

DEBT RESOLUTION PLAN

Telecom Sector Developments post CDR

As reported from time to time, due to slowdown in telecom sector since 2010–11 coupled with constant increase in interest rates affecting profitability of entire telecom sector, the Company had undertaken Corporate Debt Restructuring (CDR) exercise under the aegis of CDR mechanism in July 2011. Post implementation of the CDR package, the telecom sector continued to be under relentless stress, which had material adverse impact on the achievement of the Company's CDR projections. Some of the adverse developments, which were beyond the management control have been enumerated below:

- Decision of cancellation of 122 2G licenses upheld by the Hon'ble Supreme Court;
- Aircel default on commitment of additional 20,000 tenancies to the Company;
- Vodafone Tax Litigation;
- Slower 3G & BWA growth;
- Freeze on substantial expansion by telecom operators;
- Lack of deployment of capex for modernization and replacement.

As a result, in 2016 the lenders of the Company invoked Scheme of Strategic Debt Restructuring (SDR) as per guidelines issued by the Reserve Bank of India. The Company fully cooperated with the lenders in SDR implementation. The Company also complied with the stipulations under SDR including that of merger of Chennai Network Infrastructure Limited with the Company and steps taken towards induction of new investor and serviced outstanding debt in terms of CDR and SDR during that period.

Telecom Sector Development post SDR

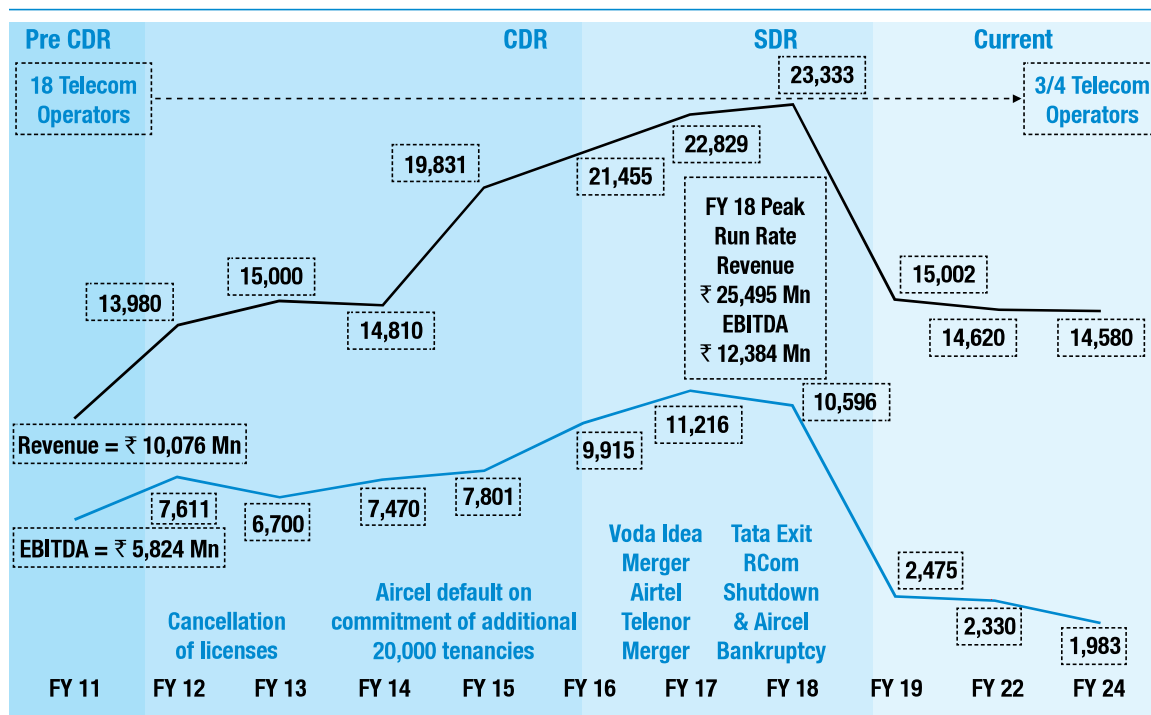
However, various extraneous developments in telecom sector subsequently such as (i) aggressive pricing by Telcos; (ii) reduction in interconnect usage charges and (iii) increasing unsustainable levels of debts of existing Telcos, impacted the profitability / cash flow of all participants in the sector making it unsustainable to remain viable and / or continue operations as evidenced through series of events / announcements listed below:

- Aircel Group's admission to National Company Law Tribunal ("NCLT") under Insolvency & Bankruptcy Code, 2016 ("IBC") in 2018;
- Sale of Sistema Shyam Teleservices Limited to Reliance Communication Limited ("RCom") and consequent merger of both in 2017;
- RCom decision to shut down wireless business and subsequent filing of insolvency petition with NCLT under IBC in 2017;
- Tata Group's decision to exit telecom business and consequent merger between Bharti Airtel Limited ("Bharti Airtel") and Tata Teleservices Limited in 2017;
- Bharti Airtel and Telenor (India) Communication Private Limited ("Telenor") merger in 2017
- Vodafone India Limited ("Vodafone") and Idea Cellular Limited ("Idea") merger in 2018.

All of these factors, which were beyond the control of the management, have had a material adverse effect on the Company and its business prospects. The following table depicts number of tenancy loss faced by the Company over the last 13–14 years, despite having long term binding contracts with Telcos:

Sr. No.	Events of Tenancy Loss	No. of Tenancy	Period	Comments
1.	Cancellation of 2G licenses	4,319	Upto December 2017	Supreme Court Judgement on cancellation of 122 2G telecom licenses
2.	Slower 3G/BWA growth	4,750	Since FY 2012–2013	Industry slowdown following the Supreme Court verdict
3.	Operator scale back due to auction	3,500		
4.	Aircel default of commitment of additional 20,000 tenancies	15,200	May 2014	Legal and financial issues
5.	RCom shutdown of wireless business	1,386	August & September 2017	Unsustainable business due to competition
6.	TATA exit from wireless business	2,910	Since May 2017	
7.	Merger of Vodafone – Idea (VIL)	3,250	Since April 2018	Forced industry consolidation due to competition
8.	Consolidation of Telenor with Bharti Airtel	1,395	During 2018–19	
9.	Aircel filing of bankruptcy	23,727	January 2018	Unsustainable business due to competition
10.	BSNL exits due to uncertainty of collection	1,767	Since FY 2018–19	Unsustainable business due to competition
11	Exit during business course with various reasons	5,582	Since April 2013	
	Aggregate tenancy loss from 2012 to 2024	67,786		

The graph below clearly highlights the impact of aforementioned events and consequent tenancy loss on revenue and EBITDA of the Company:



Note: Fall in EBITDA margin post FY19 on account of accruing cost on unoccupied towers

Revenue in ₹ Mn

EBITDA in ₹ Mn

Further these developments resulting in Company pursuing for its contractual claims of more than Rs. 150,000 Mn from such telecom operators (majority of claims against Aircel) in respect of premature exits by them in lock-in period.

Thus, these extraneous developments in telecom sector especially during the last 6–7 years, once again unavoidably pushed the Company to a position from where it will require to again rebuild itself and also to realign its overall debt (including unsecured foreign currency bonds) to sustainable level with revised cash flows.

Assignment of Debt to ARC

By its circular dated February 12, 2018, the Reserve Bank of India withdrew and repealed the CDR and SDR guidelines. Although the Company was regular and current in its interest and principal payments to lenders as per SDR terms, purely on technical grounds as per RBI's circular dated February 12, 2018, certain lenders downgraded the account.

Post these various adverse developments in telecom sector, the Company had proactively presented a resolution plan on April 27, 2018 (with an intent to maximize recovery of dues and to protect the equity exposure of the lenders) to the lenders who constituted a significant majority of the outstanding debt of the Company.

However, the lenders had elected to pursue sale of their debt to an Asset Reconstruction Company (ARC). Edelweiss Asset Reconstruction Company Limited, acting as a trustee on behalf of EARC – Trust SC 338 (“EARC”), emerged as the highest bidder in July, 2018 under a Swiss auction process independently run by the lenders. The Company had no role to play whatsoever in the said process. Till date 79.34% of the Indian Rupee Lenders

have assigned their respective rights, title and interest in the financial assistance granted to the Company in favour of EARC.

In the meantime, one of the secured lenders filed petition before the NCLT, Mumbai Bench under IBC for initiation of Corporate Insolvency Resolution Process. The Hon'ble NCLT vide its order dated November 18, 2022 dismissed the said petition. The said lender has filed an appeal against this order before the Hon'ble National Company Law Appellate Tribunal (“NCLAT”). The said appeal is pending before NCLAT.

Resolution Plan under Prudential Framework

In accordance with the revised guidelines, post assignment of 79.34% of the secured rupee debt to EARC, the Company also presented multiple Resolution Plans, starting from July 2019 for consideration of lenders' consortium updating such plans from time to time after taking into account various developments in telecom sector.

In the absence of restructuring, the Company is compelled to account for the outstanding amount and amount overdue in its books of accounts as per the terms and conditions of Strategic Debt Restructuring Scheme as approved by the then lenders. However, outstanding principal amount of secured rupee term loan as on June 30, 2024 (after adjusting ₹ 11,850.08 Mn. appropriated by IDBI Trusteeship Trustee Service Limited at the behest of lenders and payments made by the Company) stands at ₹ 28,811.94 Mn.

Recovery for lenders

Despite aforementioned extraneous development in telecom sector, adversely impacting the Company, since 2010 the Company has repaid to its lenders towards debt servicing in cash and equity conversion to its lenders, details of which are as follows:

Financial Year	Principal Repayment	Interest Repayment	Conversation of debt in to Equity to PSU Lenders	Conversation of debt in to Equity to bondholders	Repayment by way of Sale of Pledged Shares	Paid by ARC to PSU Lenders*	Total Repayment
2010–11	3,611	11,131	—	—	—	—	14,742
2011–12	2,332	5,689	—	—	—	—	8,021
2012–13	369	2,058	26,591	3,978	—	—	32,996
2013–14	1,201	7,983	2,507	—	—	—	11,690
2014–15	1,337	8,758	—	183	—	—	10,279
2015–16	1,953	8,558	—	112	—	—	10,624
2016–17	591	8,827	—	1,237	—	—	10,655
2017–18	41	4,522	45,012	3,842	—	—	53,416
2018–19	750	1,993	—	1,938	—	18,680	23,362
2019–20	—	2	—	—	—	—	2
2020–21	3,560	13	—	1,775	—	—	5,348
2021–22	2,800	—	—	1,267	139	—	4,206
2022–23	3,350	—	—	478	201	—	4,029
2023–24	1,400	—	—	1,359	—	—	2,759
2024–25	400	—	—	—	—	—	400
Total	23,694	59,535	74,110	16,170	340	18,680	192,529

* ₹ 18,680 Mn were paid by ARC to PSU lenders under Assignment Agreement.

Based on payments made in the immediately preceding financial years, the Company believes that if debt capital is correctly sized based on a TEV study (requested by the Company from time to time), the Company would be able to continue operations despite challenges in telecom sector and could seek to participate in the 5G implementation. This could also help in restoring equity value for the lenders.

RISK MANAGEMENT

This report, prepared in accordance with Regulation 34(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, provides an overview of key strategic risks, the Company's risk control framework and its approach to risk management.

Shareholders and other readers are cautioned that the risks outlined here are not exhaustive and are given for information purpose only. New risks and uncertainties arise from time to time and it is impossible for us to predict these events or how they affect us.

Introduction – Objectives & Approach

The Company conducts Risk Management activities covering all of its operations with the aim of taking pre-emptive actions to mitigate sources of risk, that is, any factors that could potentially impede the accomplishment of business objectives.

At the Company, Risk Management is at the core of the operating structure of the Company and functions in parallel with the development and execution of management strategies. The Company's senior management and core functional officers, being Whole Time Director, Chief Financial Officer and the Legal and

Secretarial teams, as a matter of routine, assess potential operating and strategic risks informally in order to ensure that the Company at all times has a mitigation plan in place. The Company believes that by combining these two functions, it is better positioned to accomplish its business objectives and to increase its value.

The Company seeks to achieve an appropriate balance between risk and reward, and continue to build and enhance the risk management capabilities that assist in delivering the growth plans in a controlled environment. Thereby, the Company seeks to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite.

Market Risks

Revenue from existing business lines is dependent on the sustainability of the Telecom sector which in turn is dependent on several macro-economic factors, such as the growth of the Indian economy, favourable interest rates, increased transparency and certainty in the regulatory environment, the cost of spectrum and the overall stability of the Indian Telecom sector. Thus, the Company believes that factors have a significant direct impact on Company's business, results of operations and financial positions.

Based upon the spectrum auctions, the license charges paid by the Telecom Operators will continue to impact the net margins of the Telecom Operators. Hence, the increased capital charges (the interest outgo on account of debt raised for 3G, 4G and 5G network rollout, and the amortization of spectrum charges) would place additional pressure on Telecom Operators' bottom lines.

In March 2024, Vodafone Idea Limited's ("VIL") shareholders approved a plan to raise ₹ 45,00,000 lakhs for growth capex,