ANNEXURE -2

Bansi S. Mehta & Co.
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Mumbai 400 020

Walker Chandiok & Co LLP
Chartered Accountants
16th Floor, Tower II, India Bulls Finance Centre
S B Marg, Elphinstone (West)
Mumbai 400 013

March 19, 2017

To,
The Board of Directors,
Idea Cellular Limited
794/B, The Birla Centurion,
Pandurang Budhkar Marg,
Worli,
Mumbai – 400 030

Dear Sirs,

Re: Recommendation of Share Exchange Ratio for the proposed amalgamation of Vodafone India Limited and Vodafone Mobile Services Limited into Idea Cellular Limited

With reference to the captioned subject, please find enclosed herewith our Valuation Report dated March 19, 2017.

Thanking you,

Yours faithfully,

Bansi S. Mehta & Co

Bansi S. Mehta & Co

Chartered Accountants

Firm Registration No: 100991W

Date: 19th March 2017

Walker Chandiok & Co LLP

Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No: - 001076N/ N500013

Date: 19 March 2017

Walker Chandiok & Co LLP Chartered Accountants Mumbai

Encl: As above

Idea Cellular Limited

Certified True Copy
For Idea Cellular Limited
Pankaj Kapdeo
Company Secretary

Bansi S. Mehta & Co.
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S B Marg, Elphinstone (West)
Mumbai 400 013

Private and Confidential

Date 19 March 2017

To,
The Board of Directors
Idea Cellular Limited
794/B, The Birla Centurion,
Pandurang Budhkar Marg,
Worli,
Mumbai – 400 030

To,
The Board of Directors
Vodafone India Limited
Peninsula Corporate Park
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai – 400 013

To,
The Board of Directors
Vodafone Mobile Services Limited
C-48 Okhla Industrial Area,
Phase- II,
New Delhi – 110 020

Sub: Recommendation of Share Exchange Ratio for the proposed amalgamation of Vodafone India Limited ("VIL") and Vodafone Mobile Services Limited ("VMSL") into Idea Cellular Limited ("ICL")

Dear Sir / Madam,

We refer to our engagement letters whereby ICL & VIL (together referred to as "the Companies"/ "Clients"/ "you") have requested Bansi S. Mehta & Co. (hereinafter referred to as 'BSM') and Walker Chandiok & Co LLP (hereinafter referred to as 'WCC'), respectively, for recommendation of the Share Exchange Ratio for the proposed amalgamation of VIL and VMSL into ICL.

BSM and WCC have been hereafter referred to as 'Valuers' or 'we' or 'us' and individually referred to as 'Valuer' in this joint Share Exchange Ratio Report ('Share Exchange Ratio Report' or 'Report').

SCOPE AND PURPOSE OF THIS REPORT

ICL is the third largest wireless operator in India with a Revenue Market Share of 18.1% (Q3FY17). ICL provides GSM mobile services in all 22 service areas of India, 3G services in 21 service areas of India (except Orissa), including through Intra-Circle Roaming (ICR) arrangements with other operators and 4G services in 12 service areas on its own spectrum. Company has recently started offering its Digital Services. ICL also provides NLD, ILD, ISP and IP-1 services. In addition, Idea holds 11.15% stake in Indus Towers Limited ("ITL") and 49% stake in Aditya Birla Idea Payments Bank Limited. Idea is listed on the National Stock Exchange (NSE), and the Bombay Stock Exchange (BSE) in India. Idea is part of the Aditya Birla Group, which is one of the largest business groups in India. The Aditya Birla Group is a conglomerate with operations in more than 30 countries. The Aditya Birla group has a history of over 50 years and has businesses in, among others, mobile telecommunications, metals and mining, cement, carbon black, textiles, garments, chemicals, fertilizers, life insurance and financial services industries.

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VIL was incorporated on 21 February 1992 under the Companies Act, 1956 as a company with limited liability with the Corporate Identity Number U32200MH1992PLC119108. Vodafone Group Plc. is the ultimate holding company of the Company ("Ultimate Parent" or "VF Group Plc"), which is listed on London stock exchange and has ADRs listed on Nasdaq. VIL and its subsidiaries are hereinafter referred to as the "Group". VIL and its subsidiary, VMSL, are engaged in the business of providing mobile communications services in India, including voice, messaging, data, fixed-line solutions and devices to assist customers in meeting their communications needs. ITL, a joint venture of VIL, is one of the leading tower infrastructure providers in India.

VMSL was incorporated on 27 March 1992 under the Companies Act, 1956 as a company with limited liability with Corporate Identity Number U64202DL1992PLC088087. VMSL is a wholly-owned subsidiary of VIL, which in turn is held by the Ultimate Parent. VMSL is engaged in the business of providing mobile communications services across India (except the Mumbai service area) supported by its national and international long distance services.

We understand that the managements of ICL, VIL and VMSL(collectively hereinafter referred to as the Companies) ('Management') are contemplating a consolidation of all their businesses into ICL other than the excluded assets of VIL, through a composite Scheme of Amalgamation and Arrangement ('Scheme') to be implemented under the provisions of section 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 for the amalgamation of VMSL and VIL into ICL. This is together referred to as 'the Transaction'.

As per the Scheme, excluded assets of VIL primarily includes holding in ITL therefore, the same will not form part of the Transaction.

As a consideration for the proposed amalgamation, equity shareholders of VIL and VMSL would be issued equity shares of ICL.

The following is the proposed modus operandi for the Transaction:
Step 1. Amalgamation of VMSL with ICL, whereby equity shares of ICL are issued to VIL
Step 2: Amalgamation of VIL with ICL, whereby equity shares of ICL are issued to Shareholders of VIL leading to cancellation of equity shares of ICL issued to VIL on completion of Step 1

Share Exchange Ratio for this Report refers to percentage of equity share capital of ICL on a fully diluted basis, which would be held by the shareholders of VIL and VMSL.

For the aforesaid purpose, the Companies have appointed BSM and WCC to submit a joint report recommending the Share Exchange Ratio to be placed before the Audit Committees' and Board of Directors of the Companies.

The scope of our services is to conduct a relative (and not absolute) valuation of the equity shares of the Companies and recommending a Share Exchange Ratio in accordance with generally accepted professional standards.

We have been appointed severally and not jointly and have worked independently in our analysis. We have received information and clarifications from the Companies. For recommending Share Exchange Ratios, we have independently arrived at different values of the Companies. However, to arrive at the

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consensus on the Share Exchange Ratio for the proposed amalgamations, appropriate averaging and rounding off in the values arrived at have been done.

The historical financial information for the Companies up to December 31, 2016 were sourced from either public domain where available or from the management of Companies. We have considered the same in our analysis and made adjustments for further facts made known (past or future) to us till the date of our Report. Our analysis does not factor impact of any event which is unusual or not in the normal course of business. We have relied on the above while arriving at the Share Exchange Ratio.

This Report is our deliverable for the above engagement.

This Report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

In connection with this exercise, we have used the following information received from the Management and/or gathered from public domain:

1. Unaudited financial statements of ICL for the nine months period ended 31st December 2016.
2. Unaudited financial statements of VIL & VMSL for the nine months period ended 31 December 2016
3. Audited financial statements of VIL for the year ended 31st March 2012 to 31st March 2016 and unaudited financial statement of VIL for trailing twelve months for period ended 31st December 2016. Annual Reports of ICL for the year ended 31st March 2012 to 31st March 2016.
4. Annual reports of the ITL for the period 31st March 2014 to 31st March 2016.
5. Analyst Reports for ICL & VIL.
6. Details of the Net Debt of ICL and the additional debt to be taken for the purpose of arriving at the Net Debt for the valuation of VIL as per the commercial understanding between the companies.
7. Details about the Providence transaction in ICL.
8. Vesting Details of Employee Stock options as at the date of the Report for ICL, VIL and VMSL.
9. Explanations provided by the Managements of the Companies from time to time.
10. Draft Composite Scheme of Arrangement.

The Companies have been provided with the opportunity to review the draft report (excluding the recommended Share Exchange Ratio) as part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final report.

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SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Report and (iii) the latest available financial statements of the Companies and their subsidiaries and other information provided by the Management or taken from public sources till the date of this Report.

An analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as at the date hereof. Events and transactions occurring after the date hereof may affect this Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Report, unless required by regulatory authorities.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into accounts all the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Companies (or its executives / representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

The determination of share exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. There is, therefore, no single share exchange ratio. While we have provided our recommendation of the Share Exchange Ratio based on the information available to us and within the scope of our engagement, others may have a different opinion. The final responsibility for the determination of the share exchange/ entitlement ratio at which the proposed transaction shall take place will be with the Board of Directors who should take into account other factors such as their own assessment of the proposed transaction and input of other advisors.

In accordance with the terms of our engagements, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Report and (ii) the accuracy of information made available to us by the Companies. In accordance with our Engagement Letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information provided to us. We have not independently investigated or otherwise verified the data provided by the Companies. Accordingly, we do not express an opinion or offer any

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form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management of the Companies that they have not omitted any relevant and material factors about the Companies. Our conclusions are based on the assumptions and information given by and on behalf of the Companies and reliance on public information. The Management of the Companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results.

While carrying out this engagement we have relied extensively on historical information made available to us by the management of the Companies / available in public domain. We did not carry out any due diligence with respect to the information provided / extracted or carry out any verification of the assets save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

Accordingly, we assume no responsibility for any errors in the information furnished by the Companies or obtained from public domain and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Report.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Valuation Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies. Our conclusion of value assumes that the assets and liabilities of the Companies and their subsidiaries, reflected in their respective latest balance sheets remain intact as of the Report date.

This Report does not look into the business/ commercial reasons behind the Transaction nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Transaction as compared with any other alterative business transaction or other alternatives or whether or not such alternatives could be achieved or are available.

No investigation of the Companies' claim to title of assets has been made for the purpose of this Report and the Companies' claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature. The fee for the engagement is not contingent upon the results reported.

We owe responsibility to only the Boards of Directors of the Companies that has appointed us under the terms of our engagement letters and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken. Omissions of or advice given by any other advisor to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents. Unless specifically agreed, in no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in

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connection with the engagement set out in this Report shall exceed the amount paid to such Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of this Report. It is understood that this analysis does not represent a fairness opinion on the Share Exchange Ratio. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This Valuation Report is subject to the laws of India. BSM and WCC have not prepared the Report for inclusion in a registration statement under the US Securities Act of 1933 and would not be referred to as an 'expert' in any regulatory filings under the US Securities Act of 1933 or under any of the securities laws/ regulations of any other state or jurisdiction in the United States/ United Kingdom.

Neither the Valuation Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties other than in connection with the proposed Scheme of Amalgamation, without our prior written consent except for disclosures to be made to relevant regulatory authorities including stock exchanges and SEBI.

This Report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of the Transaction and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

SHAREHOLDING PATTERN OF COMPANIES

ICL

The issued and subscribed equity share capital of ICL as on the date of the Report is INR 3,603.49 crores consisting of 360.35 crores equity shares of face value of INR 10 each. The shareholding pattern is as follows:

Sr. No.	Shareholder	Percentage
1.	Promoter Group	42.45%
2.	Non-promoter Group*	57.55%
	Total	**100.00%**

**Non promoter includes Institutions*

Further, 2.70 crores ESOPs are outstanding as on the current date. The diluted number of equity shares, as on the date of this Report, after considering the exercise of all the outstanding employee stock options would be 363.04 crores.

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VIL

The issued and subscribed equity share capital of VIL as on the Date of the Report is INR 2,813.30 crores consisting of 281.33 equity shares of face value of INR 10 each. The share capital of VIL is held ultimately by VF Group Plc and its subsidiaries.

VMSL

The issued and subscribed equity share capital of VMSL as on the date of this Report is INR 1,376. 30 crores consisting of 137.60 crore equity shares of face value of INR 10 each. The entire share capital of VMSL is held by VIL.

APPROACH & METHODOLOGY

The Composite Scheme contemplates the amalgamation of VMSL into ICL followed by VIL into ICL. Arriving at the Share Exchange Ratio for the proposed amalgamation of VIL and VMSL into ICL would require determining value of VIL and VMSL in terms of their relative value of the equity shares of ICL. These values are to be determined independently but on a relative basis, and without considering the current Transaction.

It is universally recognized that Valuation is not an exact science and that estimating values necessarily involves selecting a method or an approach that is suitable for the purpose. Courts in India have, over a period of time, evolved certain guiding principles, the most leading case being the decision of the Supreme Court in Hindustan Lever Employee's Union vs. Hindustan Lever Limited and Others [(1995) 83 Company Cases 30].

The aforesaid decision endorses that a fair and appropriate approach for valuing the companies would be to use a combination of various methods which in that case were:

- Market Price ("MP") method.
- Comparable Companies Market Multiple ("MM") Method / Earnings Multiple Method and
- Net Asset Value ("NAV") method;

Another classical approach to valuation is to look at future cash flows, so as to arrive at a valuation that would, primarily, be based on the present value of such future cash flows by discounting such future cash flows using an appropriate rate of discounting. This method of valuation is popularly known as the Discounted Cash Flows ("DCF") Method.

As discussed below for the proposed amalgamation of VIL and VMSL into ICL, we have considered these methods, to the extent relevant and applicable by each Valuer independently.

This valuation could fluctuate with lapse of time, changes in prevailing market conditions and prospects, industry performance and general business and economic conditions financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

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We have relied on the judgment of the Managements as regards contingent and other liabilities. We are informed that contingent liabilities are covered by indemnities, and, therefore, we have not reduced them for arriving at the valuation.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although, different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature, regulatory guideline and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

The valuation methodologies used to arrive at the value attributable to the equity shareholders of ICL and VIL are discussed hereunder:

Market Price (MP) Method

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

Since, ICL is a listed company, it is governed by the Securities and Exchange Board of India (Issue Of Capital And Disclosure Requirements) Regulations, 2009 ("ICDR Regulations). Under the ICDR Regulations issuance of shares pursuant to order under sections 391 to 394 of the Companies Act, 1961 or sections 230 to 234 of the Companies Act, 2013, requires to follow pricing conditions that apply to preferential issue, if such issue is to be made to shareholders of an unlisted company. We have given due consideration to this requirement

In the present case, equity shares of ICL are listed on BSE and NSE. The share price observed on NSE for ICL over an appropriate period as prescribed under the ICDR Regulation prior to the Relevant Date has been considered for determining the value of ICL under the market price methodology as the traded turnover of shares of ICL on NSE is higher than that on BSE.

Under the Market Value Approach, we have considered the Relevant Date as March 17, 2017, the last working day immediately prior to the date of the Board Meeting to consider the Transaction and the Composite Scheme for approval.

Comparable Companies Market Multiple ("MM") Method / Earnings Multiple Method

Under this method, value of the equity shares of a company/ business undertaking is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

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To arrive at the value available to the equity shareholders of the Companies, value arrived above under this method is adjusted for cash and cash equivalents, investments, debt, ESOPs and other matters as considered appropriate.

Net Asset Value (NAV) Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. NAV Methodology has been considered since these entities have significant capital employed on physical assets in their balance sheet.

We have computed the Net Asset Value of equity shares of the Companies as per balance sheet as at 31 December 2016. Adjustments, as appropriate, have been made for the value of investments, ESOPs and other matters to arrive at the value attributable to the equity shareholders.

Discounted Cash Flows (DCF) Method

Under the DCF method the projected free cash flows to the firm are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flows is the value of the firm.

Using the DCF analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital – both debt and equity.

Appropriate discount rate to be applied to cash flows i.e. the cost of capital:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and creditors), weighted by their relative contribution to the total capital of the company. The opportunity cost to the capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

In the present case, we have not been provided with financial projections by the management of the Companies. Further, in view of rapid developments in the industry, the equity analyst estimates on the performance of these companies have been volatile leading to uncertainty in estimating the future cash flows. Given these limitation, DCF has not been used as a methodology to arrive at the Share Exchange Ratio.

Basis of Share Exchange Ratio

For VIL and ICL

The basis of the Transaction would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above methodologies, for the purposes of recommending a fair exchange ratio of equity shares it is necessary to arrive at a single value for each of the business / subject companies' shares. It is however important to note that in doing so we are not attempting to arrive at the absolute equity values of the Companies and / or their associates, joint ventures and subsidiaries but at their

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relative values to facilitate the determination of a fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each methodology.

The Share Exchange Ratio has been arrived at on the basis of a relative equity valuation of the Companies. The Share Exchange Ratio is based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the companies, having regard to information base, key underlying assumptions and limitations.

As considered appropriate, we have independently applied methodologies discussed above and arrived at their assessment of value of the Companies.

Both companies belong to the same industry and are close in terms of financial parameters and business operations. Given this background, the valuation parameters of both the companies are very similar. For any reason, if valuation of one company is to undergo a change, a similar change would be reflected in the underlying value of the other company, the relative value of the other company would also undergo a similar change in the underlying value. -

The equity value for each of the company is arrived at by averaging the values under the approaches discussed above, to the extent considered relevant. To arrive at the consensus on the Share Exchange Ratio suitable averaging and rounding off in the values have been done.

<u>For VMSL and ICL:</u>

Under the Composite Scheme, amalgamation of VMSL into ICL would result in allotment of shares of ICL to VIL, we have arrived at a separate value of VMSL by attributing the business value of VIL arrived at above, in the proportion of EBITDA, based on the nine months period ended December 31, 2016, of VMSL to VIL. It may be noted that these shares would be cancelled upon amalgamation of VIL into ICL.

Conclusion

Based on our valuation exercise, we find that the total value of VIL and VMSL as a percentage of value of ICL works out to 50 % and 47 % respectively. We have been informed by the management that since the regulatory approvals required by the companies could result in lapse of time, there could be equity infusion in the companies in the intervening period and the number of shares may undergo a change. However, in such a scenario, we are informed by the Management that the expected capital structure would result in the effective shareholding in the merged entity being maintained.

We have therefore recommended our findings in the form of percentage holding that would be allotted to the shareholders of VIL and VMSL pursuant to the proposed amalgamation and not based the same on the number of shares.

Based on the foregoing data, considerations and steps followed , we consider that the fair percentage of allotment would be as follows:

- **Step 1**

  "For the entire shareholding in VMSL, the shareholders of VMSL i.e. VIL would be issued 47% holding in ICL."

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- **Step 2**

  "For the entire shareholding in VIL, the shareholders of VIL would be issued 50% shareholding in ICL after cancellation of shares issued upon completion of Step 1."

Respectfully submitted,

Bansi S. Mehta & Co

Chartered Accountants

Firm Registration No: 100991W

Date: 19th March, 2017

Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No: - 001076N/ N500013

Date: 19 March 2017