



ANNEXURE - III

# Bharat Kotak & Company

## Chartered Accountants

**STRICTLY PRIVATE & CONFIDENTIAL**

14<sup>th</sup> December 2018

To,

**The Board of Directors,**

**Lumina Datamatics Limited**

12<sup>th</sup> Floor, Phase II (Crest),

International Tech Park,

CSIR Road, Taramani, Chennai - 600 113;

**The Board of Directors,**

**Datamatics Global Services Limited**

Knowledge Centre, Plot No. 58,

Street No. 17, MIDC,

Andheri East, Mumbai - 400 093; and

**The Board of Directors,**

**LDR ERETAIL Limited**

12<sup>th</sup> Floor, Phase II (Crest),

International Tech Park,

CSIR Road, Taramani, Chennai - 600 113.

**Re: Recommendation of Fair Equity Share Exchange/Swap Ratio for the proposed amalgamation of Lumina Datamatics Limited into Datamatics Global Services Limited in terms of Part II of the Scheme and Fair Equity Share Entitlement Ratio for the proposed de-merger (after giving effect to Part II of the Scheme) of the Demerged Undertaking (as defined in the Scheme) into LDR ERETAIL Limited in terms of Part III of the Scheme**

Dear Sirs,

We refer to our engagement letter dated 1<sup>st</sup> December 2018, whereby Bharat Kotak & Company, Chartered Accountants (hereinafter referred to as "the Valuer" or "We")

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Phone No: +91 22 28999897  
Cell No: +91 98210 14580  
+91 90043 57775  
e-mail: [bharat.kotak@rediffmail.com](mailto:bharat.kotak@rediffmail.com);  
[harsh.ruparelia@yahoo.com](mailto:harsh.ruparelia@yahoo.com)



305B, Merigold,  
Ram Mandir Road,  
Opp. Saraswati Vidya Mandir,  
Vazira, Borivali (West),  
Mumbai - 400 091

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have been requested by the management of Lumina Datamatics Limited [CIN: U22220TN2007PLC065507] (hereinafter referred to as "LDL" or "the Transferor Company"); Datamatics Global Services Limited [CIN: L72200MH1987PLC045205] (hereinafter referred to as "DGSL" or "the Transferee Company" for Part II of the Scheme or "the Demerged Company" for Part III of the Scheme) and LDR ERETAIL Limited [CIN: U74120TN2015PLC123418] (hereinafter referred to as "LDR" or "the Resulting Company") to issue a report containing recommendation of fair equity share exchange / swap ratio for the proposed amalgamation of LDL with DGSL and fair equity share entitlement ratio for the proposed demerger of the Demerged Undertaking of DGSL into LDR. LDL, DGSL and LDR are collectively referred to as "Companies".

In the following paragraphs, we have summarized our understanding of the key facts; key information relied upon, valuation approach and limitations to our scope of work. Our report is structured as under:

1. Purpose of Valuation
2. Background
3. Sources of Information
4. Valuation Approach
5. Recommendation
6. Exclusions and Scope Limitations

**1. PURPOSE OF VALUATION**

- 1.1 We understand that the Management of LDL, DGSL and LDR is contemplating a Composite Scheme of Arrangement under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 and rules & regulations framed thereunder for amalgamation of LDL with DGSL in accordance with Section 2(1B) and post giving effect to the said amalgamation, de-merger of the Demerged Undertaking or ERetail & Digital Publishing Services Undertaking of DGSL into LDR in accordance with 2(19AA) of the Income-tax Act, 1961 with effect from the Appointed Date viz. April 1, 2019.
- 1.2 In this regard, we have been appointed by the LDL, DGSL and LDR to carry out the relative valuation of equity shares of LDL and DGSL for recommending (i) fair equity share exchange / swap ratio for the proposed amalgamation and (ii) fair equity share entitlement ratio for the proposed de-merger in accordance with the Management Representations under the Scheme.

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- 1.3 The valuations to arrive at the fair equity share exchange / swap ratio for the proposed amalgamation of LDL with DGSL have been carried out as on December 13, 2018 ('Valuation Date').
- 1.4 This report sets out our recommendation of the equity share exchange / swap ratio for the proposed amalgamation and discusses the approaches considered in the computation thereof.

## 2. BACKGROUND

### 2.1 LUMINA DATAMATICS LIMITED

- 2.1.1 Lumina Datamatics Limited, was incorporated as a private limited company under the name and style of Lexicon Publishing Services Private Limited in the State of Tamil Nadu on 26th November, 2007 vide Corporate Identity Number U22220TN2007PLC065507. Thereafter, its name was changed to Lumina Datamatics Private Limited on 12th May, 2014. The members of the Transferor Company passed a resolution to convert the Transferor Company into a public company. By a certificate dated 28th May, 2014, the Transferor Company was converted from a Private Limited Company to a Public Limited Company and the name of the Transferor Company was changed from Lumina Datamatics Private Limited to Lumina Datamatics Limited. Registered office of LDL is situated at 12<sup>th</sup> Floor, Phase II (Crest), International Tech Park, CSIR Road, Taramani, Chennai - 600 113.
- 2.1.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of LDL as on the valuation date is as under:

Particulars	Amount in Rs.
<u>Authorised Share Capital</u>	
1,35,00,000 Equity Shares of Rs. 10/- each	13,50,00,000
7,80,00,000 Preference shares of Rs. 10/- each	78,00,00,000
<b>Total</b>	<b>91,50,00,000</b>
<u>Issued, Subscribed and Paid-up Share Capital</u>	
1,02,28,655 Equity Shares of Rs. 10/- each, fully paid-up	10,22,86,550
2,76,70,856 Preference Shares of Rs. 10/- each, fully paid-up	27,67,08,560
<b>Total</b>	<b>37,89,95,110</b>

- 2.1.3 LDL is a subsidiary of DGSL, which holds 98.04% of equity share capital and 100% preference share capital of LDL.



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2.1.4 LDL is inter-alia engaged in the business of providing e-retail and digital publishing services in content development, design and composition, content transformation, e-books and new media, rights and permissions, QA services, project management, consulting and information services, software development and implementation, assets storage and management, adaptive assessment system, site merchandising, market intelligence and e-Commerce data publishing & e-retail solutions to clients.

## **2.2 DATAMATICS GLOBAL SERVICES LIMITED**

2.2.1 Datamatics Global Services Limited ("DGSL"), was incorporated as a private limited company in the State of Maharashtra on 3<sup>rd</sup> November, 1987 as Interface Software Resources Private Limited. The name of the Transferee Company was changed to Datamatics Technologies Private Limited on December 18, 1992. On January 14, 1999, the Company became a deemed public company, pursuant to the provisions of section 43A of the Companies Act, 1956. The members of the Transferee Company passed a resolution on December 27, 1999, to convert the Company to public company. By a certificate dated January 13, 2000, the name of the Transferee Company was changed from Datamatics Technologies Private Limited to Datamatics Technologies Limited. The name of the Transferee Company was changed to its current name Datamatics Global Services Limited pursuant to a High Court order dated December 17, 2008 and by certificate of change of name issued dated 17th January, 2014.. The Registered Office of DGSL is situated at Knowledge Centre, Plot No. 58, Street No. 17, MIDC, Andheri East, Mumbai – 400 093.

2.2.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of DGSL as on the Valuation Date is as under:

Particulars	Amount in Rs.
<u>Authorised Share Capital</u>	
10,40,00,000 Equity Shares of Rs. 5/- each	52,00,00,000
4,55,50,000 Preference shares of Rs. 10/- each	45,55,00,000
<b>Total</b>	<b>97,55,00,000</b>
<u>Issued, Subscribed and Paid-up Share Capital</u>	
5,89,49,337 Equity Shares of Rs. 5 each, fully paid-up	29,47,46,685
<b>Total</b>	<b>29,47,46,685</b>



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- 2.2.3 The equity shares of DGSL are listed on the National Stock Exchange of India Limited and BSE Limited. The equity shares of DGSL are held as under:

Sr. No.	Category	% Holding
1.	Promoter and Promoter Group	73.45
2.	Public	26.55
<b>Total</b>		<b>100.00</b>

- 2.2.4 Datamatics Global Services Limited, a company listed on the BSE and the NSE, is a technology company that builds intelligent solutions enabling data-driven businesses to digitally transform themselves through Robotics, Artificial Intelligence, Cloud, Mobility and Advanced Analytics. With its wide array of solutions, the company has developed several proprietary products and innovative solutions through which it caters to over 450 customers across the globe, some of which are Fortune 500 companies. Headquartered in Mumbai, the company has a strong presence across the America, Australia, Asia, Europe, and the Middle East.

### 2.3 LDR ERETAIL LIMITED

- 2.3.1 LDR ERETAIL Limited is an unlisted public limited company incorporated on 12<sup>th</sup> August 2015 under the Companies Act, 2013 having its registered office at 12<sup>th</sup> Floor, Phase II (Crest), International Tech Park, CSIR Road, Taramani, Chennai – 600 113.

- 2.3.2 The Authorised, Issued, Subscribed and Paid-up Share Capital of LDR as on the valuation date is as under:

Particulars	Amount in Rs.
<u>Authorised Share Capital</u>	
1,00,000 Equity Shares of Rs. 5/- each	5,00,000
49,50,000 Preference shares of Rs. 10/- each	4,95,00,000
<b>Total</b>	<b>5,00,00,000</b>
<u>Issued, Subscribed and Paid-up Share Capital</u>	
1,00,000 Equity Shares of Rs. 5/- each, fully paid-up	5,00,000
49,50,000 Preference shares of Rs. 10/- each, fully paid-up	4,95,00,000
<b>Total</b>	<b>5,00,00,000</b>

- 2.3.3 The entire equity share capital and preference share capital of LDR is held by LDL and its nominees as on the date of this valuation report.

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- 2.3.4 LDR, a wholly owned subsidiary of the LDL, has main objects of the business of providing eRetail, eCommerce enablement services products and solutions to manufacturers, traders, retailers who wish to take their business online in their merchandizing and marketing operations and to provide systems, processes, technical know-how and services enabling to do online business to manage the functions of supply chain, merchandising, marketing fulfilment and customer support in India and overseas. It also provides services and products to manufacturers, traders, retailers, and individual sellers to acquire market intelligence and to provide intelligence on the best channels for sale, best pricing, best products, best time for promotions and best regions and to develop, maintain, create database of intelligence by way of surveys and internet research and process them to generate actionable insights that help the organizations, analysts community consultants and decisions makers in companies connected with the retail domain. Further, it also carries on business of providing e-retail and digital publishing services in content development, design and composition, content transformation, e-books and new media, rights and permissions, QA services, project management, consulting and information services, software development and implementation, assets storage and management, adaptive assessment system, site merchandising, market intelligence and e-Commerce and other related business and to produce, publish, distribute and or market any content electronically or otherwise, independently or on behalf of publishers, printers or end customers. However, at present, LDR ERETAIL Limited is a non-operational company.
- 2.4 LDL, DGSL and LDR are a part of Kanodia Family Group. As represented by the Management of the Companies, we understand that the overall objective of the proposed amalgamation of LDL with DGSL and proposed de-merger of the Demerged Undertaking of DGSL into LDR is to achieve benefits as laid down in Rationale to the Scheme in Para C of the draft Scheme.

### **3. SOURCES OF INFORMATION**

- 3.1. For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management of the Companies:
- (a) Annual Report (including consolidated financial statements) of LDL, DGSL and LDR for the year ended March 31, 2018;
  - (b) Limited Review Audited Financial Statements (including consolidated financial statements) of the Companies for the period ended September 30, 2018;



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- (c) Management certified projected financial statements (consolidated) comprising of Balance Sheet, Statement of Profit and Loss and Cash Flow Statement of LDL and DGSL for the Financial years 2018-19 to 2022-23, as provided to us by the Management;
- (d) In case of LDL and DGSL, we have considered Management certified consolidated projected financial statements consisting of projected financial statements of its wholly-owned subsidiaries and step-down wholly-owned subsidiaries;
- (e) Market prices and trading history of DGSL;
- (f) Draft Composite Scheme of Arrangement as certified by the Management of the Companies;
- (g) Shareholding pattern of LDL, DGSL and LDR as on the valuation date;
- (h) Memorandum and Articles of Association of LDL, DGSL and LDR;
- (i) The Management of DGSL and LDR have represented that it is proposed to issue equity shares to the existing shareholders of DGSL in same proportion to their shareholdings in DGSL to create a mirror image shareholding of LDR in terms of Part III of the Scheme. Post giving effect to Part II of the Scheme, equity shares and preference shares of LDR shall be directly held by DGSL. Upon proposed de-merger of the Demerged Undertaking of DGSL into LDR, it is proposed that the existing shares (equity and preference) held by DGSL shall stand cancelled and 2,00,00,000 equity shares of Rs. 5/- each of LDR shall be issued to the existing shareholders in same proportion to their shareholdings held in DGSL as on the Record Date 2 (as defined in the Scheme) including to those shareholders who have been issued shares of DGSL upon Part II becoming effective. We further understand that the shareholders have approved the split of face value of shares of LDR from INR 10/- per share to INR 5/- per share;
- (j) Other relevant details regarding LDL, DGSL and LDR such as its history, past and present activities, future plans and prospects, income-tax position and other relevant information; and
- (k) Such other information and explanations as we required and which have been provided by the Management and their respective advisors.

#### **4. VALUATION APPROACH**

- 4.1. "Value is a word of many meanings". The term "value" can have different connotations depending upon the purpose which it is intended to be used. "Value" of the share of a company in the context of amalgamation may not be



the same for the purpose of other transactions viz. Sale of Shares, Divestments, etc. The value of a share cannot be considered in isolation, it would depend on the precise purpose for which it is intended to be used. The method used for the valuation of shares must necessarily be determined by the purpose for which such valuation exercise is carried out.

- 4.2. The Valuation of equity shares of any Company would need to be based on a fair value concept. The purpose of fair value is to enable valuer to exercise his discretion and judgement in light of all circumstances, in order to arrive at a value, which is fair to all parties.
- 4.3. For the purpose of valuation in terms of Part II of the Scheme, generally the following approaches are adopted:
- (a) the 'underlying asset' approach;
  - (b) the 'Income' approach; and
  - (c) the 'market' approach.

4.4. 'Underlying Asset' Approach

- (a) In case of the 'underlying asset' approach, the value per share is determined by arriving at the net assets (Assets Less Liabilities) of the Company.
- (b) In view of the fact that the amalgamation of LDL with DGSL is envisaged as a going concern and actual realization of operating assets is not contemplated, the 'underlying asset' approach is seldom used for the current valuation exercise, since it does not consider the earning capacity of the business.

4.5. 'Income' Approach

Under the "Income" approach, the equity shares of the company can be valued using Discounted Cash Flow (DCF) Method.

DCF Method

- (i) 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.
- (ii) Using the DCF method involves determining the following:
  - *Estimating the future free cash flows to equity:*  
Future Free cash flows are the cash flows expected to be generated the entity that are available to the providers of entity's capital. The free cash flows are determined by adjusting the Earnings before





Interest, Taxes, Depreciation and Amortization ('EBITDA') for capital expenditure, taxes and working capital requirements to the extent funded by the cash from operations.

- *Time Frame of such cash flows:*

The time frame for free cash flows is determined by separating the value of the business in the explicit projection period and the post explicit projection period.

- *Appropriate Discount rate (WACC):*

Under DCF Method, the time value of money is recognized by applying a discount rate to the future free cash flows to arrive at their present value as on the date of valuation. 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 company's cost of equity and debt based on target debt-to-equity ratio as perceived by the Management.

- *Terminal or perpetuity value:*

The Perpetuity value of an ongoing business is determined as present value of the estimated future free cash flows by capitalizing the free cash flows of the last year of the explicit projection period into perpetuity using an appropriate rate of return.

- *Value for Equity Shareholders:*

The Value of Business so arrived considering the Net Present Value of the explicit period and terminal or perpetuity value is adjusted for debts (net of cash & cash equivalents and surplus assets viz. Deposits, Investments) as on the valuation date to arrive at the value for equity shareholders as on the Valuation Date.

- The equity value so arrived at under 'income' approach is divided by the outstanding number of equity shares as on the date of valuation to arrive at the value per share of the Company.

Considering the nature of business of the Company and based on review of projected financial statements made available to us by the Company, we are of the view that 'income' approach may be appropriate for the current valuation exercise for arriving at relative valuation of LDL and DGSL.

4.6. 'Market' Approach

- (a) Since DGSL is listed on BSE and NSE, we have considered market price method for equity shares of DGSL.

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- (b) The Market Prices of Stock Exchange provide a barometer of faith, confidence and perception of shareholder of the value of an equity share of the Company. The volume of the transactions that takes place in the market affects prices of equity shares traded on the stock exchange.
- (c) Trading Volumes of equity shares of DGSL during the period ended 13<sup>th</sup> December 2018 ("Cut-off date") was higher on NSE as compared to BSE. Under the market price method, we have considered average of weekly high and low of the volume weighted average price ("VWAP") of DGSL during the twenty-six weeks or two weeks preceding 14<sup>th</sup> December 2018, whichever is higher is considered.
- (d) In compliance with SEBI Circular dated 10<sup>th</sup> March 2017 and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("ICDR Regulations"), issuance of shares pursuant to order under Section 230 to 232 of the Companies Act, 2013, requires to follow pricing guidelines that apply to the preferential issue, if any such issue is to be made to shareholders of an Unlisted Company.
- 4.7. For the purpose of the current valuation exercise, we have provided following weights to the valuation methodologies based on our understanding of the financial position and other various factors relevant to the valuation exercise:

Particulars	Lumina Datamatics Limited	Datamatics Global Services Limited
Method	Weight	
Underlying Asset Approach	25%	10%
Discounted Cash Flow Method (Income Approach)	75%	15%
Market Price Method (Market Approach)	N.A.	75%
<b>Total</b>	<b>100%</b>	<b>100%</b>

- 4.8. For the purpose of valuation in terms of Part III of the Scheme (Proposed demerger of the Demerged Undertaking of DGSL into LDR), due consideration has been given to the management representation reproduced under Point 3.1(i) of this report. In view of the said representation and in accordance with SEBI Circular issued in this regard, we are of the opinion that relative valuation of the Demerged Undertaking and LDR is not required to be carried out, as mentioned in Clause I(A)(4)(d) to Annexure 1 of the SEBI Circular dated 10 March 2017.
- 4.9. Except as specifically stated to the contrary, this valuation report has given no consideration to matters of legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are



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not recorded / provided for in the audited statement of profit and loss / balance sheet of LDL, DGSL and LDR.

- 4.10. It is universally recognized that the valuation is not an exact science and that estimating values necessarily involves selecting a method of approach that is suitable for the purpose. The application of any particular method of valuation depends upon various factors including nature of its business, overall objective of the transaction and the purpose of valuation.

## **5. RECOMMENDATION**

- 5.1. It is recognized that valuation of any company or assets as a matter of subject is inherently subjective and subject to various factors, which are difficult to predict and beyond our control. Valuation exercise involves various assumptions with respect to the specific industry, general business and economic conditions, which are beyond control of the Companies. The assumptions and analysis of market conditions, comparables, prospects of the Industry as a whole and the Company, which influence the valuation of companies are subject to change over a period of time and even differ between the valuers at the given point of time.
- 5.2. 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 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.'*

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- 5.3. The fair basis of amalgamation of LDL with DGSL and demerger of the Demerged Undertaking of DGSL into LDR would have to be determined after taking into consideration all the factors and methodology mentioned hereinabove. It is however important to note that in doing so, we are not attempting to arrive at the absolute value per share of LDL, DGSL and LDR and absolute value of the Demerged Undertaking for Part III of the Draft Scheme. Our exercise is to work out relative value of LDL and DGSL to facilitate the determination of a share exchange / swap ratio solely for the purpose of proposed amalgamation.
- 5.4. The Share Exchange / Swap Ratio has been arrived at based on relative equity valuation of LDL and DGSL based on Methodologies explained herein earlier and various qualitative factors relevant to each Company and the business dynamics and growth potential of the business of each Company having regard to the information received, key underlying assumptions and limitations.
- 5.5. It may herein be noted that the Stock Exchanges have issued a circular to the listed companies (i.e. BSE Circular LIST/COMP/02/2017-18 dated May 29, 2017) ("the Circular"), on advice by SEBI, laying down the format in which the valuation report shall display the workings, the relative value per share and Fair Share Exchange Ratio. The disclosure in the format suggested by the Stock Exchanges after suitably averaging and rounding off in values is as per Annexure 1 to this report.

**5.6. SHARE SWAP RATIO FOR AMALGAMATION OF LDL INTO DGSL UNDER PART II OF THE SCHEME**

In the light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report (including scope limitation and exclusions given below), in our opinion, we recommend the share exchange / swap ratio as given below for the proposed amalgamation of LDL with DGSL:

**"187 (One Hundred and Eighty-Seven) Equity Shares of Rs. 5/- each, fully paid up of DGSL to be issued for every 100 (One Hundred) Equity shares of Rs.10/- each held by the equity shareholders of LDL"**

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**5.7. SHARE SWAP RATIO FOR DEMERGER OF DEMERGED UNDERTAKING  
FROM DGSL INTO LDR UNDER PART III OF THE SCHEME**

As mentioned earlier, we understand from the Management that in the event of the proposed demerger of the Demerged Undertaking of DGSL into LDR, the ratio of allotment of equity shares in LDR is decided on the Management desired capital structure of LDR; however, the shareholders of DGSL would be entitled to the same proportion of shares of LDR which they would hold directly in DGSL as on Record Date 2 (as defined in the Scheme).

In the light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report (including scope limitation and exclusions given below), and considering that LDR would become a 100% subsidiary of DGSL upon part II of the Scheme becoming effective and prior to the proposed demerger and the shareholders of DGSL will hold shares in LDR in the same proportion as DGSL, the proposed demerger under Part III of the Scheme will be value-neutral to DGSL and its shareholders. Accordingly, in our opinion, the share entitlement ratio for Part III of the Scheme, as suggested by the Management as under, is fair and reasonable:

***"2,00,00,000 (Two Crore) fully paid equity shares of INR 5/- each of LDR to be issued and allotted to the Equity Shareholders of DGSL, in proportion to their holdings in DGSL in the event of demerger of the Demerged Undertaking of DGSL into LDR."***

**6. EXCLUSIONS AND SCOPE LIMITATIONS**

- 6.1. 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.
- 6.2. No investigation of the Company's 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. Therefore, no responsibility is assumed for matters of a legal nature.
- 6.3. Our recommendation is based on the estimates of future financial performance as projected by the Management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, after giving due considerations to the commercial and financial aspects of the Companies and the industry in which the Companies operate. But such information and estimates are not offered as assurances that the particular level



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of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the projected financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the projections in this valuation exercise should not be construed or taken as we being associated with or a party to such projections.

- 6.4. Our work does not constitute certification of the historical financial statements including the working results of the Company 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.
- 6.5. A valuation of this nature involves consideration of various factors based on prevailing stock market, financial, economic and other conditions including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Company have drawn our attention to all material information, which they are aware of concerning the financial position of the Company and any other matter, which may have an impact on our opinion, on the fair value of the equity share of the Company, including any significant changes that have taken place or are likely to take place in the financial position, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 6.6. This Valuation Report does not look into the business / commercial reasons behind the proposed transaction or address any potential synergies to the Company and other parties connected thereto.
- 6.7. 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 Company through broad inquiry, analysis and review. We assume no responsibility for any errors in the above information furnished by the Company and consequential impact on the present exercise. We do not express any opinion or offer any assurance regarding accuracy or completeness of any information made available to us.
- 6.8. Our report is not, nor should it be construed as our opining or certifying any compliance with the provisions of any law, whether in India or any other country including companies, taxation and capital market related laws or as regards any





legal implications or issues arising from any transaction proposed to be contemplated based on this Report.

- 6.9. The information contained herein and our report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of the Company, 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, can be done only with our prior permission in writing.
- 6.10. This report has been prepared solely for the Board of Directors of LDL, DGSL and LDR for the purpose of recommending (i) a fair share exchange / swap ratio for the proposed amalgamation of LDL with DGSL and (ii) a fair share entitlement ratio for the proposed demerger of the Demerged Undertaking of DGSL into LDR.
- 6.11. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management / Board of Directors of LDL, DGSL and LDR and our work and our finding shall not constitute recommendation as to whether or not the Management / the Board of Directors of LDL, DGSL and LDR should carry out the transaction.
- 6.12. This report has been prepared solely for the purpose of assisting LDL, DGSL and LDR, in determining the (i) a fair share exchange / swap ratio for the proposed amalgamation of LDL with DGSL and (ii) a fair share entitlement ratio for the proposed demerger of the Demerged Undertaking of DGSL into LDR in accordance to our engagement letter. Further, the fees for this engagement is not contingent upon the results arrived under this valuation exercise.
- 6.13. By its very nature, valuation work cannot be regarded as an exact science, the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, opinion on the valuation exercise may differ due to application of the facts and assumptions, formulas used and numerous other factors. There is, therefore, no indisputable single value or standard methodology for arriving at the value per equity share. Although our conclusions are in our opinion reasonable, it is quite possible that others may not agree.
- 6.14. BKCo, nor its proprietor, managers, employees or agents or 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.

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**Bharat Kotak & Company**  
**Chartered Accountants**

We are not liable to any third party in relation to issue of this report. In no event, we shall be liable for any loss, damage, cost or expense arising in any way from any acts carried out by the LDL, DGSL and LDR or any person connected thereto.

If you require any clarifications on the above, we would be happy to clarify the same.  
We are thankful to your team for kind co-operation and support during this assignment.

Thanking you,

Yours faithfully,

For **Bharat Kotak & Company**

Chartered Accountants

Firm Registration No. 135832W



**Bharat K. Kotak**

Proprietor

Membership No. 015045

Date: 14<sup>th</sup> December 2018

Place: Mumbai



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**Annexure 1 – Workings for Value per Equity Share and Weights as per each methodology for arriving at the Fair Share Exchange Ratio**

Particulars	Lumina Datamatics Limited			Datamatics Global Services Limited		
	Value per Share (Rs.)	Weight	Product	Value per Share (Rs.)	Weight	Product
Underlying Asset Approach	193.66	0.25	48.41	77.53	0.10	7.75
Discounted Cash Flow Method (Income Approach)	217.23	0.75	162.93	99.56	0.15	14.93
Market Price Method (Market Approach)	-	-	-	112.87	0.75	84.65
<b>Total</b>		<b>1</b>	<b>211.34</b>		<b>1</b>	<b>107.34</b>
<b>Fair Value per Share</b>			<b>211.34</b>			<b>112.87</b>
<b>Fair Share Exchange Ratio</b>						<b>1.8725</b>
<b>Fair Share Exchange Ratio (Rounded off)</b>						<b>1.87</b>



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