



Reliance Communications Limited
Dhirubhai Ambani Knowledge City
Navi Mumbai - 400 710, India

Tel : +91 022 3038 6286
Fax: +91 022 3037 6622
www.rcom.co.in

November 15, 2024

The General Manager
Corporate Relationship Department
BSE Limited
PhirozeJeejeebhoy Towers
Dalal Street, Fort,
Mumbai 400 001

The Manager
National Stock Exchange of India Ltd.
Exchange Plaza, C/1, Block G
Bandra - Kurla Complex, Bandra (East)
Mumbai 400 051

BSE Scrip Code: 532712

NSE Symbol: RCOM

Dear Sir(s),

Sub: Letters received from Canara Bank - intimation in accordance with Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Reference: Reliance Communications Limited: CB/15550/RCOM/FRD/438/2024
Reliance Telecom Limited: CB/ 15550RTEL/FRD/438A/2024

With reference to the above, this disclosure is being made pursuant to sub-clause 6 under Clause A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This is to inform you that Company and its subsidiary Reliance Telecom Limited has received letters from Canara Bank, with subject "**Classifying the Account as Fraud**", classifying accounts of Company and its subsidiary, Reliance Telecom Limited as "fraud".

Pursuant to Regulation 30 of the Listing Regulations read with SEBI Circular SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13, 2023, the requisite disclosure is set out in Annexure A to this letter.

A copy of the letter received by the Company is attached herewith as Annexure B for your ready reference.

You are requested to kindly take the above information on record.

Thanking you.

Yours faithfully,

For **Reliance Communications Limited**

Rakesh Gupta
Company Secretary

(Reliance Communications Limited is under corporate insolvency resolution process pursuant to the provisions of the Insolvency and Bankruptcy Code, 2016. With effect from June 28, 2019, its affairs, business and assets are being managed by, and the powers of the board of directors are vested in, the Resolution Professional, Mr. Anish Niranjana Nanavaty, appointed by Hon'ble National Company Law Tribunal, Mumbai Bench, vide order dated June 21, 2019 which was published on the website of the Hon'ble National Company Law Tribunal, Mumbai Bench on June 28, 2019).

Registered Office:

Reliance Communications Limited. H Block, 1st Floor, Dhirubhai Ambani Knowledge City, Navi Mumbai - 400 710
CIN No.: L45309MH2004PLC147531



Annexure A

Disclosure pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular SEBI/HO/CFD/CFD-PoD-1/P/CIR/2023/123 dated July 13, 2023

Disclosure regarding letter received from Canara Bank classifying accounts of Company and its subsidiary, Reliance Telecom Limited as "fraud" ("Letter").

Sr.	Particulars	Details of Reliance Communications Limited	Details of Reliance Telecom Limited
1	Nature of fraud/default/arrest	Loan accounts classified as fraud	Loan accounts classified as fraud
2	Estimated impact on the listed entity;	<p>NA.</p> <p>The Company is undergoing corporate insolvency resolution process ("CIRP") under the Insolvency and Bankruptcy Code, 2016 ("Code"). A resolution plan has been approved by the committee of creditors of the Company in accordance with the Code and is presently awaiting approval of the Hon'ble National Company Law Tribunal, Mumbai Bench.</p> <p>The credit facilities/loans referred to in the letter pertain to the period prior to the CIRP of the Company (as accepted within the letter), and are required in terms of the Code, to be necessarily resolved as a part of a resolution plan or in liquidation, as the case</p>	<p>NA</p> <p>The Company is undergoing corporate insolvency resolution process ("CIRP") under the Insolvency and Bankruptcy Code, 2016 ("Code"). A resolution plan has been approved by the committee of creditors of the Company in accordance with the Code and is presently awaiting approval of the Hon'ble National Company Law Tribunal, Mumbai Bench.</p> <p>The credit facilities/loans referred to in the letter pertain to the period prior to the CIRP of the Company (as accepted within the letter), and are required in terms of the Code, to be necessarily resolved as a part of a resolution plan or in liquidation, as the case</p>

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		<p>may be.</p> <p>Further, during the CIRP, the Company is inter alia protected from, the institution/ continuation of any suits/ proceedings against the Company, including the execution of any judgement, decree or order in any court of law, tribunal, arbitration panel or other authority in light of Section 14(1)(a) of the Code.</p> <p>Section 32A of the Code in any case grants protection to a corporate debtor against any liability for an offence committed by the corporate debtor prior to the commencement of its CIRP, as well as from prosecution of any offence in relation thereto, from the date the resolution plan in respect of such corporate debtor has been approved by the National Company Law Tribunal (“NCLT”) under Section 31 of the Code (if the resolution plan results in the change in the management or control of the corporate debtor in the manner prescribed under Section 32A of the Code). To that extent, it may be noted that by virtue of the protection made available under Section 32A of the Code, upon the approval</p>	<p>may be.</p> <p>Further, during the CIRP, the Company is inter alia protected from, the institution/ continuation of any suits/ proceedings against the Company, including the execution of any judgement, decree or order in any court of law, tribunal, arbitration panel or other authority in light of Section 14(1)(a) of the Code.</p> <p>Section 32A of the Code in any case grants protection to a corporate debtor against any liability for an offence committed by the corporate debtor prior to the commencement of its CIRP, as well as from prosecution of any offence in relation thereto, from the date the resolution plan in respect of such corporate debtor has been approved by the National Company Law Tribunal (“NCLT”) under Section 31 of the Code (if the resolution plan results in the change in the management or control of the corporate debtor in the manner prescribed under Section 32A of the Code). To that extent, it may be noted that by virtue of the protection made available under Section 32A of the Code, upon the approval of the resolution plan in respect of the Company by</p>
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Registered Office:

		<p>of the resolution plan in respect of the Company by the NCLT, the Company shall be deemed to have immunity against any liability for any purported offences committed by the Company prior to the commencement of the CIRP (including any liability which may arise as a result of any unlawful transactions identified in the forensic audit report).</p> <p>Further, under Section 238 of the Code, the provisions of the Code override anything inconsistent contained in any other law.</p> <p>In light of the above, the above classification is not expected to have any impact on the Company.</p> <p>Furthermore, legal advice is being sought on the way forward with respect to this development.</p>	<p>the NCLT, the Company shall be deemed to have immunity against any liability for any purported offences committed by the Company prior to the commencement of the CIRP (including any liability which may arise as a result of any unlawful transactions identified in the forensic audit report).</p> <p>Further, under Section 238 of the Code, the provisions of the Code override anything inconsistent contained in any other law.</p> <p>In light of the above, the above classification is not expected to have any impact on the Company.</p> <p>Furthermore, legal advice is being sought on the way forward with respect to this development.</p>
3	Time/Date of occurrence	05.20 PM / 14.11.2024	05.20PM / 14.11.2024
4	Person(s) involved	NA	NA
5	Estimated amount involved (if any);	As specified in the Letter annexed at Annexure B	As specified in the Letter annexed at Annexure B

Registered Office:



6	Whether such fraud/default/arrest has been reported to appropriate authorities	Reported to RBI on 18 September 2024 by Canara Bank (as mentioned in the Letter)	Reported to RBI on 18 September 2024 by Canara Bank(as mentioned in the Letter)
7	Actual amount involved in the fraud /default (if any);	As specified in the Letter annexed at Annexure B	As specified in the Letter annexed at Annexure B
8	Actual impact of such fraud /default on the listed entity and its financials	NA as Company is under CIRP (see response in 2 above)	NA as Company is under CIRP (see response in 2 above)
9	Corrective measures taken by the listed entity on account of such fraud/default.	-	-

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CIN No.: L45309MH2004PLC147531

Ref. No.: CB/15550/RCOM/FRD/438/2024

Date: 05.11.2024

To,

M/s Reliance Communication Limited
H-Block, 1st Floor
Dhirubhai Ambani Knowledge City
Navi Mumbai - 400710
Maharashtra

Email id: Rakesh.M.Gupta@relianceada.com

BY REGISTERED POST A.D.

WITHOUT PREJUDICE

प्रिय महोदय / महोदया / Dear Sir / Madam,

विषय / Subject: :- Classifying the Account as Fraud

Ref: 1. Show Cause Notice No.232/15550/RCOM/2023 dated 11th October 2023;
2. Your reply dated 28th October 2023;

(1). We refer to the Show Cause Notice dated 11th October 2023 issued by Canara Bank, Stressed Asset Management Branch, Circle Office Building, 8th Floor, 'B' Wing, C-14, G-Block Bandra -Kurla Complex, Bandra East, Mumbai- 400 051. (hereinafter referred to as "**Bank**"), and your reply dated 28th October 2023, to the said show Cause Notice and have to state as under: -

(2). As you aware that Bank had issued Show Cause Notice dated 11th October 2023, and on receipt of the said Show Cause Notice, in response thereto you had forwarded letter dated 28th October 2023, to Bank.

(3). We have to state that in the letter dated 28th October 2023, in response to the Show Cause Notice dated 11th October 2023. You have accepted and admitted that the

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बांद्रा पूर्व / मुंबई-400051
Tele:-02226728744/8771/8798,



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Bandra East, Mumbai- 400 051
Email:-cb15550@canarabank.com

transactions as particularly set-out in the said show cause notice were carried out prior to CIRP order of the Company.

(4) FACTS:

- a) Bank had sanctioned credit facilities; Term Loans, Guarantee, and Letter of Credits under Non Fund Based Credit Limit. of Rs.1050,00,00,000/- (Rupees One Thousand Fifty Crores only) for Reliance Communications Ltd. After availing and enjoying the said loans, credit facilities, your company had committed default and breached of the sanctioned terms and conditions. The loan accounts slipped into Non-Performance Asset (“NPA”) on 09.03.2017.
- b) Ericsson India Private Limited had filed Petition before the Hon’ble National Company Law Tribunal, Mumbai (“NCLT”) for initiation of Corporate Insolvency Resolution Process (“CIRP”) against Reliance Communications Limited (“Company”). The Hon’ble NCLT Mumbai, vide Order dated 15th May 2018, admitted the Company under Corporate Insolvency Resolution Process (“CIRP”).
- c) Forensic Audit Report dated 15th October 2020, was conducted by M/s. BDO India Ltd.

(5) As per the Forensic Audit Report dated 15th October 2020, the observation summary of the Forensic Auditor, Forensic Audit Report is as under:

(i). Utilization of Bank Loans :

RCOM, RITL and RTL cumulatively received Rs.31,580 Crores from Banks. Of these INR 13667.73 Crores (44%) were utilized for repayment of loans and other obligations to Banks/FIs and INR 12692.31 Crores (41%) were utilized to pay to connected parties.

Utilization of funds obtained from banks was traced and its utilization was mapped from sanction letter. Instances were identified where utilization of loan



amount was not as per terms mentioned in sanction letter. Below are the amount transferred for purpose not mentioned in the sanction letter.

- INR 6265.85 Crores obtained from banks through loans were utilized for repayment of other bank loan.
- INR 5501.56 Crores obtained from banks through loans were utilized for payment made to related and connected parties;
- Investments of INR 1883.08 Crores were made from the loans received from various banks. Most of these investments were liquidated immediately and utilized for payments to related and non-related parties.

(ii). **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 1976 Crores was obtained by RITL and out of these INR 1783.65 Crores was majorly obtained by RCOM for repayment to other banks and as transfers to connected parties.

(iii). **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 2026. Total amount of loan sanctioned was INR 228.17 Crores (Term Loan I) and INR 1000 Crores Term Loan II (Corporate Loan) facility was for meeting ongoing capital expenditure. Amount disbursed by BoB for meeting capital expenditure of RCOM as per sanction letter, but the disbursement of INR 469.45 Crores was paid to RCIL and RTSL for non-capital expenditure as per the documents available.

(iv). **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 1435.24 Crores to RITL from loans obtained from Banks.

(v). **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.

(vi). **Discounting of Bills by RITL:**

RITL has discounted bills of RCOM worth INR 8514.70 Crores and of RTL worth INR 1041.42 Crores and these funds were majorly used for making payments to connected parties.

(vii). **Promoter's Contribution:**

RCOM: 8,66,66,667 shares were allotted to Telecom Infrastructure Finance Pvt. Ltd. On conversion of warrants on 20 January 2015 for which INR 1300 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.

(viii). **Movement of Funds through ICD:**

1. During the Review Period RCOM, RITL and RTL have given as well as taken loan from connected parties in the form of ICDs.
2. ICD obtained during the Review Period was INR 41863.32 Crores, out of which INR 28421.61 Crores was traced. Out of INR 28421.61 Crores, INR 23128.45 Crores was utilized for payment to connected parties and INR 3214.74 Crores was utilized for repaying bank loans.

(ix). **Transaction of Netizen with RCOM and RTIL:**

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सी-14, जी-ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स,
बांद्रा पूर्व / मुंबई-400051
Tele:-02226728744/8771/8798,



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1. In 2015-16, Netizen had received a capital advance of INR 5525 Crores from RCOM. In 2017-18 Netizen acquired two assets (one tangible worth INR 3041.24 Crores and a receivable worth INR 3042 Crores) from MPNL one of which was immediately transferred to RCIL. The valuation of these assets is not clear.
2. 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.
3. 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.

(x). **Modus of creation/ write-off of fictitious debtors:**

1. **Issue of Preference Shares:**

- a. As on 1 April 2013, INR 1347.70 Crores was receivable from RTL in the books of RITL. RTL issued preference shares worth INR 1347.70 Crores to RITL in satisfaction of the receivable amount on 31.03.2014. RITL sold the above preference shares to RCTNL on same date i.e. 31.03.2014 for INR 260 crores, thereby incurring a loss of INR 1087.70 Crores. RCTNL received INR 260 Crores from RTL and paid the same to RITL for purchase of preference shares of RTL.



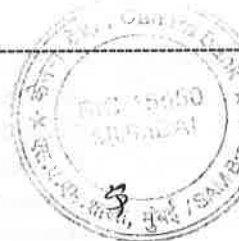
- b. Considering that the investments were made and sold at 80.71% loss on the same day, it appears that the receivable balance from RTL was fictitious. As a result of the above scheme of transactions, RITL received INR 260 Crores from RTL in lieu of INR 1347.70 Crores and the same was not recorded as a business loss in the books of RITL, but as a loss on sale of investment.

2. Issue of Preference Shares between RRL, RITL and RBL:

- a. RITL has given ICDs to RRL worth INR 1954.91 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, INR300 Crores from RCOM.
- b. In repayment of the above ICDs (along with interest amounting to INR 109 Crores) RRL issued Preference shares worth INR 2000 Crores to RITL on 31 March 2017. The preference shares were issued at a premium of INR 3990 per share.
- c. RITL sold the above mentioned preference shares to Reliance Bhutan Limited (RBL) for INR 200 Crores on the same date i.e. 31.03.2017, for which amount was received from RBL on 20.02.2017 (in advance). Thus, an amount of INR 2000 Crores was settled for INR 200 Crores, by incurring a loss of INR 1800 Crores in the books of RITL on sale of preference shares of RRL to RBL INR 1800 Crores approximately was siphoned off.

3. Fictitious Debtors - RTL:

- a. Collections received by RTL from RWSL amounting to INR 1110.50 Crores (660.50 + 450.00 respectively) were received from



RCOM (as ICD/ against outstanding), through a series of transactions.

- b. These funds were obtained by RCOM vide intraday limit of INR 100 Crores 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).

4. Third Party Analysis:

There were numerous assignments in the books of RCOM, RTL and RTIL wherein high-value receivable and payable balances were transferred to corresponding parties to the assignment. Usual 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 mentioned in report.

5. Charges V/s Fixed Assets:

Assets held by RCOM, RITL, 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 31.03.2017 amounted to INR 49111.47 Crores, however, total assets of these companies amounted to INR 26163.43 Crores.

(5) Bank had issued the Show Cause Notice dated 11th October 2023 (hereinafter referred as **“the said Show Cause Notice”**) to the Company. You vide your letter dated 28th October 2023 under Ref. No. INRCOMIP/1915 (**“said letter”**), responded to the Show Cause Notice dated 11th October 2023 wherein you informed the Bank that your Company is under CIRP and there is moratorium



under Section 14 of the IB Code, and the account cannot be classified as “**Fraud**”.

- (6) The Bank in rejoinder to the said letter, had replied vide letter dated 22.11.2023 and denied the contents therein. Even otherwise, you in the said letter dated 28th October 2023, have admitted that there are transactions which have taken place prior to CIRP Order. It is relevant to mention that it is an admitted fact that your Company has carried out fraudulent transactions, and more particular-ly, as observed by the Forensic Auditor, M/s BDO India Limited in the Forensic Audit Report dated 15th October 2020.
- (7) We have to state that the said reply is nothing but an afterthought and is only with a malafide intention to delay the classification of your account as “**Fraud**”. The said reply does not make out any case whatsoever why your Company account should not be classified as Fraud. On the contrary your said reply accepts and admits that there were transactions carried out prior to Order of CIRP against the Company.
- (8) Bank had already provided a copy of the Forensic Audit Report of BDO India Limited dated 15th October 2020.
- (9) Bank had already given an opportunity to you for representation before the Competent Authority classifying the account as “**Fraud**” in compliance of the RBI Master Circular dated 01st July 2016 read with Revised Guidelines and Di-rections dated July 2022.
- (10) Pursuant to which matter was recommended to the Committee i.e.the Recommending Committee i.e. Fraud Analysis and Recommending Committee (“**FARC**”) and thereafter on 06.09.2024 it was placed before the Competent Authority to examine the fraud in the above matter.

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- (11) On analysing the matter in its entirety, the Competent Authority (Managing Director & CEO) has permitted the matter as “**Fraud**” as on 06th September 2024, pursuant to which the account has been reported to Reserve Bank of India (“**RBI**”) as “**Fraud**” on 18th September 2024 by our Bank.
- (12) Reasons in brief for declaration/ classification the account as “**Fraud**” are as under: -
- Non-utilizing the funds as per the sanctioned terms, routing the loan amount through Reliance Communication Limited (“**RCIL**”) to Reliance Telecom Limited (“**RTL**”) to pay all other liabilities to connected/ related parties.
 - Loans availed were invested in Mutual Funds and Fixed Assets and the same were liquidated immediately to make payment to related and non-related parties.
 - Inter-Company Transactions: Utilization bill discounted amounts to pay other debts.
- (13) You, company has been served with the Show Cause Notice dated 11th October 2023, and also provided you the copy of the said Forensic Audit Report dated 15th October 2020. It is relevant to mention that a copy of the said Forensic Audit Report dated 15th October 2020, was provided to you and the Show Cause Notice contained the ground on which fraud was committed.
- (14) You vide letter dated 28th October 2023, raised frivolous objections, however you have admitted that there were transactions carried out prior to order dated 15th May 2018 against passed by NCLT Mumbai initiating CIRP process against the Company. Thus, it is admitted facts that there were transactions and the same are revealed in said Forensic Audit Report dated 15th October 2020.



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अंचल कार्यालय बिल्डिंग, आठवीं मंजिल, 'बी' विंग,
सी-14, जी-ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स,
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- (15) As you are aware that the Forensic Audit Report contains all the details with regards to the documents related and conclusion arrived therein, which has been already provided to you by the Bank.
- (16) It is further relevant to state that all the actions taken by the Bank are in line with the Reserve Bank of India (RBI) on Fraud Master Circular dated 1st July 2016, read with revised Master Directions on Fraud Risk management, July 2024, applicable to the abovesaid matter.
- (17) In view of the given facts and circumstances of the above subject Account, your Account has been classified as “**Fraud**”.

Yours faithfully,

सहायक महाप्रबंधक / ASST. GENERAL MANAGER



Regd AD

sh. Sanjay k

Rahel 7

M/s Reliance Communication Limited

H-Block, 1st Floor

Dhirubhai Ambani Knowledge City

Navi Mumbai - 400710

Maharashtra



CANARA BANK

Stressed Asset Management Branch,
Circle Office Building, 8th Floor, 'B' Wing,
C-14, G-Block, Bandra-Kurla Complex,
Bandra East, Mumbai - 400 051.

Mobi: 9387497990

Del PO:Millennium Business Park S.O(400710)

To: Hub

From: Hub

From: AUDIT BHAVAN S.O (400051)

Ack Fee: 3.00, REG-17.0

Amt: 35.40, Wt: 35gms, Amt. Paid: 35.00 (Cash)

Counter No: 3, 13/11/2024, 12:53

RH356860026IN



CANARA BANK
Stressed Asset Management Branch,
Circle Office Building, 8th Floor, 'B' Wing,
C-14, G-Block, Bandra-Kurla Complex,
Bandra East, Mumbai - 400 051.

Ref. No.: CB/15550RTEL/FRD/438A/2024

Date: 05.11.2024

To,

M/s Reliance Telecommunication Limited

H-Block, 1st Floor

Dhirubhai Ambani Knowledge City

Navi Mumbai - 400710

Maharashtra

BY REGISTERED POST A.D.

WITHOUT PREJUDICE

प्रिय महोदय / महोदया / Dear Sir / Madam,

विषय / Subject :- Classifying the Account as Fraud

Ref: 1.Show Cause Notice No.232/15550/RCOM/2023 dated 11thOctober 2023

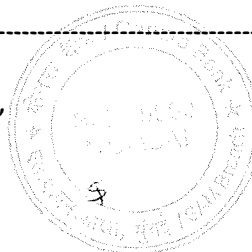
(1). We refer to the Show Cause Notice dated 11th October 2023 issued by Canara Bank, Stressed Asset Management Branch, Circle Office Building, 8th Floor, 'B' Wing, C-14, G-Block Bandra -Kurla Complex, Bandra East, Mumbai- 400 051. (hereinafter referred to as "**Bank**"), and have to state as under:-

(2). The said Show Cuase Notice dated 11thOctober 2023 and was served upon you. However, despite service of the said Show Cause Notice there is no response to the said Show Cause Notice from you. Thus, it is deemed that the contentions and averments in the said Show Cuase Notice are accepted and admitted by you and there is no objections and denial from you.

(3) FACTS:

a) Bank had sanctioned credit facilities; Term Loans for Reliance Tele-Communication Ltd. to the tune of Rs.100,00,00,000/- (Rupees One Hundred

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Crores only). After availing and enjoying the said loans, credit facilities, your company had committed default and breached of the sanctioned terms and conditions. The loan accounts slipped into Non-Performance Asset (“NPA”) on 29th June.2017.

- b) Ericsson India Private Limited had filed Petition before the Hon’ble National Company Law Tribunal, Mumbai (“NCLT”) for initiation of Corporate Insolvency Resolution Process (“CIRP”) against Reliance Telecommunications Limited (“Company”). The Hon’ble NCLT Mumbai, admitted the Company under Corporate Insolvency Resolution Process (“CIRP”).
- c) Forensic Audit Report dated 15th October 2020, was conducted by M/s. BDO India Ltd.

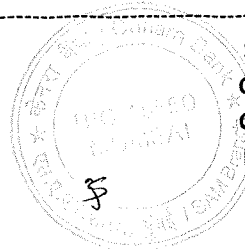
(5) As per the Forensic Audit Report dated 15th October 2020, the observation summary of the Forensic Auditor, Forensic Audit Report is as under:

(i). **Utilization of Bank Loans of Bank Loans:**

RCOM, RITL and RTL cumulatively received Rs.31,580 Crores from Banks. Of these INR 13667.73 Crores (44%) were utilized for repayment of loans and other obligations to Banks/FIs and INR 12692.31 Crores (41%) were utilized to pay to connected parties.

Utilization of funds obtained from banks was traced and its utilization was mapped from sanction letter. Instances were identified where utilization 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 6265.85 Crores obtained from banks through loans were utilized for repayment of other bank loan.
- INR 5501.56 Crores obtained from banks through loans were utilized for payment made to related and connected parties;





- Investments of INR 1883.08 Crores were made from the loans received from various banks. Most of these investments were liquidated immediately and utilized for payments to related and non-related parties.

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(ii). **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 1976 Crores was obtained by RITL and out of these INR 1783.65 Crores was majorly obtained by RCOM for repayment to other banks and as transfers to connected parties.

(iii). **Loan of RCOM from Bank of Baroda credited in RCIL and RTSL:**

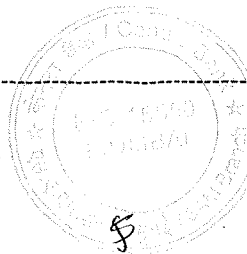
RCOM has availed loan facility from Bank of Baroda through sanction letter of 15 December 2026. Total amount of loan sanctioned was INR 228.17 Crores (Term Loan I) and INR 1000 Crores Term Loan II (Corporate Loan) facility was for meeting ongoing capital expenditure. Amount disbursed by BoB for meeting capital expenditure of RCOM as per sanction letter, but the disbursement of INR 469.45 Crores was paid to RCIL and RTSL for non-capital expenditure as per the documents available.

(iv). **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 1435.24 Crores to RITL from loans obtained from Banks.

(v). **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 simultaneous-



ly, new bills were discounted to repay the original facility of the previous month.

(vi). **Discounting of Bills by RITL:**

RITL has discounted bills of RCOM worth INR 8514.70 Crores and of RTL worth INR 1041.42 Crores and these funds were majorly used for making payments to connected parties.

(vii). **Promoter's Contribution:**

RCOM: 8,66,66,667 shares were allotted to Telecom Infrastructure Finance Pvt. Ltd. On conversion of warrants on 20 January 2015 for which INR 1300 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.

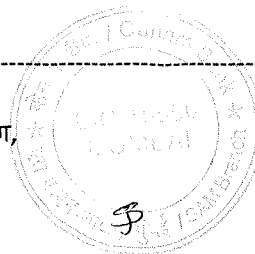
(viii). **Movement of Funds through ICD:**

1. During the Review Period RCOM, RITL and RTL have given as well as taken loan from connected parties in the form of ICDs.
2. ICD obtained during the Review Period was INR 41863.32 Crores, out of which INR 28421.61 Crores was traced. Out of INR 28421.61 Crores, INR 23128.45 Crores was utilized for payment to connected parties and **INR 3214.74 Crores** was utilized for repaying bank loans.

(ix). **Transaction of Netizen with RCOM and RTIL:**

1. In 2015-16, Netizen had received a capital advance of INR 5525 Crores from RCOM. In 2017-18 Netizen acquired two assets (one tangible worth INR 3041.24 Crores and a receivable worth INR 3042 Crores) from MPNL one of which was immediately transferred to RCIL. The valuation of these assets is not clear.

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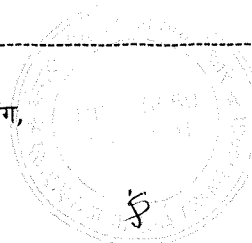


2. On transfer of this asset, RCOM wrote-off the capital advance it had given to Netizen against receivable balance from RCIL. In addition, multiple other accounts have been assigned to Netizen to reduce its receivable balance by RCOM and RTL.
3. The financial background of Netizen is not commensurate 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.

(x). **Modus of creation/ write-off of fictitious debtors:**

1. **Issue of Preference Shares:**

- a. As on 1 April 2013, INR 1347.70 Crores was receivable from RTL in the books of RITL. RTL issued preference shares worth INR 1347.70 Crores to RITL in satisfaction of the receivable amount on 31.03.2014. RITL sold the above preference shares to RCTNL on same date i.e. 31.03.2014 for INR 260 crores, thereby incurring a loss of INR 1087.70 Crores. RCTNL received INR 260 Crores from RTL and paid the same to RITL for purchase of preference shares of RTL.
- b. 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 1347.70 Crores and the same was not recorded as a business loss in the books of RITL, but as a loss on sale of investment.





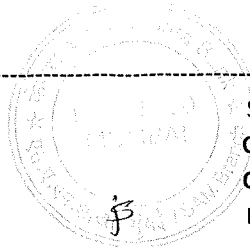
2. Issue of Preference Shares between RRL, RITL and RBL:

- a. RITL has given ICDs to RRL worth INR 1954.91 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, INR300 Crores from RCOM.
- b. In repayment of the above ICDs (along with interest amounting to INR 109 Crores) RRL issued Preference shares worth INR 2000 Crores to RITL on 31 March 2017. The preference shares were issued at a premium of INR 3990 per share.
- c. RITL sold the above-mentioned preference shares to Reliance Bhutan Limited (RBL) for INR 200 Crores on the same date i.e. 31.03.2017, for which amount was received from RBL on 20.02.2017 (in advance). Thus, an amount of INR 2000 Crores was settled for INR 200 Crores, by incurring a loss of INR 1800 Crores in the books of RITL on sale of preference shares of RRL to RBL INR 1800 Crores approximately was siphoned off.

3. Fictitious Debtors - RTL:

- a. Collections received by RTL from RWSL amounting to INR 1110.50 Crores (660.50 + 450.00 respectively) were received from RCOM (as ICD/ against outstanding), through a series of transactions.
- b. These funds were obtained by RCOM vide intraday limit of INR 100 Crores 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

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limit in the books of RCOM and allowing RCOM to make a fresh payment to RWSL. (This was repeated multiple times).

4. Third Party Analysis:

There were numerous assignments in the books of RCOM, RTL and RTIL wherein high-value receivable and payable balances were transferred to corresponding parties to the assignment. Usual 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 mentioned in report.

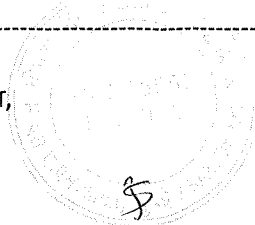
5. Charges V/s Fixed Assets:

Assets held by RCOM, RITL, 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 31.03.2017 amounted to INR 49111.47 Crores, however, total assets of these companies amounted to INR 26163.43 Crores.

(3). Bank had issued the Show Cause Notice dated 11th October 2023 (hereinafter referred as “**the said Show Cause Notice**”) to the Company. However, despite service of the said Show Cause Notice there is no response from you. Thus, it is deemed that the contentions and averments made in the said Show Cuase Notice are accepted and admitted by you.

(4). It is relevant to mention that it is an admitted fact that your Company has carried out fraudulent transactions, and more particularly, as observed by the Forensic Auditor, M/s BDO India Limited in the Forensic Audit Report dated 15th October 2020

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(5). Bank had already provided a copy of the Forensic Audit Report of BDO India Limited dated 15th October 2020.

(6). Bank had already given an opportunity to you for representation before the Competent Authority classifying the account as “**Fraud**” in compliance of the order dated 27th March 2023 passed by the Hon’ble Supreme Court Order of India, RBI Master Circular dated 01st July 2016 read with Revised Guidelines and Directions dated July 2022.

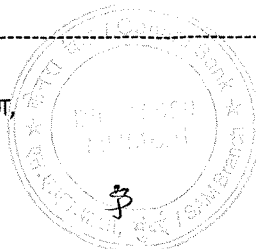
(7). Pursuant to which, the matter was recommended to the Committee i.e.the Recommending Committee i.e. Fraud Analysis and Recommending Committee (“**FARC**”) and thereafter on 06.09.2024 it was placed before the Competent Authority to examine the fraud in the above matter.

(8). On analysing the matter in its entirety, the Competent Authority (Managing Director & CEO) has permitted the matter as “**Fraud**” as on 06th September 2024, pursuant to which the account has been reported to Reserve Bank of India (“**RBI**”) as “**Fraud**” on 18th September 2024 by our Bank.

(9). Reasons in brief for declaration/ classification the account as “**Fraud**” are as under: -

- Non-utilizing the funds as per the sanctioned terms, routing the loan amount through Reliance Communication Limited (“**RCIL**”) to Reliance Telecom Limited (“**RTL**”)to pay all other liabilities to connected/ related parties.
- Loans availed were invested in Mutual Funds and Fixed Assets and the same were liquidated immediately to make payment to related and non-related parties.
- Inter-Company Transactions:Utilization bill discounted amounts to pay other debts.

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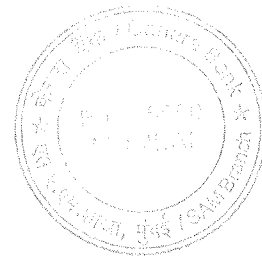
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- (10). Despite receipt of the said Show Cause Notice dated 11th October 2023, you have not replied to the said Show Cause Notice, and thus its deemed that you have admitted that there were transactions carried out which are fraudulent to defraud the Bank Thus, it is admitted facts that there were transactions and the same are revealed in said Forensic Audit Report dated 15th October 2020.
- (11) It is relevant to state that the action under the Reserve Bank of India (RBI) on Fraud Master Circular dated 1st July 2016, read with revised Master Directions on Fraud Risk management, July 2024, is a regulatory guideline and the principles laid down by the Hon'ble Supreme Court vide Order dated 27th March 2023, passed in Civil Appeal No.7300 of 2022 State Bank of India &Ors. Vs. Rajesh Agarwal &Ors.,the action of the Bank is in compliance, order and four corner of the provisions of law.
- (12) It is further relevant to state that all the actions taken by the Bank are in line with the Reserve Bank of India (RBI) on Fraud Master Circular dated 1st July 2016, read with revised Master Directions on Fraud Risk management, July 2024, applicable to the abovesaid matter.
- (13) In view of the given facts and circumstances of the above subject Account, your Account has been classified as "**Fraud**".

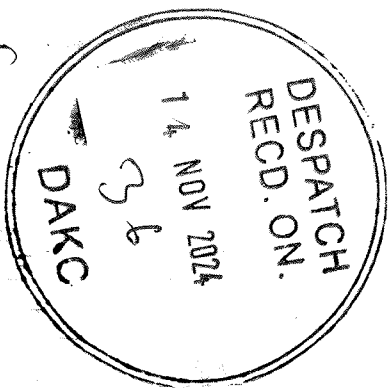
Yours faithfully,

सहायक महाप्रबंधक / ASST. GENERAL MANAGER



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