

November 30, 2023

Securities and Exchange Board of India

Corporation Finance Department
Division of Issues and Listing
SEBI Bhavan, Plot No. C4 A, G Block
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051, India

Dear Sir/Madam,

Sub: Proposed initial public offering of equity shares of face value of Rs. 10 each (the “Equity Shares”) of Bharti Hexacom Limited (the “Company”)

Re: Application for relaxation of the strict enforcement of Regulation 8A(a) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“SEBI ICDR Regulations”) under Regulation 300(1) of the SEBI ICDR Regulations

1. Background

- 1.1 The Company was originally incorporated under the Companies Act, 1956 as ‘Hexacom India Limited’, and was issued a certificate of incorporation by the Registrar of Companies, NCT of Delhi & Haryana at New Delhi (“RoC”) on April 20, 1995. Subsequently, the name of our Company changed to ‘Bharti Hexacom Limited’, pursuant to a special resolution passed by our shareholders at its EGM held on September 10, 2004 and a fresh certificate of incorporation was issued by the RoC on December 2, 2004.
- 1.2 The Company is a subsidiary of Bharti Airtel Limited, wherein Bharti Airtel Limited (“BAL”) holds 70% of the Equity Share capital of the Company and Government of India through Telecommunications Consultants of India Limited (“TCIL”) holds 30% of the Equity Share capital of the Company. The current shareholding pattern of the Company is set out at Annexure A.
- 1.3 The Company is one of the largest mobile service providers in Rajasthan and North East circles. The Company’s diversified service range includes mobile, voice and data solutions.
- 1.4 TCIL is a Mini Ratna Central Public Sector Undertaking, established in 1978, under the administrative control of the Department of Telecommunications (“DoT”), Ministry of Communications, Government of India. TCIL is an engineering and consultancy undertaking of the Government of India which is engaged in the business of turnkey projects in all fields of telecommunication and information technology in India and abroad. The entire shareholding of TCIL is held by President of India through the DoT, Ministry of Communications, Government of India. The current shareholding pattern of TCIL is set out at Annexure B.
- 1.5 Subject to requisite approvals and other considerations, the Company is proposing to undertake an initial public offering (“Offer”) of its Equity Shares, comprising solely of an offer for sale by TCIL, in accordance with the applicable provisions of the SEBI ICDR Regulations and other applicable laws and, in this regard, is proposing to file a draft red herring prospectus (“DRHP”) with SEBI.
- 1.6 The Offer is proposed to be undertaken solely for the divestment of TCIL’s stake in the Company in accordance with the office memoranda issued by Department of Investment and Public Asset Management (“DIPAM”), Government of India, on June 1, 2022, September 14, 2022, November 9, 2022 and August 17, 2023 (collectively, “DIPAM OMs”), the office memorandum issued by the Department of Expenditure, Ministry of Finance, Government of India on May 8, 2023 (“DoE OM”), the letter issued by DoT on August 24, 2023 (“DoT Letter”) and the resolution passed by the board of directors of TCIL on August 29, 2023 .

Bharti Hexacom Limited

(A Bharti enterprise)

[CIN: U74899DL1995PLC067527]

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1.7 The Offer comprises solely of an offer for sale by TCIL, and TCIL will receive the entire proceeds from the Offer after deducting applicable Offer expenses. Neither the Company nor BAL will receive any part of the proceeds from the Offer. In terms of the DoE OM, the proceeds of disinvestment after adjusting for the expenses, will be transferred by TCIL to the Consolidated Fund of India as a special dividend to the Government of India.

2. Reasons for seeking exemption

2.1 Regulation 6 of the SEBI ICDR Regulations provides for eligibility requirements of an initial public offer, which, *inter-alia*, states that an issuer shall be eligible to make an initial public offer under Regulation 6(1) of the SEBI ICDR Regulations if it has an average operating profit of at least ₹15 crores, calculated on a restated and consolidated basis, during the preceding three years (of twelve months each), with operating profit in each of these preceding three years, and if it has net tangible assets of at least ₹3 crores, calculated on a restated and consolidated basis, in each of the preceding three full years (of twelve months each), of which not more than 50% are held in monetary assets.

2.2 The computation of net tangible assets, operating profit, net worth, monetary assets, as derived from the audited financial statements of the Company, as at and for the six months period ended September 30, 2023 and the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021, is set forth in **Annexure C**. Further, the details of operating profit of the Company as derived from the audited financial statements of the Company, as at and for the six months period ended September 30, 2023 and the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021, are set forth in **Annexure D**. Please note that the Company has incurred an operating loss in Fiscal 2020-21, and is also not able to meet the criteria under Regulation 6(1) of the SEBI ICDR Regulations with respect to net tangible assets for all three preceding years.

2.3 The Company is in the process of preparing the restated financial statements for the six months period ended September 30, 2023 and September 30, 2022, and the Financial Years ended March 31, 2023, March 31, 2022 and March 31, 2021 as required under the SEBI ICDR Regulations.

2.4 In light of the above, the Offer will be required to be made under Regulation 6(2) of the SEBI ICDR Regulations read with Regulation 8A of the SEBI ICDR Regulations, wherein certain additional conditions for an offer for sale for issues under Regulation 6(2) of the SEBI ICDR Regulations.

2.5 Regulation 8A(a) of the SEBI ICDR Regulations provides that the equity shares offered for sale to the public by shareholder(s) holding, individually or with persons acting in concert, more than 20% of pre-issue shareholding of the issuer based on fully diluted basis, shall not exceed more than 50% of their pre-issue shareholding on fully diluted basis.

2.6 TCIL, which is a Mini Ratna Central Public Sector Undertaking held by the President of India through the DoT, Ministry of Communications, Government of India, has been directed to divest up to its entire holding of 30% of the pre-issue share capital of the Company, in terms of the DIPAM OMs, DoE OM, DoT Letter and the resolution passed by the board of directors of TCIL on August 29, 2023. Consequently, the strict application of Regulation 8A(a) of the SEBI ICDR Regulations would restrict realization of the objective of the Government of India as set out in the DIPAM OMs, DoE OM, DoT Letter and the resolution passed by the board of directors of TCIL on August 29, 2023, since TCIL would only be able to sell 50% of its stake in the Company, and this would restrict TCIL from selling its entire stake in the Company as a part of the Offer.

2.7 The Offer is entirely in the form of an offer for sale by the TCIL, a Central Public Sector Undertaking wholly owned by the Government of India, and there is no fresh issuance of equity shares by the Company through the Offer. Accordingly, the Company requests that it be exempted from the requirement of Regulation 8A(a) of the SEBI ICDR Regulations to comply with the mandate of disinvestment given by the Government of India.

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2.8 It may be noted that Bharti Airtel Limited, in its capacity as the Promoter and a majority shareholder of the Company, is not selling any Equity Shares in the Offer and will continue to hold majority shareholding even post completion of the Offer.

3. Request for Exemption

3.1. It is submitted that under Regulation 300(1) of the SEBI ICDR Regulations, a relaxation from the strict enforcement of the requirements under the SEBI ICDR Regulations can be sought.

3.2. In view of the above, we request you to provide the exemption under Regulation 300(1) of the SEBI ICDR Regulations, from strict enforcement of Regulation 8A(a) of the SEBI ICDR Regulations in relation to the restriction on Equity Shares which may be offered for sale by TCIL in the Offer, such that TCIL may be permitted to sell up to its entire holding of 30% of the pre-issue share capital of the Company through the Offer to ensure realization of the objective of the Government of India as set out in the DIPAM OMs, DoE OM, DoT Letter and the resolution passed by the board of directors of TCIL on August 29, 2023.

3.3. The Company has made payment of ₹ 1,00,000/- (Rupees One Lakh only), along with GST of ₹ 18,000/- (Rupees Eighteen Thousand only) for a total amount of ₹ 1,18,000/- (Rupees One Lakh Eighteen Thousand and Six only) via RTGS to the bank account number AVEP113090086801 mentioned in the challan created through the weblink at <https://formbuilder.ccavenue.com/live/sebi> on November 27, 2023 vide transaction bearing transaction reference number N332232755034799 paid on November 28, 2023, towards fees payable as per Regulation 300(3) of the SEBI ICDR Regulations.

3.4. We trust the information included in this letter meets your application requirements and look forward to receiving your approval.

For any further queries, you may please contact the undersigned.

Thanking you.

Sincerely,

On behalf of **Bharti Hexacom Limited**



Richa Gupta Rohata
Company Secretary and Compliance Officer
Bharti Crescent, 1, Nelson Mandela Road,
Vasant Kunj, New Delhi 110 070

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ANNEXURE A

SHAREHOLDING PATTERN OF THE COMPANY AS ON NOVEMBER 30, 2023

S. No.	Name of the shareholder	Number of Equity Shares	Percentage of the Equity Share capital (%)
1.	Bharti Airtel Limited	174,999,995	69.99
2.	Telecommunications Consultants India Limited	75,000,000	30.00
3.	Puneet Tandon*	1	Negligible
4.	Suman Singh*	1	Negligible
5.	Pankaj Tewari*	1	Negligible
6.	Devendra Khanna*	1	Negligible
7.	Rohit Krishan Puri*	1	Negligible
Total		250,000,000	100.00

*Beneficial interest held by Bharti Airtel Limited



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ANNEXURE B

SHAREHOLDING PATTERN OF TCIL AS ON NOVEMBER 24, 2023

S. No.	Name of the shareholder	Number of equity shares of face value of Rs. 10 each of TCIL	Percentage of the equity share capital of TCIL (%)
1.	President of India through the DoT, Ministry of Communications, Government of India	59,171,200	99.95
2.	Shri B.K. Nath, DDG (SU), Govt. Nominee	3,600	Negligible
3.	Shri Virender Prasad, DDG (IT), DoT, Govt. Nominee	3,600	Negligible
4.	Shri Surya Prakash, DDG (Recruitment), Govt. Nominee	3,600	Negligible
5.	Shri Kamal Kumar Agarwal, DDG (S-PPI), Govt. Nominee	3,600	Negligible
6.	Shri Ashok Kumar, Director (AS-I), Govt. Nominee	3,600	Negligible
7.	Shri R.P. Giri, Dir(SU-III), Govt. Nominee	3,600	Negligible
8.	Shri R.K. Meena, Director (DS-II), Govt. Nominee	3,600	Negligible
9.	Shri Suneel Niraniyan, DDG (Satellite), Govt. Nominee	3,600	Negligible
Total		59,200,000	100.00

Note: 100% shares are held by the Government of India.



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ANNEXURE C

The computation of net tangible assets, operating profit, net worth, monetary assets, as derived from the audited financial statements of the Company, as at and for the six months period ended September 30, 2023 and the financial years ended March 31, 2023, March 31, 2022 and March 31, 2021, is set forth below:

Particulars	September 30, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Net Tangible Assets (A) (₹ in million)	(7,219)	(7,406)	(17,023)	(37,303)
Operating Profit/(Loss) (B) (₹ in million)	8,094	12,324	3,730	(2,328)
Net Worth (C) (₹ in million)	42,033	42,095	36,605	19,860
Monetary Assets (D) (₹ in million)	800	887	1,209	592
Monetary Assets as a % of Net Tangible Assets (E) = (D)/(A) (in %)	(11.08%)	(11.98%)	(7.10%)	(1.59%)

Notes:

1. Net Tangible Assets = Sum of total assets excluding intangible assets, intangibles assets under development, right of use assets and deferred tax assets (net) less sum of total liabilities excluding lease liabilities and spectrum related borrowings. Spectrum related borrowings is ₹ 14,262 million for the six months period ended September 30, 2023 and ₹ 14,615 million, ₹ 1,081 million and ₹ 3 million the preceding three Fiscals ending March 31, 2023, March 31, 2022 and March 31, 2021 respectively, which is presented as Borrowing in the financial statements.
2. Operating profit / (loss) represents aggregate value of profit before tax, exceptional item, finance cost and other income.
3. The average operating profit/(loss) of the Company for the preceding three Fiscals ending March 31, 2023, March 31, 2022 and March 31, 2021 is ₹ 4,575 million.
4. Net worth represents our total equity, which includes equity share capital and other equity. For the purposes of the above, "net worth" as per the SEBI ICDR Regulations means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, but does not include reserves created out of revaluation of assets, write-back of depreciation, each as applicable for our Company.
5. Monetary assets represent aggregate value of cash and cash equivalents and other bank balances.



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ANNEXURE-D

(₹ in million)

Particulars	Reference	Six months period ended September 30, 2023	Year ended 31 March		
			2023	2022	2021
Revenue from operations	A	34,202	65,790	54,052	46,023
Other Income	B	1,377	1,402	888	1,020
Total revenue	C = (A + B)	35,579	67,192	54,940	47,043
Network operating expenses	D	7,755	15,863	14,862	14,279
Access charges	E	3,497	9,833	11,331	13,454
License fee / spectrum charges	F	3,137	6,329	5,718	4,379
Employee benefits expense	G	534	903	764	763
Sales and marketing expenses	H	1,884	3,067	1,993	1,410
Other expenses	I	836	1,938	1,244	1,214
Total expense	J = (D+ E+F+G+H+I)	17,643	37,933	35,912	35,499
Profit before depreciation, amortization, finance cost, exceptional items and tax	K = (C-J)	17,936	29,259	19,028	11,544
Depreciation and amortisation expenses	L	8,465	15,533	14,410	12,852
Finance costs	M	3,099	6,388	5,718	5,166
Profit/(loss) before exceptional items and tax	N = (K-L-M)	6,372	7,338	(1,100)	(6,474)
Exceptional items	O	3,030	-	(19,511)	3,417
Profit/(loss) before tax	P = (N-O)	3,342	7,338	18,411	(9,891)
Tax expenses	Q	2,651	1,846	1,665	448
Profit/(loss) for the period/year	R = (P-Q)	691	5,492	16,746	(10,339)
Operating profit	S = (N+M-B)	8,094	12,324	3,730	(2,328)



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