Annexure G

**SSPA & CO.**
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**STRICTLY PRIVATE & CONFIDENTIAL**

January 22, 2013

To,

**The Board of Directors**
**Axis IT&T Limited**
D - 30, Sector - 3,
Noida - 201 301,
Uttar Pradesh.

**The Board of Directors**
**Cades Digitech Private Limited**
Kirloskar Business Park, Block 'C,
2nd Floor, Hebbal ,
Bangalore - 560 024.

**Re: Recommendation of fair share exchange ratio for the purpose of proposed amalgamation of Cades Digitech Private Limited into Axis - IT&T Limited.**

Dear Sir,

As requested by the Management of Axis - IT&T Limited (hereinafter referred to as "Axis") and Cades Digitech Private Limited (hereinafter referred to as "Cades"), we have undertaken the valuation exercise of equity shares of Axis and Cades to recommend fair share exchange ratio for the proposed amalgamation of Cades into Axis (hereinafter collectively referred to as "the Companies").

**1 PURPOSE OF VALUATION**

1.1 We have been informed that the management of Axis and Cades (hereinafter collectively referred to as "the Management") are considering a proposal for the amalgamation of Cades into Axis (hereinafter referred to as "amalgamation") pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956. Subject to necessary approvals, Cades would be amalgamated into Axis, with effect from the Appointed Date of April 1, 2012. In consideration for the amalgamation, equity shares of Axis would be issued to the shareholders of Cades.

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Certified True Copy
For AXIS-IT & T LIMITED
Shweta Agrawal
SHWETA AGRAWAL
Company Secretary

1.2 In this connection, SSPA & Co., Chartered Accountants (SSPA) has been appointed to carry out the relative valuation of equity shares of Axis and Cades to recommend the share exchange ratio.

## 2 BACKGROUND

### 2.1 AXIS - IT&T LIMITED

2.1.1 Axis - IT&T Limited is one of the Engineering Design Services ('EDS') provider and having its registered address at A-264, 2nd Floor, Defence Colony, New Delhi 24.

2.1.2 Axis operates its business through two divisions - EDS and Software Development Services ('SDS'), with development centres in North America, Europe and Asia. The EDS division of Axis offers services such as product design, design support and design validation. The SDS comprise of providing interactive voice response applications. Axis predominantly provides EDS in the areas of Heavy Engineering.

2.1.3 Axis has a wholly owned subsidiary, i.e. Axis Inc which in turn has a wholly owned subsidiary namely Axis EU Limited.

2.1.4 The shares of Axis IT&T Limited are listed on The National Stock Exchange of India Limited and the BSE Limited.

### 2.2 CADES DIGITECH PRIVATE LIMITED

2.2.1 Cades Digitech Private Limited is a subsidiary of Axis IT&T Limited and is engaged in rendering EDS predominantly in Aerospace. Cades is based out of Bangalore and has a wholly owned subsidiary; Cades Technology Canada Inc based in Canada. Axis holds 51.1% stake in Cades as on March 31, 2012.

## 3 EXCLUSIONS AND LIMITATIONS

3.1 Our report is subject to the scope limitations 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.

3.2 Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. While SSPA & Co has provided an assessment of the value based on the information available, application of certain

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formulae and within the scope and constraints of our engagement, others may place a different value to the same.

3.3 No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

3.4 Our work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

3.5 A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the Companies have drawn our attention to all material information, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of shares of the Companies for the purpose of the proposed amalgamation, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

3.6 During the course of work, we have relied upon assumptions and projections made by management of the Companies. These assumptions require the exercise of judgment and are subject to uncertainties. There can be no assurance that the assumptions are accurate. The fact that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections. Since the estimates/projections relate to the future,

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actual results may be different from estimated/projected results because events and circumstances do not occur as expected, and differences may be material.

3.7 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 Companies through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

3.8 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.

3.9 This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.

3.10 SSPA, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

3.11 The information contained herein and our report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.

## 4 SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management.

(a) Draft Scheme of Amalgamation u/s 391 to 394 of the Companies Act, 1956.

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(b) Audited financial statements of Axis for the financial year ended March 31, 2012.

(c) Management certified consolidated financial statements of Axis (excluding Cades) for the financial year ended March 31, 2012.

(d) Management certified consolidated financial statements of Cades for the financial year ended March 31, 2012.

(e) Projected Consolidated Profitability Statement, Balance Sheet & Cash Flow Statement of Axis (excluding Cades) and Cades as provided by the Management.

(f) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, future plans and prospects, other relevant information and data including information in the public domain.

(g) Such other information and explanations as we required and which have been provided by the management of the Companies.

**5 VALUATION APPROACH**

5.1 For the purpose of valuation for amalgamation, generally the following approaches are adopted:

(a) the "Underlying Asset" approach;

(b) the "Income" approach; and

(c) the "Market Price" approach;

**5.2 UNDERLYING ASSET APPROACH**

5.2.1 In case of the "underlying asset" approach, the value is determined by dividing the net assets of the company by the number of shares. Since the shares are valued on a "going concern" basis and an actual realisation of the operating assets is not contemplated, we have considered it appropriate not to determine the realisable or replacement value of the assets.

5.2.2 The underlying net assets value as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

**5.3 INCOME APPROACH**

5.3.1 Under the "Income" approach, shares of Axis and Cades have been valued using

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"Discounted Cash Flow" (DCF) method.

5.3.2 Under the DCF method the projected free cash flows from business operations after considering fund requirements for projected capital expenditure and incremental working capital are discounted at the Weighted Average Cost of Capital (WACC). The sum of the discounted value of such free cash flows and discounted value of perpetuity is the value of the business.

5.3.3 The free cash flows represent the cash available for distribution to both the owners and the creditors of the business. The free cash flows are determined by adding back to profit before tax, (i) depreciation and amortizations (non-cash charge), (ii) interest on loans and (iii) any non-operating item. The cash flow is adjusted for outflows on account of capital expenditure, tax and change in working capital requirements.

5.3.4 WACC is considered as the most appropriate discount rate in the DCF Method, since it reflects both the business and the financial risk of the Company. In other words, WACC is the weighted average of the firm's cost of equity and debt. Considering an appropriate mix between debt and equity for the Company, we have arrived at the WACC to be used for discounting the Free Cash Flows of the Companies.

5.3.5 Appropriate adjustments have been made for loan funds, value of investments and cash & bank balance after considering the tax impact, wherever applicable to arrive at value for equity shareholders.

5.3.6 The underlying value for equity shareholders as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

5.4 **MARKET PRICE APPROACH**

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

5.4.2 Since Cades is an unlisted entity and this being a relative valuation for amalgamation, we have thought fit to ignore the "Market Price" approach for current valuation exercise.

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## 6 RECOMMENDATION OF FAIR EXCHANGE RATIO

6.1 The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of each company. 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 company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

6.2 Considering the fact that, after the amalgamation, the business of the Companies is intended to be continued on a "going concern" basis and that there is no intention to dispose-off the assets, to arrive at relative value of Axis and Cades, we have considered it appropriate to give a higher weightage of "4" to the value determined under the "income approach" as compared to the weightage of "1" to the value determined under the "underlying asset approach". As shares of Cades are not listed on any stock exchange, we have also applied illiquidity discount to arrive at fair value of Cades.

6.3 The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

6.4 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted

SSPA & CO. SSPA MUMBAI CHARTERED ACCOUNTANTS with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

*"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."*

6.5 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, a fair ratio of exchange in the event of amalgamation of Cades into Axis would be as under:

**10 (Ten) equity shares of Axis of Rs. 5 each fully paid up for every 12 (Twelve) equity shares of Cades of Rs 10 each fully paid up.**

Thanking you,
Yours faithfully,

SSPA & Co.

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**SSPA & CO.**
**Chartered Accountants**

Place: Mumbai