

# SEBI CONSENT ORDER

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*January 16, 2011*

## *Disclaimer*

As per SEBI consent guidelines, all information submitted and discussions in pursuance of consent orders **may not be released to the public**. Accordingly, **no queries** can be entertained on the **facts of the case, basis for the consent terms**, and related matters. This presentation only explains the **scope of the consent order**, in the interests of over 11 million investors of the Group, in view of distorted reports thereon in a section of the media.

**Just some of the misleading headlines....**

**RNRL, R-Infra barred  
from trading till 2012**

**Anil out of markets for a yr**

**Anil Ambani, R-Infra  
& RNRL barred**

**Anil Ambani barred  
from market**

**Indian billionaire barred from investing in  
stock market**

## The Facts are Completely different to reports...

- ❑ **FACT 1** : SEBI has **NOT** banned / debarred RInfra, RNRL, Anil Ambani, other Directors from capital markets
- ❑ **FACT 2** : SEBI has **NOT** banned / debarred RInfra, RNRL, Anil Ambani, other Directors from stock markets
- ❑ **FACT 3** : SEBI has **NOT** barred “Indian Billionaire” from stock markets
- ❑ **FACT 4** : SEBI has **NOT** barred Anil Ambani from market
- ❑ **FACT 5** : SEBI has placed **NO** restrictions on raising of equity and debt resources by any Reliance ADA Group company or individual

# Impact of Incorrect Reporting

- ❑ Any statements or innuendo contrary to the true import and meaning of the SEBI consent order are :
  - ✘ totally false
  - ✘ highly defamatory
  - ✘ detrimental to the interests of our over 11 million investors – Largest shareholder family in the world
  
- ❑ **Constructive reporting** based on facts and careful reading of the SEBI order will best serve interests of all stakeholders

## SEBI Consent Guidelines - Background

- ❑ SEBI Consent guidelines introduced in April, 2007
- ❑ Consent philosophy in line with regulatory practices in developed markets
- ❑ US SEC settles over 90% of cases through consent orders
- ❑ SEBI has passed **over 1,000 consent orders** in the past nearly 4 years – More than 1 per day on average

# Consent - SEBI's Stated Objectives

- ❑ Avoiding long drawn litigation before SEBI / SAT / Courts
- ❑ Reduction of regulatory costs
- ❑ Saving of time and efforts in relation to enforcement action
- ❑ Appropriate deterrence through payment of consent fee, etc.

# Consent – Companies' Objectives

- ❑ Application made **“without admitting or denying guilt”**
- ❑ **Avoid long drawn litigation** before SEBI / SAT / HC / SC
- ❑ **Avoid distraction** of management time
- ❑ **Avoid huge legal costs**
- ❑ **End regulatory uncertainty** in the interest of all stakeholders
- ❑ **Avoid unwarranted and speculative trial** by media running over a period of several years

*Continued.....*

# Consent – Companies' Objectives

- ❑ **Preserve growth prospects fully**
- ❑ **Maintain full financial flexibility** to implement existing and future projects
- ❑ **No burden on Companies**
- ❑ **No compromise to interests of investors** and all other stakeholders



# Consent Process

- ❑ **Purely voluntary** on part of applicant Companies and individuals
- ❑ Applicant proposes consent terms – **Not imposed or induced by SEBI**
- ❑ Application may be made by
  - **admitting guilt; or**
  - **without admitting or denying guilt**
- ❑ Proposed consent terms referred to **independent** High Powered Committee (HPC)
- ❑ HPC of retired Judge of High Court and 2 **professional external experts**
- ❑ When the HPC agrees with the proposal, it recommends matter to a **panel of 2 Whole Time Members of SEBI**
- ❑ SEBI Panel passes a suitable order in view of the independent HPC recommendation

# Consent Terms

## Settlement Charge – Rs. 25 crore each

- ❑ **NOT “penalty” or “fine”**
- ❑ Jointly and severally on Company and specified directors
- ❑ In the interests of 11 million investors, **Directors have made payment of entire settlement fee**
- ❑ **No burden on RInfra and RPower**

## Rotation of Statutory Auditors

- ❑ The Company has already implemented the policy of rotation of Statutory Auditors

# Consent Terms

## Investments – Company

- ❑ RInfra will not make investment in listed securities in the secondary markets till December 2012

# Consent Terms

## Investments - Company

- ❑ **Rlnfra** maintains its ability to make the following investments in capital / stock markets **even today**:
  - ✓ Mutual Funds (Fixed Income, Money Market & Equity)
  - ✓ Primary issuances (e.g. IPOs, FPOs, Right issues, Bonus issues, Preferential allotments)
  - ✓ Buyback of shares
  - ✓ Open offers under SEBI Takeover Code (including inter alia for M&A, increase in stake, etc.)
  - ✓ Investments in unlisted securities
  - ✓ Disinvest / Monetise existing as well as future listed and unlisted investments

# Consent Terms

## Investments – Directors (including Anil Ambani)

- ❑ Specified Directors will not make investment in listed securities in the secondary markets till December 2011

# Consent Terms

## Investments – Directors (including Anil Ambani)

- ❑ The **Directors (including Anil Ambani)** maintain their ability to make the following investments in capital / stock markets **even today**:
  - ✓ Mutual Funds (Fixed Income, Money market & Equity)
  - ✓ Primary issuances (e.g. IPOs, FPOs, Right issues, Bonus issues, Preferential allotments)
  - ✓ Open offers under SEBI Takeover Code (including inter alias for M&A, increase in stake, etc.)
  - ✓ Investments in unlisted securities
  - ✓ Disinvest / Monetise existing as well as future listed and unlisted investments

# Consent Terms

## Investments - Anil Ambani personally

- ❑ Approach has broadly always been to strengthen companies by subscribing to primary issuances
- ❑ In the last 5 years, have subscribed to:
  - ✓ Preferential allotments
  - ✓ IPO (Reliance Power)
- ❑ **This ability and commitment to support the Group companies is unaffected** and remains intact even today

## Full Financial Flexibility - Fund Raising & Growth

- ❑ **Full ability preserved by RInfra, RPower (and their subsidiaries), and Anil Ambani group to raise equity and debt resources** for existing and future projects, through :
  - ✓ Follow-on Public Offers (FPO) of equity shares
  - ✓ IPO of securities other than equity shares
  - ✓ IPO of unlisted subsidiaries of the Company
  - ✓ Rights issue
  - ✓ Bonus shares
  - ✓ GDRs
  - ✓ QIP
  - ✓ ECB
  - ✓ FCCB, etc.



# Other Group Companies

- ❑ SEBI consent order has **NO impact or consequence on investments and / or resource mobilisation** of other group companies, including inter alia:
  - ✓ Reliance Communications
  - ✓ Reliance Capital
  - ✓ Reliance MediaWorks
  - ✓ Reliance Broadcast Network

# SUMMARY

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# Summary

- ✓ RInfra, RNRL, Anil Ambani and other directors **NOT “banned from capital / stock markets” or “investments”**
- ✓ **NO enforcement order** imposing a ban or penalty
- ✓ **Voluntary consent process :**
  - proposal by applicants
  - recommendation by independent HPC
  - acceptance by SEBI

# Summary

- ✓ RInfra and RPower **retain full financial flexibility** to raise resources and implement their growth plans
- ✓ Reliance Infra poised to be **India's largest infrastructure company**, with Net Worth of over Rs 22,000 crore
- ✓ Reliance Power will be **India's largest power generation company**, with Market Cap already over Rs 40,000 crore
- ✓ **Certainty of regulatory outcome** protects and enhances overall value for all stakeholders

RELIANCE

THANK YOU

RELIANCE