was not shared with all the Lenders who were called at a very short notice. The Company officials explained that it had been in discussions with all the Lenders separately on refinancing to tide over the immediate cash crunch. However, given the outlook for Telecom sector, especially after RBI circular to enhance provisioning, there was low appetite for lending to the sector. Also, Company had tried various other options for raising funds before calling all Lenders to help tide over this situation.
13. The Lenders' desired to discuss the issues among themselves. The company officials since stepped out of the conference room. Member banks deliberated on the following issues.
- Formation of common JLF for RCOM Group.
 - To discuss various options available before the lenders in revitalising the Company
 - Selection of Lead Bank.
 - Participation of overseas lenders in the JLF.
14. Lenders after discussion amongst themselves realized that many accounts had become SMA-2 since there was delay in repayment for more than 60 days. As per the extant RBI regulations, it was therefore necessary to form JLF. It was decided that this meeting will be construed as formation of JLF to decide the Corrective Action Plan (CAP) for the Company.
15. As per the debt outstanding as of 1st June 2017 as presented by the company amongst domestic lenders, LIC of India had the highest exposure of Rs 3750 crore whereas SBI is the second largest with the exposure of Rs 3,616 crore (fund and non-fund based). SBI has proposed LIC of India to be Lead lender as they have the largest exposure in the company. After some deliberation it was decided unanimously by all the lenders that SBI would be the JLF convenor. An offer was made by SBI to other willing lenders to assume the convenor position. As none were willing, SBI was nominated as JLF convenor.



16. Then, Lenders deliberated on the various options available to the JLF for revitalising the company's accounts.

- a) There was discussion on Scheme for Sustainable Structuring of Stressed Assets (S4A). However, the Company had already informed about the bunched up repayments in the next 4 years (Rs.17904crs in the FY 2018 itself as against proposed EBITDA of Rs.4000crs). More than 80% of loan was repayable in next 4 years and even if 50% of the Loan amount was converted into Part B Loans, Part A loans would not be sustainable with the cashflows of the Company without changing the repayment profile. Change of repayment profile and interest rate for Part A loan is not permitted under the Scheme. Hence this option was not considered viable.
- b) Lenders next discussed the restructuring of loans under JLF or CDR mechanism. Since Company had informed that NPA classification would jeopardize the two transactions which will reduce debt by Rs 25,000 crore, it was decided to explore other feasible options.
- c) Flexible structuring of existing long term Project Loans was also discussed. However, Lenders in general were not comfortable with taking a very long term view on Telecom sector which was already facing various uncertainties. Also, there are continuous technological advancements happening in Telecom sector making it very difficult to take a long term view of say 20 years.
- d) Also, partial take-out financing with atleast 25% new Lenders was not considered feasible. Given the current outlook, no new lenders would be willing to look at Telecom sector.
- e) One of the lenders inquired the scope of the SDR for the ECB lenders as per the guidelines given by RBI. For which DBS and EY has confirmed that SDR does not apply to overseas lenders, but only to Indian Banks and Financial Institutions. It was decided that SBICAPS would obtain a clarification in this regard from RBI.
- f) Lenders asked that what will be the impact on Brookfield transaction if the SDR is invoked and how the transactions with Aircel will be affected. SBICAPS being the Lead arranger for the Merged Company replied to the forum that the transactions will go through as long as the assets in the books of the Banks were standard. Similarly, Company officials confirmed that Brookfield's management will not be comfortable enough to take the assets of NPA Company. Hence, if the account turns NPA the two transactions are likely to be jeopardized.
- g) One of the Lenders opined that as per the extant regulations, banks should consider using SDR only in cases where change in ownership is likely to



improve the economic value of the loan assets and prospects of recovery of dues. Also the trigger for SDR must be non-achievement of viability milestones and or non-adherence to critical conditions linked to the option of invoking SDR. This was deliberated quite extensively by Indian Lenders. Specifically SBI led consortium which had lent Rs 6,750 crore was of the view that while assessing the loan it was evident that the EBITDA of about Rs 7,000 crore would not be sufficient for servicing of loan of more than Rs 42,000 crore at the time of assessment. Hence, monetization program was built into the assessment to make it viable. The Company was supposed to bring in equity of Rs 16,400 crore and reduce its debt to Rs 25,500 crore by the end of FY 2016. This monetization was to happen through QIP of Rs 6,100 crore, sale of 51% Tower assets, real estate monetization and sale of DTH business. Since these were critical conditions and viability milestones for the facility, their non-achievement should be considered as trigger for invoking SDR.

17. After due deliberations & discussions among JLF members, it was agreed in-principle that 2nd June 2017 shall be considered as review and reference date for invoking SDR subject to the approval from the respective sanctioning authorities. JLF will reconvene on 23.06.2017, to evaluate the status of approvals to ensure if it meets the RBI norms.
18. Post discussion, Company was called back and the following points were put forth to the company:
 - a) As per the guidelines of RBI, JLF has been formed w.e.f 02.06.2017 as the account turned to SMA-2 in many lender accounts.
 - b) Lenders unanimously appointed SBI as the convenor of JLF and the Lead Bank.
 - c) The review & reference date is recorded as Friday 02.06.2017 and lenders agreed in-principle to invoke SDR subject to the approval from the respective sanctioning authorities of each member bank.
 - d) It is customary to appoint concurrent auditors and TRA bank in such cases. The same shall be deliberated and concluded in the ensuing meeting dated 23.06.2017.
 - e) There are issues from the company side in creating security against the facilities and the company must take up urgently.
19. Lenders inquired about the status of the Credit Agricole (CA) loan of Rs 192 crores and about the enforcement notices that they have received from the



Security Trustee. The company explained the they have not paid the dues of CA and requested CA to consider joining the JLF and agreeing with JLF on resolution plan i.e. invoking SDR which will give a stand-still period of 210 days. Considering the exposure Of CA, JLF requested Credit Agricole to consider SDRs as their resolution plan and not to enforce the security at this moment.

20. Lenders asked the company whether it was confident of closing the two transactions by 30th Sep 2017. The company informed the lenders that they are reasonably confident to close this transaction by the given date. The DOT application is running parallel for Aircel –RCom Merger and company is providing the required information to the regulator. Further company requested the lenders to support the transactions and provide approvals in due course. Company informed the lenders that over the next few weeks once the SDR is invoked, they will define the cash flows and scheme of distribution of the cash which will be decided jointly with JLF. The Company confirmed that they are confident that they will complete the transaction by next 3 months and 60 % of debt will be reduced.
21. One of the ECB lenders suggested that deciding the reference date without the consent of the ECB lenders and it would be unfair for the overseas lenders. It was explained that the SDR regulations apply only to Indian Banks and the stand-still period was for provisioning requirement and asset classification for Indian Banks. For ECBs, they will be governed by their country's respective regulations and will have to take it up with the Borrowers bi-laterally. However, it was also reiterated that they should broadly be in line with the decisions of Indian lenders so as to get repaid Rs 25,000 crore on completion of the two envisaged transactions. Company to engage in a discussion with the ECB lenders in this regard and appraise the JLF, the views of the ECB lenders
22. Company has been advised to service the interest on pari-passu basis to the extent possible with the existing cash flows.
23. It was also decided that the JLF agreement as prescribed by IBA would be entered into by all the lenders in the next meeting.
24. The meeting ended with vote-of-thanks to the chair.

