

Reliance Capital Limited
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WITHOUT PREJUDICE

August 16, 2019

Vistra ITCL (India) Limited
The IL&FS Financial Centre,
Plot C-22, G Block, Bandra-Kurla Complex,
Bandra East, Mumbai 400 051

Dear Sir(s),

Sub.: The Debenture Trust Deeds dated February 24, 2012 (“DTD”).

Ref: Your email dated August 10, 2019 addressed to debenture holders a copy whereof has been marked to the Company (“Email”) and your Letter dated August 12, 2019 (“Letter”)

We are in receipt of your Email and Letter, and we submit as under:

1. At the outset, nothing stated in your Email and Letter should be deemed to be admitted by Reliance Capital Limited (“RCL”, “we” or “us”) for want of specific denials unless specifically admitted by us hereinafter. RCL reserves the right to send a detailed response to the said Email and/or Letter at a later stage, if deemed necessary and so advised.
2. In the Email, you have alleged that certain events may fall into the category of ‘extraordinary circumstances’ in relation to the DTD. In this regard, please note that under the DTD ‘extraordinary circumstances’ need to be such that it leads to improbability of RCL fulfilling its obligations under the DTD. It is denied that the circumstances that you have mentioned are extraordinary circumstances. Further, it is denied that on account of the circumstances that you have mentioned in your Email lead to any improbability of RCL fulfilling its obligations under the DTD. It is a matter of record, which is also confirmed by you in the Email, that RCL has been duly meeting all its payment obligations under the DTD. Therefore, clearly, no ‘extraordinary circumstances’ can be said to have occurred and there are no ‘extraordinary circumstances’ that may lead to any improbability of RCL fulfilling its obligations under the DTD. On the contrary, the apprehensions raised in your Email and Letter are based on mere conjecture and, hence, baseless.

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3. Without prejudice to the generality of the foregoing, we provide our response to the allegations and issues raised by you under the Email and/or the Letter:
- a. As regards the delay in submission of the compliance documents as mentioned in the Email and Letter, we wish to inform you that the said delay was on account of delay in finalization of the annual audited accounts of RCL. As you are aware, RCL, being a listed company, is required to declare standalone as well as consolidated financial results and the same was delayed on account of resignation of one of the statutory auditors of RCL and the sole statutory auditors of Reliance Home Finance Limited and Reliance Commercial Finance Limited, subsidiaries of the Company whose accounts are consolidated with accounts of RCL. The said resignation was improper and, in this regard, we hereby enclose a media release, as **Annexure A**, issued by RCL along with disclosure made to Stock Exchange on August 8, 2019, which relates to the said improper resignation of one of the statutory auditors of RCL. Not only were there no grounds for the statutory auditor to resign, such resignation was also contrary to Para 16 of "Implementation Guide on Resignation/ Withdrawal from an Engagement to Perform Audit of Financial Statements" issued by the Institute of Chartered Accountants of India ("ICAI") which states that the "The Auditor is therefore advised, particularly in case of listed entities, to comply as below: (a) In case an auditor has signed all the quarters (either limited review or audit) of a financial year, except the last quarter, then the auditor has to finalize the audit report for the said financial year before resignation....." (emphasis supplied). Therefore, not only were there were no grounds for the statutory auditor to resign, it is evident from the foregoing guidance notice issued by ICAI, that the statutory auditor's resignation was also not in accordance with ICAI's own guidance note to chartered accountants. Therefore, such improper and baseless action, contrary to the provisions notified by ICAI cannot, in any manner, constitute an 'extraordinary circumstance'.
- b. Further, we wish to inform you that the Board of RCL, at its meeting held on August 14, 2019 approved the annual audited financial results for the financial year 2018-19 and also unaudited financial results for the quarter ended June 30, 2019. Accordingly, the following documents have duly been furnished to you vide our emails dated August 14, 2019 and August 16, 2019. We are hereby again attaching the following for your reference and record:
- i. Audited Financials for the FY ended March 2019 as per **Annexure B**;
 - ii. CA certificate on the Security Cover as of March, 2019 and June, 2019 – as per **Annexure C**;
 - iii. CA certificate giving value of book debts and receivables as of March, 2019 and June, 2019 – as per **Annexure D**; and
 - iv. Unaudited financial results for the quarter ended June 30, 2019 as per **Annexure E**.



- c. With regards to the downgrade in rating of RCL from 'A' to 'BBB', please note that the same was not effected due any act or omission attributable to RCL and is, ostensibly, due to the ongoing financial market situation and liquidity scenario, which has impacted the entire NBFC sector. Further, the general perception in the financial markets is that due to the rating agencies coming under scrutiny in the IL&FS matter, the rating agencies are being overly cautious and, in some cases, even unduly harsh in revising the rating downwards. Nevertheless, despite the adverse market conditions, RCL has been maintaining investment grade rating. With our publicly stated deleveraging program being in advanced stage of implementation, which is also acknowledged in your Email, our ratings profile should see improvement.
 - d. Please note that in terms of the DTD, you are not entitled to take any action towards appointment of Nominee Director unless as the conditions entitling you to do so exist. There is, therefore, no basis for your alleged concerns.
 - e. Further, please note that any disposal of investments held by RCL in group companies is in the ordinary course of RCL's business as permitted under its memorandum of association. The DTD permit RCL to carry on its business as set out under its memorandum of association. Hence, not only is RCL entitled to divest such investments, divestment by RCL will also help in deleveraging efforts and improving the credit profile of RCL. With regard to the proposed sale of shares of Reliance Nippon Asset Management Limited by RCL ("RNAM Shares"), we would like to bring to your attention your letters dated October 8, 2018 and January 8, 2019 through which you had provided your consent for creation of a specific charge on the RNAM Shares (and the shares of Reliance Home Finance Limited and Reliance General Insurance Company Limited held by RCL), thereby, excluding the receivables from the sale proceeds of RNAM Shares (and the shares of Reliance Home Finance Limited and Reliance General Insurance Company Limited held by RCL) from the 'floating charge' created under the DTD.
4. Therefore, in the absence of any 'extraordinary circumstances' or any 'extraordinary circumstances' leading to improbability of RCL fulfilling its obligations under the DTD, we do not feel the need for you to convene any meeting of any Debenture Holders as has been mentioned in the Email and Letter. We would request you to duly consider our response set forth in this letter prior to scheduling any meeting of the debenture holders as mentioned in your Email and Letter.
 5. We wish to draw your specific attention to the provisions contained in the DTD as applicable to convening and holding the meeting of beneficial owners / debenture holders, which inter alia prescribe that any such meeting may be called only by giving not less than twenty one days notice in writing. Such notice also need to specify the place, day and hour of the meeting and shall contain statement of the business to be transacted thereat and that there shall be annexed

to the notice of the meeting a statement setting out all material facts concerning each such item of business.

6. **We request for a meeting in person on Tuesday August 20, 2019 at any time convenient to you, to enable us provide any further clarifications that you may require.** Should you still choose to go ahead with the meeting of debenture holders, kindly note you are duty bound to follow the requisite procedure laid down under DTD as mentioned in para 5 above. Accordingly in case you choose to convene any meeting of the debenture holders, we request to provide us with requisite notice of not less than 21 business days along with detailed reasons, agenda and explanatory statement for the same, in order to enable us to provide our replies to any queries the debenture holders may have or any clarifications they may require. In such circumstance meeting can only be called in the end of September or beginning of October, 2019. Moreover, as explained hereinabove, no cause exists for you to contemplate taking the steps to appoint a nominee director on RCL's board nor for RCL to consider or entertain any such measure emanating from you.
7. Despite the above, should you still choose to take any actions contrary to the terms of the DTD in relation to the subject matter stated in your Email and/or Letter, we reserve our right under contract, equity and law to vigorously contest the same, and at own risk as to costs and consequences. Please note that you will be put to strict proof of any determination of existence of 'extraordinary circumstances' or any 'extraordinary circumstances' leading to improbability of RCL fulfilling its obligations under the DTD.
8. Please note that the above is without prejudice to all our rights, entitlements and contentions, under law, contract and equity, all of which are hereby expressly reserved.

Thanking you.

Yours faithfully,
For **Reliance Capital Limited**


Atul Tandon
Company Secretary & Compliance Officer

Encl: a/a