



# **JIGAR P. SHAH & ASSOCIATES**

## **CHARTERED ACCOUNTANTS**

Date: 12<sup>th</sup> September, 2019

To,

**The Board of Directors**

**Infibeam Avenues Limited**

28th Floor, GIFT Two Building,

GIFT CITY, Gandhinagar

Gujarat - 382355

To,

**The Board of Directors**

**DRC Systems India Private Limited**

24th Floor, GIFT Two Building,

GIFT CITY, Gandhinagar

Gujarat - 382355

To,

**The Board of Directors**

**Suvidhaa Infoserve Private Limited**

24th Floor, GIFT Two Building,

GIFT CITY, Gandhinagar

Gujarat - 382355

**Subject: Share Entitlement Ratios**

Dear Sir,

We refer to the Job Arrangement Letter ("JAL") with Jigar P. Shah & Associates ("JPS&Asso." or "us" or "we"), wherein Infibeam Avenues Limited ("Infibeam"), DRC Systems India Private Limited ("DRC") and Suvidhaa Infoserve Private Limited ("Suvidhaa") has requested us to recommend an entitlement ratios of equity shares in connection with the proposed

- Demerger of SME E-Commerce Services Undertaking of Infibeam and transfer of the same to Suvidhaa
- Demerger of E-Commerce Business Undertaking of NSI and transfer of the same to Suvidhaa
- demerger of the Theme park & Event Software Undertaking of Infibeam and transfer of the same to DRC

("Transaction")



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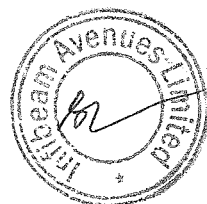


## JIGAR P. SHAH & ASSOCIATES

### CHARTERED ACCOUNTANTS

#### BACKGROUND

- a) Infibeam Avenues Limited (formerly known as Infibeam Incorporation Limited) or “Infibeam” or “Demerged Company 1” is a public limited company incorporated under the provisions of Companies Act, 1956 with Corporate Identification Number L64203GJ2010PLC061366. The registered office of Infibeam is situated at 28th Floor, GIFT Two Building, Block No. 56, Road-5C, Zone-5, GIFT CITY, Gandhinagar – 382 355, Gujarat, India. The equity shares of Infibeam are listed on the BSE Limited (‘BSE’) and National Stock Exchange of India Limited (‘NSE’). It is registered to carry on the business of digital payments, E-commerce services, software business and e-commerce technology platforms and provide a comprehensive suite of web services spanning digital payment solutions, data centre infrastructure, software platforms etc.
- b) Suvidhaa Infoserve Private Limited or “Suvidhaa” or “Resulting Company 1” was incorporated as a private limited company under the provisions of the Companies Act, 1956 under the corporate identity number U72900MH2007PTC171937. The registered office of Suvidhaa was later on shifted to Gujarat under the corporate identity number U72900GJ2007PTC109642. The registered office of Suvidhaa is situated at Unit No 02, 28th Floor, GIFT-II Building, Block No. 56, Road-5C, Zone-5, Gift City Gandhinagar, Gandhinagar – 382355, Gujarat, India. Resulting Company 1 is in the process of converting into a public company and a special resolution of the members of Resulting Company 1 has been passed on 27 August 2019 for conversion of the company into a public company. The Resulting Company 1 shall file the necessary documents with the RoC for the purpose of conversion into a public company. It is registered to provide facility to make payments for a host of services like utility bill payment, renewal insurance premium collection, telecom, mobile, DTH recharges besides travel ticketing (rail, air and bus), domestic remittance services, merchant acquiring services etc.
- c) DRC Systems India Private Limited or “DRC” or “Resulting Company 2” was incorporated as a private limited company under the provisions of the Companies Act, 1956 under the corporate identity number U72900GJ2012PTC070106. The registered office of DRC is situated at 24th Floor, GIFT Two Building, Block No. 56, Road-5C, Zone-5, GIFT CITY, Gandhinagar – 382 355, Gujarat, India. Resulting Company 2 is in the process of converting into a public company and a special resolution of the members of Resulting Company 2 has been passed on 16 August 2019 for conversion of the company into a public company. The Resulting Company 2 shall file the necessary documents with the RoC for the purpose of conversion into a public company. It is registered to undertake software business, services across e-commerce, content management system, entertainment events management system, payment, processing system, mobile application, learning management system as well as ERP for both front-end user interface as well as back-end.
- d) NSI Infinium Global Private Limited or “NSI” or “Demerged Company 2” was incorporated as a private limited company under the provisions of the Companies Act, 1956 under the corporate identity number U64203GJ2002PTC040741. The registered office of NSI is situated at 27th Floor, GIFT Two Building, Block No. 56, Road-5C, Zone-5, GIFT CITY, Gandhinagar – 382 355, Gujarat, India. Demerged Company 2 is in the process of converting into a public company. The Demerged Company 2 shall file the necessary documents with the RoC for the purpose of conversion into a public company. It is inter-alia engaged in E-commerce business, etc.
- e) Infibeam, NSI, DRC and Suvidhaa are jointly referred to as “Companies”.





# JIGAR P. SHAH & ASSOCIATES

## CHARTERED ACCOUNTANTS

### SCOPE AND PURPOSE

We understand that "Transactions" are envisaged by a Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013, including rules and regulations made thereunder. Infibeam, DRC & Suvidhaa have appointed Jigar P. Shah & Associates Chartered Accountants, to provide the Share Entitlement Exchange Ratios for issue of equity share of DRC & Suvidhaa to the shareholders of Infibeam and NSI as consideration under the scheme of arrangement.

Companies have informed us that they have appointed Kunvarji Finstock Private Limited ("KFPL") to provide a Fairness Opinion on the Recommended Share Entitlement Ratio for the purpose of aforesaid demergers.

We have carried out relative valuation of the equity Shares of DRC & Suvidhaa and demerging businesses of Infibeam and NSI with view to arrive at the Share Entitlement Ratio as at the date of this report, for the proposed Transactions.

Estimating Share Entitlement Ratios and providing Valuation Report is our deliverable to the above agreement.

This Share Entitlement Ratios Report ("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 herein.

### SOURCES OF INFORMATION

In arriving at the opinion set forth below, we have relied on the following information:

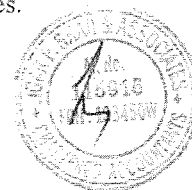
- Audited financial results of Infibeam, NSI and DRC for the two year ended 31<sup>st</sup> March, 2018 and 31<sup>st</sup> March, 2019;
- Audited financial result of Suvidhaa for the year ended 31<sup>st</sup> March, 2018 and 31<sup>st</sup> March, 2019;
- Draft Scheme of Arrangement for the transactions; Projected results pertaining to the transactions;
- Past financial results for the demerging business from Infibeam and NSI;
- Financial Information to the extent available in Public Domain;
- Information provided by leading database sources, market research reports and other published reports;
- Other Information provided by, as well as discussions held with Companies.
- Recent transactions of investments in Companies

### 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 service does not represent accounting, assurance, accounting/tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

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This Report, its contents and 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 sources of information as indicated above. The Management has represented that the business activities of Companies including their subsidiaries and associates, as, applicable, have been carried out in the normal and ordinary course up to the Report date and that no material adverse change has been occurred in their respective operations and financial position between and up to the Report date.

A valuation of this nature is necessarily based on (a) prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on and (b) the information made available to us as of, the date hereof. Events 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.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Companies 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).

In the course of the Valuation, we were provided with both written and verbal information, including market, technical, financial and operating data. In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification (i) the accuracy of the information that was publicly available and (ii) the accuracy of information made available to us by the Companies. We have not carried out a due diligence or audit of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. We are not legal or regulatory advisors with respect to legal and regulatory matters for the Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/on behalf of the companies. The Management of the Companies has indicated to us that it has understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and its impact on the Report. Also, we assume no responsibility for technical information (if any) furnished by the Companies. However, nothing has come to our attention to indicate that the information provided was materially misstated/incorrect or would not afford reasonable grounds upon which to base the Report. We do not imply and it should not be considered that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

This Report does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigations 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 books of accounts. Therefore, no responsibility is assumed for the matters of a legal nature.

The fee for the Engagement is not contingent upon the results reported.

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## CHARTERED ACCOUNTANTS

We owe responsibility only to the Board of Directors of Companies, who have retained us, 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 to Companies.

This Report is Subject to the laws of India. JPS&Asso. would not be referred as "expert" in any regulatory filings.

This Report is prepared for Companies and is to be used only for the purposes as stated in the Report and shall not be copied, disclosed or circulated or referred to in correspondence or discussion with any party or person including potential investors. This Report is confidential and it is given on the express understanding that it is not communicated, in whole or in part to any third party without, JPS&Asso. written consent. Neither the Report nor its content may be used for any purpose other than as specified herein, without prior written permission of JPS&Asso.

Neither the 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 the third parties, other than in connection with the proposed transactions, without our prior written consent.

### *Disclosure to Authorities in India*

To the extent required under the applicable laws in relation to the Transaction, the Report can be shared with the shareholders of the Companies, Registrar of Companies, NCLT of the State(s) where registered offices of the Companies are present and other relevant judicial, regulatory or government authorities as may be mandatorily required by the applicable laws, in connection with the Transaction outlined here. You may disclose the Report to your lawyers, statutory auditors, and advisors as long as you inform them, in advance, that we accept no liability to them and that no onward disclosure may be made. To the extent required by law/ regulatory authority's/ stock exchanges, we will provide workings supporting our recommended share exchange ratio. To extent required by any law or authority. We will co-operate with the Companies to address the queries /comments of regulatory, governmental or judicial authorities.

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

### APPROACH

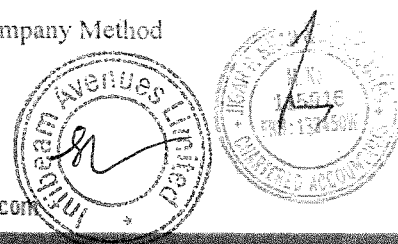
Arriving at the entitlement ratios of equity Shares for the transaction would require determining the value of SME E-Commerce Services Undertaking, E-Commerce Business Undertaking and Theme park & Event Software Undertaking in terms of the value of the equity shares of Suvidhaa and DRC. These values are to be determined on a relative basis.

There are several commonly used and accepted methods for determining the value of the business/shares of the company, which has been considered in present case, to the extent relevant and applicable, including:

1. Market Approach
  - a. Comparable Companies 'Multiples method /Guideline Company Method
  - b. Historical and Current Market Price Method

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### **CHARTERED ACCOUNTANTS**

2. Income Approach
  - a. Discounted Cash Flow Method
3. Cost Approach
  - a. Net Asset Value Method (NAV)

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the Valuation of Companies and their assets.

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 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 and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

#### **Comparable Companies Multiples method /Guideline Company Method**

Under this method, value of equity shares of a company is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifest through Stock market valuations of listed companies and the transaction valuation. This valuation is based on the principle that market valuations, taking places between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for the differences between the circumstances.

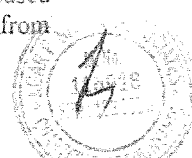
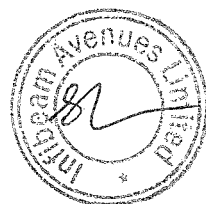
#### **Market Price Method**

The market price of an Equity share as quoted on stock exchange is normally considered as the value of the equity shares of that Company where such quotations are arising from the shares being freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. Where shares in a company are bought and sold on the stock exchange and there are no abnormalities affecting the market price, the price at which the shares are changing hands in the ordinary course of business is usually their true value and are referred as Listed Price Method. These quotations generally reflect the value of the asset having regard to the several factors which are taken into consideration by persons who transact business on stock exchange and by buyers who want to invest their money in any particular share or shares.

Price of Recent Investment (PORI) – Under this approach, price of recent investment or transaction in the firm's equity shares at arm's length is considered. Recent investment provides a good indication of the fair market value of a company. PORI is an approach under the Market Price Method

#### **Discounted Cash Flows (DCF) Method**

Discounted Cash Flow Method ("DCF Method") is a form of the income approach that is commonly used to value businesses or equity interests. The DCF Method involves estimating the future cash flows of a business and discounting them to their present value. The discount rate selected is based on consideration of the risks inherent in the investment and market rates of return available from



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alternative investments of similar type and quality as of the Valuation Date. DCF Method is based on the concepts of "Time Value of Money" which states "cash today is more worth than the same amount of cash in the future."

We must emphasize that realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecast relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences could be material.

#### 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. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" criteria or in case where the asset base dominates earnings capability.

For arriving at the fair value of the equity shares of Suvidhaa and NSI / E-Commerce Business Undertaking, we have used PORI Method within the Market Approach. Since the fair value derived based on the Market Approach are regarded as the good barometer of fair value of the equity shares at which an informed buyer and an informed seller are willing to transact in the equity shares of the company, we have assigned 100% weightage to the Market Approach.

For arriving at the fair value of the SME E-Commerce Services Undertaking and Theme park & Event Software Undertaking of Infibeam and shares of DRC, we have used the DCF Method within Income Approach. We have assigned 100% weightage to Income Approach.

#### CONCLUSION

Though different values have been arrived at under each of the above approaches, for the purposes of recommending share entitlement ratios, it is necessary to arrive at a single value for the shares of both the Companies. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each of the Companies. Our exercise is to work out relative values of shares of the Companies. For the purpose, it is necessary to give appropriate weightage to the values arrived at under each approach discussed above.

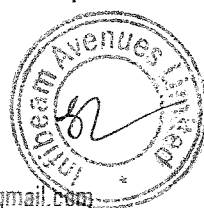
The entitlement ratios proposed for the transactions has been arrived on the basis of a relative valuation of the Companies and demerging Undertakings based on the various methodologies explained herein earlier and various qualified factors relevant to each company, having regard to information base, key underlying assumptions and limitations.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share.

Again, it is understood that this analysis does not represent a fairness opinion.

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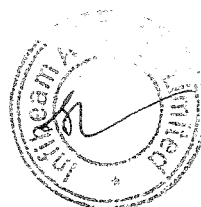
## CHARTERED ACCOUNTANTS

Computation of exchange ratio

| Valuation Approach                      |                 | Asset Approach | Income Approach | Market Approach | Relative Value Per Share |
|---|-----------------|----------------|-----------------|-----------------|--------------------------|
| SME E-Commerce Services Undertaking     | Value Per Share | -              | 7.90            | -               | 7.90                     |
|   | Weight          | 0%             | 100%            | 0%              |                          |
| E-Commerce Business Undertaking         | Value Per Share | -              | -               | 3,30,687.00     | 3,30,687.00              |
|   | Weight          | 0%             | 0%              | 100%            |                          |
| Theme park & Event Software Undertaking | Value Per Share | -              | 0.30            | -               | 0.30                     |
|   | Weight          | 0%             | 100%            | 0%              |                          |
| Suvidhaa Infoserve Private Limited      | Value Per Share | -              | -               | 60.00           | 60.00                    |
|   | Weight          | 0%             | 0%              | 100%            |                          |
| DRC Systems India Private Limited       | Value Per Share | -              | 123.71          | -               | 123.71                   |
|   | Weight          | 0%             | 100%            | 0%              |                          |

In light of the above, and on a consideration of all relevant factors and circumstances as discussed and outlines hereinabove, we consider that the entitlement ratios for the transactions should be:

| Transactions  | Share Entitlement Ratios   |
|---|--|
| Demerger of SME E-Commerce Services Undertaking from Infibeam to Suvidhaa | 197 equity shares of Suvidhaa of INR 1/- each fully paid up for 1,500 equity shares of Infibeam of INR 1/- each fully paid up. |
| Demerger of E-Commerce Business Undertaking from NSI to Suvidhaa          | 1,10,229 equity shares of Suvidhaa of INR 1/- each fully paid up for 20 equity shares of NSI of INR 10/- each fully paid up.   |
| Demerger of Theme park & Event Software Undertaking from Infibeam to DRC  | 1 equity shares of DRC of INR 10/- each fully paid up for 412 equity shares of Infibeam of INR 1/- each fully paid up.         |



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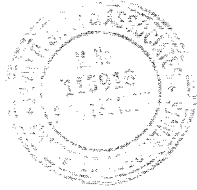
# JIGAR P. SHAH & ASSOCIATES

## CHARTERED ACCOUNTANTS

Our Share Entitlement Ratios is based on the capital structure of the Companies, the sources of information and the scope & limitations indicated above. Any variation in the capital structures of the Companies prior to the Scheme of Arrangement becomes effective may have an impact on the entitlement ratios.

Respectfully Submitted  
For Jigar P. Shah & Associates  
Chartered Accountants

Proprietor  
Firm's Registration No: 133450W  
Membership No. 115916



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**STRICTLY PRIVATE AND CONFIDENTIAL**Ref: ICON/2019-20/R/Infibeam12<sup>th</sup> September 2019

To,

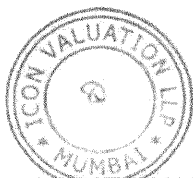
|  |  |
|--|--|
| The Board of Directors<br><b>Infibeam Avenues Limited</b><br>28 <sup>th</sup> Floor, Gift Two Building, Block No. 56,<br>Road-5C, Zone-5, Gift City,<br>Gandhinagar, Gujarat 382355          | The Board of Directors<br><b>Suvidhaa Infoserve Private Limited</b><br>Unit No. 02, 28 <sup>th</sup> Floor, Gift Two Building,<br>Block No. 56, Road-5C, Zone-5, Gift City,<br>Gandhinagar, Gujarat 382355 |
| The Board of Directors<br><b>DRC Systems India Private Limited</b><br>24 <sup>th</sup> Floor, Gift Two Building, Block No. 56,<br>Road-5C, Zone-5, Gift City,<br>Gandhinagar, Gujarat 382355 |  |

Dear Sirs,

Re:

- a) Recommendation of fair equity share entitlement ratio for the proposed demerger of the SME E-Commerce Services Undertaking of Infibeam Avenues Limited into Suvidhaa Infoserve Private Limited
- b) Recommendation of fair equity share entitlement ratio for the proposed demerger of the E-Commerce Business Undertaking of NSI Infinium Global Private Limited into Suvidhaa Infoserve Private Limited
- c) Recommendation of fair equity share entitlement ratio for the proposed demerger of the Themepark & Event Software Undertaking of Infibeam Avenues Limited into DRC Systems India Private Limited

This has reference to our engagement letter Ref: ICON/2019-20/Infibeam dated 21<sup>st</sup> August 2019 and various discussions that we have had with and the information that we have received from the key executives and representatives of Infibeam Avenues Limited ('IAL'), Suvidhaa





Infoserve Private Limited ('SIPL'), and DRC Systems India Private Limited ('DRCPL') from time to time in the above matter (hereinafter individually / collectively referred to as the 'Client/(s)' or the 'Company/(ies)').

IAL and NSI are hereinafter referred to as the 'Demerging Companies'. SIPL and DRCPL are hereinafter referred to as the 'Resulting Companies'.

The small & medium enterprises e-commerce services business of IAL including IAL's strategic investment in NSI (the 'SME E-Commerce Services Undertaking'), the e-commerce business of NSI (the 'E-Commerce Business Undertaking') and the themepark and event software business of IAL (the 'Themepark & Event Software Undertaking') are hereinafter referred to as the 'Demerging Businesses'.

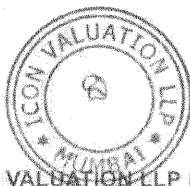
## SCOPE AND PURPOSE OF THIS REPORT

Pursuant to a Scheme of Arrangement under Sections 230 to 232 of the Companies Act 2013 including any statutory modifications or re-enactments thereof (the 'Scheme'), we understand that the managements of the Companies are exploring the possibility of :

- The demerger of the SME E-Commerce Services Undertaking of IAL into SIPL with effect from the appointed date of 1<sup>st</sup> April 2020. In consideration thereof, the equity shares of SIPL will be issued to the equity shareholders of IAL.
- The demerger of the E-Commerce Business Undertaking of NSI into SIPL with effect from the appointed date of 1<sup>st</sup> April 2020. In consideration thereof, the equity shares of SIPL will be issued to the equity shareholders of NSI.
- The demerger of the Themepark & Event Software Undertaking of IAL into DRCPL with effect from the appointed date of 1<sup>st</sup> April 2020. In consideration thereof, the equity shares of DRCPL will be issued to the equity shares of IAL.

(the 'Proposed Demergers')

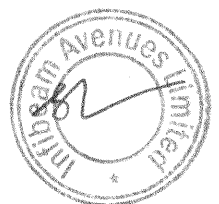
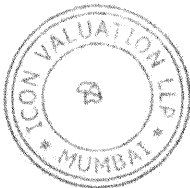
In connection with the above, the Clients have requested us to render professional services by way of recommendation of the fair equity share entitlement ratios for the Proposed Demergers (collectively referred to as the 'Ratios') as at the valuation date of 31<sup>st</sup> March 2019 (the



'Valuation Date') for consideration of the respective Board of Directors of the Companies. For this purpose, we have followed internationally accepted pricing methodologies and followed the ICAI Valuation Standards issued by The Institute of Chartered Accountants of India (the 'Standards').

As requested we have carried out a relative valuation of the Demerging Businesses of the Demerging Companies and the equity shares of the Resulting Companies as at the Valuation Date, with a view to recommending the fair equity share entitlement ratios of the equity shares of the Resulting Companies, for the equity shares of the Demerging Companies in the event of the Proposed Demergers. This report recommends, what in our opinion, are fair and equitable equity share entitlement ratios for the Proposed Demergers and is our deliverable in respect of our recommendation of fair equity share entitlement ratios for the Proposed Demergers.

This report and the information contained therein is absolutely confidential. It is intended only for the sole use and information of the Companies, and only for the purpose of obtaining regulatory approvals in connection with the Proposed Demergers. The results of the valuation and this report should not be used or relied upon by the Companies for any other purpose or by any other party for any purpose. We are not responsible to any other person / party for any decision of such person / party based on this report. Any person / party intending to provide finance / invest in the shares / business of the Companies / Demerging Businesses shall do so after seeking their own professional advice and after carrying out their own due diligence to ensure that they are making an informed decision. It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof other than by the Companies for the purpose set out earlier in this report, is not permitted. Neither this 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 by the Companies in connection with the Proposed Demergers.

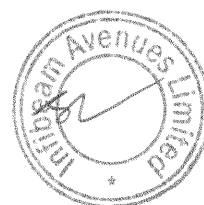
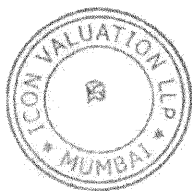


## SOURCES OF INFORMATION

The valuation exercise was undertaken on the basis of the following information relating to the Demerging Businesses and Resulting Companies, furnished to us by the representatives of the Clients and information available in the public domain:

- Draft Composite Scheme of Arrangement for the Proposed Demergers
- Extracted profit and loss accounts and balance sheets of the SME E-Commerce Services Undertaking for a period of past 3 years ended as at the Valuation Date
- Projected profit and loss accounts, balance sheets and cash flows of the SME E-Commerce Services Undertaking for a period of 5 years from the Valuation Date
- Extracted profit and loss accounts and balance sheets of the Themepark & Event Software Undertaking for a period of past 3 years ended as at the Valuation Date
- Projected profit and loss accounts, balance sheets and cash flows of the Themepark & Event Software Undertaking for a period of 5 years from the Valuation Date
- Audited financial statements of SIPL for the past 3 years year ended as at the Valuation Date
- Audited financial statements of DRCPL for the past 3 years ended as at the Valuation Date
- Projected profit and loss accounts, balance sheets and cash flows of DRCPL for a period of 5 years from the Valuation Date
- Audited financial statements of NSI for the past 3 years ended as at the Valuation Date
- Details pertaining to investments in equity shares of NSI and SIPL at arms length price
- Shareholding patterns of the Companies as at the Valuation Date
- Details of outstanding employee stock options of the Companies
- Management Discussions
- Other relevant details

We have also received the necessary explanations, information and representations which we believed were relevant to the present valuation exercise from the representatives of the Clients.



## BACKGROUND OF COMPANIES

### IAL

IAL is engaged in business of digital payments, e-commerce services, software business and e-commerce technology platforms and provides a comprehensive suite of web services spanning digital payment solutions, data center infrastructure, software platforms etc.

The equity shares of IAL are listed on The National Stock Exchange of India Limited and The BSE Limited.

The issued, subscribed and paid up equity share capital of IAL as at the Valuation Date is INR 663.39 million consisting of 663,392,240 equity shares of face value of INR 1/- each fully paid up.

We have been informed that there are additional 3,329,250 vested but unexercised outstanding employee stock options as of the date of this report. We have also been informed that other than the above employee stock options, there are no other dilutive instruments outstanding as at the date of this report. Accordingly, we have considered diluted equity share capital of IAL of 666,721,490 equity shares of INR 1/- each for the purpose of the present valuation analysis.

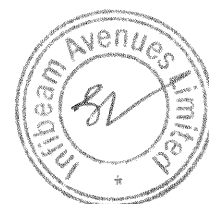
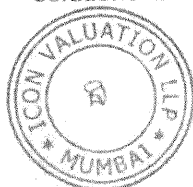
### SME E-Commerce Services Undertaking

The SME E-Commerce Services Undertaking of IAL is engaged in providing various e-commerce services to small and medium enterprises.

We have been informed by the Client that the SME E-Commerce Services Undertaking (which includes IAL's strategic investment of 15,290 equity shares in NSI) is being demerged to SIPL.

### Themepark & Event Software Undertaking

The Themepark & Event Software Undertaking of IAL is engaged in offering online platform solutions to themeparks and amusement parks in relation to theme park package bookings,



travel insurance, and event / show ticketing. The customers of the Themepark & Event Software Undertaking primarily comprise of amusement parks and resorts.

**SIPL**

SIPL is engaged in the business of providing facility to make payments for services like utility bill payment, renewal insurance premium collection, telecom, mobile, DTH recharges besides travel ticketing (rail, air and bus), domestic remittance services, merchant acquiring services etc. SIPL also leverages on its network to provide advertising solutions to business partners.

The issued, subscribed and paid up equity share capital of SIPL as at the Valuation Date is INR 105.3 million consisting of 105,301,885 equity shares of face value of INR 1/- each fully paid up.

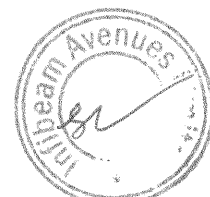
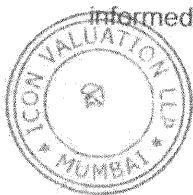
We have been informed that between the Valuation Date and the date of this report, additional 500,000 equity shares have been issued to existing shareholders. We have also been informed there are no dilutive instruments outstanding as at the date of this report. Accordingly, we have considered diluted equity share capital of SIPL of 105,801,885 equity shares of INR 1/- each for the purpose of the present valuation analysis.

**DRCPL**

DRCPL is engaged in the software business and renders services across e-commerce, content management systems, entertainment events management systems, payment, processing systems, mobile applications, learning management systems as well as ERP for both front-end user interface as well as back-end. Majority's of DRCPL's customers are located in USA.

The issued, subscribed and paid up equity share capital of DRCPL as at the Valuation Date is INR 13.5 million consisting of 1,350,000 equity shares of face value of INR 10/- each fully paid up.

We have been informed that between the Valuation Date and the date of this report, additional 900,000 bonus shares have been issued to existing shareholders. We have also been informed that there are no dilutive instruments outstanding as at the date of this report.



Accordingly, we have considered diluted equity share capital of DRCPL of 2,250,000 equity shares of INR 10/- each for the purpose of the present valuation analysis.

#### **NSI and E-Commerce Business Undertaking**

NSI is engaged in e-commerce business in India. We have been informed that as of current date NSI primarily only has the E-Commerce Business Undertaking and that remaining business if any of NSI is not a material portion of NSI.

The issued, subscribed and paid up equity share capital of NSI as at the Valuation Date is INR 0.18 million consisting of 18,293 equity shares of face value of INR 10/- each fully paid up.

We have been informed that there are no dilutive instruments outstanding as at the date of this report. Accordingly, we have considered equity share capital of NSI of 18,293 equity shares of INR 10/- each for the purpose of the present valuation analysis.

#### **VALUATION STANDARDS**

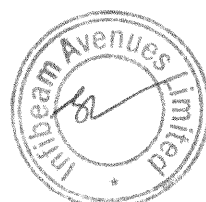
As mentioned earlier, the valuation has been undertaken based on ICAI Valuation Standards issued by The Institute of Chartered Accountants of India.

#### **VALUATION BASES**

Valuation base means the indication of the type of value and represents the fundamental premise on which the value will be based. The Standards define the following valuation bases:

- Fair Value
- Participant Specific Value
- Liquidation Value

In the present case, based on our discussions with the Clients and the purpose of the valuation, the present valuation analysis is on a going concern basis and is not specific to any identified participant. Accordingly, we have considered a Fair Value base for the present valuation exercise.



## RELATIVE VALUATION APPROACHES AND METHODOLOGIES

The Scheme envisages the Proposed Demergers of the Demerging Businesses from the Demerging Companies into the respective Resulting Companies. In consideration thereof, the equity shares of the Resulting Companies will be issued to the equity shareholders of the Demerging Companies.

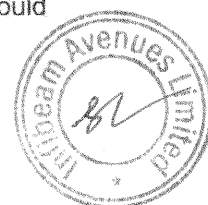
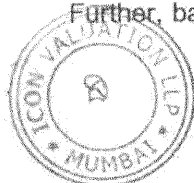
Arriving at the ratios would require determining the relative fair value of the equity shares of the Resulting Companies in terms of the relative fair value of the Demerging Businesses of the Demerging Companies i.e. a relative valuation of the businesses and equity shares of the respective companies. As per the Standards, there are several commonly used valuation approaches and methods for determining the fair value of the businesses or equity shares of a company, which can be considered for a relative valuation such as in the present case, to the extent relevant and applicable, such as:

1. Market Approach
  - a. Market Price ('MP') Method
  - b. Comparable Companies Multiple ('CCM') Method
  - c. Comparable Transaction Multiple ('CTM') Method
2. Income Approach
  - a. Discounted Cash Flow ('DCF') Method
3. Cost Approach
  - a. Replacement Cost Method
  - b. Reproduction Cost Method

The application of any particular method of valuation depends on the purpose for which the valuation is made. Although different values may exist for different purposes, it cannot be too strongly emphasised that a valuer can only arrive at one value for one purpose.

In the present case, neither the Resulting Companies, nor the Demerging Businesses are listed independently. Hence, the MP method cannot be used for the present valuation exercise.

Further, based on discussions with the Companies and our independent research, we could





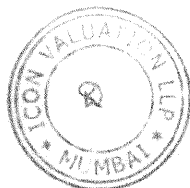
not find any listed companies which could be considered as closely and directly comparable to the Demerging Businesses / Resulting Companies and hence we did not apply the CCM method. Moreover, the replacement cost and reproduction cost which indicate the value of the net assets of the Demerging Businesses / Resulting Companies as at the Valuation Date are also not representative of their respective future potential since the present valuation is on a going concern basis with no intention to dispose off operating assets. Hence, we have not used these Cost Approach based methodologies.

Considering that the DCF method under the Income Approach is the most widely used method which captures the future potential of the business, we have used the DCF method for the valuation of the SME E-Commerce Services Undertaking, Themepark & Event Software Undertaking and the equity shares of DRCPL. In case of NSI and SIPL, we understand that there have been transactions in the companies and both these companies have recently issued equity shares to independent investors at arms length prices. We have accordingly used the CTM method under the Market Approach based on the above transactions for the valuation of equity shares of NSI and SIPL.

### **Discounted Cash Flows Method**

The DCF method is considered the most theoretically sound approach and scientific and acceptable method for determination of the value of a company. Under this technique the projected free cash flows from business operations are discounted at the weighted average cost of capital to the providers of capital to the company, and the sum of the present discounted value of such free cash flows is the value of the company.

The future free cash flows are derived considering, inter alia, the changes in the working capital and investments in capital expenditure. They are an aggregation of the free cash flows during the explicit forecast period – prepared based on the business plans – and during the post explicit forecast period, estimated using an appropriate method, and are available to all providers of the company's capital - both debt and equity.

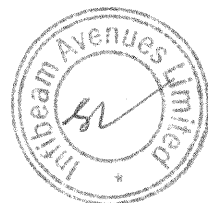
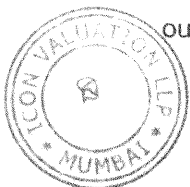


The discount rate i.e. weighted average cost of capital ('WACC'), which is applied to the free cash flows should reflect the opportunity cost to all the capital providers (namely shareholders and lenders), weighted by their relative contribution to the total capital of the company. Determining the WACC involves determining the Debt Equity ratio, Cost of Debt and the Cost of Equity.

To the value of the business so arrived at, the value of surplus / non operating assets, debt and other assets / liabilities as appropriate, if any, have to be adjusted to arrive at the total value of the business for the equity shareholders of the company.

In the present case, for the purpose of valuation of the SME E-Commerce Services Undertaking, Themepark & Event Software Undertaking and the equity shares of DRCPL:

- We have applied the DCF method to the respective projected working results as provided by the Clients. We have been provided with the projections for a period of 5 years from the Valuation Date for the explicit forecast period, by which period as informed to us by the Clients, the businesses are expected to stabilize.
- Terminal value of cash flows beyond explicit forecast period is based on the perpetuity formula on the maintainable free cash flows. For this purpose, we have considered terminal growth rates keeping in mind their growth during the respective projected periods, their long term growth potential in the respective industries and their long term expected growth in the respective economies.
- We have considered discount rates based on their respective weighted average cost of capital
- The respective operating enterprise values arrived at above have been adjusted for debt and value of surplus cash & cash equivalents and strategic investments to arrive at the equity value.
- We have also been informed that as at the Valuation Date, there are no contingent liabilities or contingent assets that could materially affect the valuation.
- The value per equity share was arrived at by dividing the value of the business for equity shareholders, arrived at above, by the respective number of diluted equity shares incorporating dilution for vested but unexercised employee stock options outstanding as at the date of this report.



## Comparable Transaction Multiple Method

The CTM method is based on the premise that where there has been any recent investment / transaction either in the shares of the subject company or in companies comparable to the subject company, then the price of such investment / transaction could provide a basis for valuation. Under this method, the valuation is based on the price at which such recent investment / transaction was made, for a limited period following the date of the relevant investment / transaction.

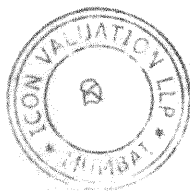
In the present case, in case of NSI and SIPL, we have been informed by both these Companies that there have been recent investments in their respective equity shares by independent parties at arms length prices. Accordingly, we have considered the price of such recent investment as the basis for valuation of equity shares of NSI and SIPL under the CTM method.

Further, we have been informed that as at the date of this report, the business of NSI primarily constitutes the E-Commerce Business Undertaking and that remaining business of NSI is not a material portion of NSI. Accordingly, the entire value as arrived at above for NSI based on the CTM method has been ascribed to the E-Commerce Business Undertaking for the purpose of the present valuation exercise.

## SCOPE LIMITATIONS

Our report is subject to the scope limitations detailed in this report. The report is to be read not in parts, but in totality and in conjunction with the relevant documents referred to in this report. We had provided a draft of this report to the Clients. The report has been reviewed by the Clients and they have confirmed that the factual information contained in this report is correct.

It should be understood that the value at which investments are made / price paid in a transaction between a willing buyer and a willing seller may differ from the values indicated in this report due to factors such as the motivation of parties, negotiation skills of the parties, the structure of the transaction or other factors unique to the transaction. This report and the



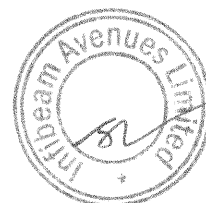
opinion / valuation contained herein is not nor should it be construed as advice relating to investing in, purchasing, selling or otherwise dealing in securities.

Valuation analysis and results are specific to the purpose of valuation and the Valuation Base. The Valuation Date mentioned in the report is as agreed per terms of our engagement. It may not be valid for any other purpose or as at any other date. Valuation analysis and results are also specific to the date of this report.

This report is issued on the understanding that the Clients have drawn our attention to all the matters, of which they are aware concerning the financial position of the Companies / Demerging Businesses and any other matter, which may have an impact on our recommendation of the Ratios, including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Demerging Businesses since the Valuation Date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Our work does not constitute an audit, due diligence, forensic investigation or certification or review of the historical financial statements of the Companies / Demerging Businesses referred to in this report. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information provided by the Clients and referred to in this report.

In the course of the valuation, we were provided with both written and verbal information. We have evaluated the information provided to us by the Clients through broad inquiry and analysis (but have not carried out a due diligence or audit or forensic investigation or review of the Companies / Demerging Businesses for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). Also, we have been given to understand by the management of the Clients that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility for any errors in the above information furnished by the Clients and their impact on the present exercise.

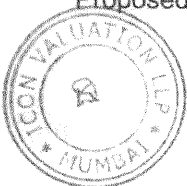


We express no opinion on the achievability of the budgeted / projected results of the Companies / Demerging Businesses as given to us by the Clients. These budgeted / projected results are the responsibility of the Companies. We are informed that the assumptions used in their preparation, are based on the Companies' present expectations of both - the most likely set of future business events and circumstances and the Company management's consequential course of action. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation 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 financial statements. Therefore, no responsibility is assumed for matters of a legal nature. Our report assumes that the Companies and the Demerging Businesses comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated.

Our report is not nor should it be construed as our opining or certifying the compliance with the provisions of any law / standards including company, foreign exchange regulatory, accounting and taxation / transfer pricing laws / standards or as regards any legal, accounting or taxation implications or issues.

This report does not look into the business / commercial reasons behind the Proposed Demergers nor the likely benefits arising out of the same. Our report is not nor should it be construed as our recommending the Proposed Demergers. Similarly, it does not address the relative benefits of the Proposed Demergers as compared with any other alternative business transaction or other alternatives, or whether or not such alternatives could be achieved or are available. Any decision by the management of the Clients regarding whether or not to proceed with the Proposed Demergers shall rest solely with the management of the Clients. This report does not in any manner address, opine on or recommend the prices at which the securities of the Companies could or should transact at following the announcement / consummation of the Proposed Demergers. In addition, we express no opinion or recommendation as to how the



shareholders or creditors of the Companies should vote at any shareholders' or creditors' meeting(s) to be held in connection with the Proposed Demergers.

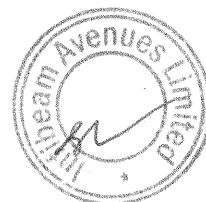
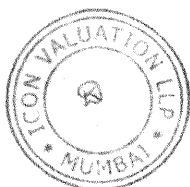
Our report does not represent a fairness opinion.

We owe responsibility to only the Board of Directors of the Clients that have retained us and nobody else, and to the fullest extent permitted by law, we accept no responsibility or liability to any third party in connection with this report. 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 to the Clients. 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 Clients, their directors, employees or agents. In no circumstances shall our liability, including that of our partners, relating to the services provided in connection with the engagement set out in this report will exceed the amount paid to us in respect of the fees charged by us for these services.

#### **RECOMMENDATION OF RATIOS**

The Ratios for the Proposed Demergers would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the equity shares of each company / business but at their relative values to facilitate the determination of a ratio.

The Ratios have been arrived on the basis of a relative valuation of the Demerging Businesses / Resultant Companies 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 Demerging Businesses / Resulting Companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

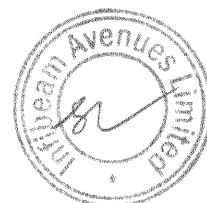


Had different values been arrived at under different methodologies, for the purpose of recommending a ratio of entitlement it would have been necessary to arrive at a single value for the equity shares of each company, for which purpose, it would have been necessary to give appropriate weightages to the values arrived at under each methodology. In the present case, as mentioned earlier, the DCF Method was used to value the SME E-Commerce Services Undertaking, Themepark & Event Software Undertaking and the equity shares of DRCPL, and the CTM Method was used to value the equity shares of NSI and SIPL. Accordingly, 100% weightages have been given to the above respective methodologies.

Please refer Annexure 1 for summary of values of the respective Demerging Businesses / Resulting Companies which form the basis for the computation of the Ratios.

In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion and judgment taking into account all the relevant factors. Valuation is an art, not an exact science. There will always be factors which are not evident from the face of the balance sheets but which strongly influence the value of an asset, and that is where the valuer's judgment plays a part. The determination of entitlement ratio is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual professional judgment. This concept is also recognized in judicial decisions. There is, therefore, no indisputable single entitlement ratio. While we have provided our recommendation of the fair equity share entitlement ratios based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the fair equity share entitlement ratios for the Proposed Demergers. The final responsibility for the determination of the entitlement ratios at which the Proposed Demergers shall take place will be with the Board of Directors of the respective companies who should take into account other factors such as their own assessment of the Proposed Demergers.

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in our opinion, the fair equity share entitlement ratios for the Proposed Demerger of the Demerging Businesses into the Resulting Companies as at the Valuation Date of 31<sup>st</sup> March 2019 would be:





- **197 (One Hundred and Ninety Seven) equity shares of SIPL of INR 1/- fully paid up for every 1,500 (One Thousand Five Hundred) equity shares of IAL of INR 1/- each fully paid up for the demerger of the SME E-Commerce Services Undertaking of IAL into SIPL**
- **110,229 (One Lakh Ten Thousand Two Hundred and Twenty Nine) equity shares of SIPL of INR 1/- fully paid up for every 20 (Twenty) equity shares of NSI of INR 10/- each fully paid up for the demerger of the E-Commerce Business Undertaking of NSI into SIPL**
- **1 (One) equity share of DRCPL of INR 10/- fully paid up for every 412 (Four Hundred and Twelve) equity shares of IAL of INR 1/- each fully paid up for the demerger of the Themepark & Event Software Undertaking of IAL into DRCPL**

Thanking you,

Yours faithfully,

For **ICON VALUATION LLP**

Registered Valuer Entity Registration Number: **IBBI/RV-E/06/2019/107**

*Devarajan*

**Devarajan Krishnan**

Partner

Registered Valuer Registration Number: **IBBI/RV/06/2018/10119**

**Date:** 12<sup>th</sup> September 2019

**Place:** Mumbai



# Annexure 1

## Summary of Values forming basis of the Fair Equity Share Entitlement Ratios for the Proposed Demergers:

### Demerger of SME E-Commerce Services Undertaking of IAL into SIPL:

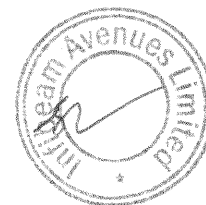
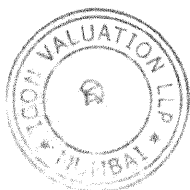
| (INR)                          | SME E-Commerce Services Undertaking of IAL |          | SIPL            |          |
|--------------------------------|--|----------|-----------------|----------|
| Valuation Approach             | Value Per Share                            | Weight % | Value Per Share | Weight % |
| Asset Approach                 | NA #                                       | -        | NA #            | -        |
| Income Approach                | 7.88                                       | 100%     | NA @            | -        |
| Market Approach                | NA \$                                      | -        | 60.00           | 100%     |
| Relative Value per Share (INR) | 7.88                                       | 100%     | 60.00           | 100%     |

|   |            |
|---|------------|
| Fair Equity Share Entitlement Ratio for the Proposed Demerger of SME E-Commerce Services Undertaking of IAL into SIPL | 1500 : 197 |
|---|------------|

### Demerger of E-Commerce Business Undertaking of NSI into SIPL:

| (INR)                          | E-Commerce Business Undertaking of NSI |          | SIPL            |          |
|--------------------------------|--|----------|-----------------|----------|
| Valuation Approach             | Value Per Share                        | Weight % | Value Per Share | Weight % |
| Asset Approach                 | NA #                                   | -        | NA #            | -        |
| Income Approach                | NA @                                   | -        | NA @            | -        |
| Market Approach                | 330,687.00                             | 100%     | 60.00           | 100%     |
| Relative Value per Share (INR) | 330,687.00                             | 100%     | 60.00           | 100%     |

|   |             |
|---|-------------|
| Fair Equity Share Entitlement Ratio for the Proposed Demerger of E-Commerce Business Undertaking of NSI into SIPL | 20 : 110229 |
|---|-------------|



## Demerger of Themepark & Event Software Undertaking of IAL into DRCPL:

| (INR)                          | Themepark & Event Software Undertaking of IAL |          | DRCPL           |          |
|--------------------------------|---|----------|-----------------|----------|
| Valuation Approach             | Value Per Share                               | Weight % | Value Per Share | Weight % |
| Asset Approach                 | NA #  | -        | NA #            | -        |
| Income Approach                | 0.29  | 100%     | 119.43          | 100%     |
| Market Approach                | NA \$   | -        | NA \$           | -        |
| Relative Value per Share (INR) | 0.29  | 100%     | 119.43          | 100%     |

|   |         |
|---|---------|
| Fair Equity Share Entitlement Ratio for the Proposed Demerger of Themepark & Event Software Undertaking of IAL into DRCPL | 412 : 1 |
|---|---------|

NA = Not Applicable / Not Adopted

# Note: Asset Approach / Cost Approach was not used since the present valuation is on a going concern basis with no intention to dispose off operating assets.

\$ Note: Market Approach was not used since the equity shares of these businesses / companies are unlisted and we could neither find any listed companies which could be considered as closely and directly comparable nor any comparable transactions with complete details available in public domain.

@ Note: Income Approach were not used in case of these companies considering that there were recent investments in these companies by independent parties at arms length prices.

