

# HARIBHAKTI & CO. LLP

Chartered Accountants

Ref: CFAS-2/R-635/0423/B

22<sup>nd</sup> April 2017

The Board of Directors  
GTL Infrastructure Ltd.  
3rd Floor, "Global Vision"  
Electronic Sadan No.II  
MIDC, TTC Industrial Area  
Mahape, Navi Mumbai - 400710

The Board of Directors  
Chennai Network Infrastructure Ltd.  
Door No. 34/1 DL, New No.403/L,  
Samson Tower, 7th Floor,  
Pantheon Road, Egmore  
Tamil Nadu - 600008

Re: Recommendation of Share Exchange Ratio for the purpose of Proposed Merger of Chennai  
Network Infrastructure Limited into GTL Infrastructure Limited

Dear Sirs,

We, Haribhakti & Co. LLP ("H&Co."), have been appointed vide letter dated 7 November 2016 to undertake the valuation of GTL Infrastructure Limited ("GTL Infra") and valuation of Chennai Network Infrastructure Limited ("CNIL") (hereinafter collectively referred to as "the Companies") and to recommend Share Exchange Ratio ("Share Exchange Ratio") for the purpose mentioned in para 1 below. We are pleased to present herewith our report on the same.

1. Scope and Purpose of Valuation
  - 1.1. We understand that the managements of the Companies are proposing to merge CNIL into GTL Infra, with effect from the Appointed Date of 1 April, 2016. This is proposed to be achieved by a Scheme of Amalgamation under the provisions of Sections 230 - 232 of the Companies Act, 2013 (hereinafter referred to as the "Scheme").
  - 1.2. We understand from the management of the Companies that post implementation of Strategic Debt Restructuring ("SDR"), 19.53% of the total paid-up capital of CNIL will be held by Tower Trust ("Trust"). GTL Infra is the sole beneficiary of the Trust. On the Scheme becoming effective, the equity shares held by Trust into CNIL will be cancelled;
  - 1.3. GTL Infra and CNIL are, inter alia, engaged in the business of building, maintaining and providing telecommunication infrastructure facilities to telecommunication service providers
  - 1.4. This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter.

2. Sources of Information

For the purpose of this report, we have relied upon the following sources of information as provided by the management of GTL Infra and CNIL:



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## 2.1. GTL Infra

- Audited Financial statements of GTL Infra for the Financial Year ended 31 March 2016;
- Provisional financial statements for the period ended 31 December 2016;
- Financial projections of GTL Infra from 1 January 2017 to 31 March 2022 prepared by an independent consultant;
- Management Representation Letter dated 10 April 2017;
- Revised shareholding pattern and issued, subscribed and paid up share capital of GTL Infra for the purpose of this valuation exercise.

## 2.2. CNIL

- Audited Financial statements of CNIL for the Financial Year ended 31 March 2013, 2014, 2015 and 2016;
- Provisional financial statements for the period ended 31 December 2016;
- Financial projections of CNIL from 1 January 2017 to 31 March 2022 prepared by an independent consultant;
- Management Representation Letter dated 10<sup>th</sup> April 2017;
- Revised shareholding pattern and issued, subscribed and paid up share capital of CNIL for the purpose of this valuation exercise.

## 2.3. Draft scheme of amalgamation between CNIL and GTL Infra;

## 2.4. Relevant data and information provided to us by the representatives of CNIL and GTL Infra in written or oral form or in form of soft copy;

## 2.5. Discussions with the representatives of CNIL and GTL Infra regarding the past, current & future business projections of CNIL and GTL Infra.

## 2.6. Information provided by leading database sources, market research reports and other published data.

## 3. Exclusions and Limitations

### 3.1. Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

### 3.2. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of GTL Infra and CNIL.



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- 3.3. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out herein which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 3.4. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us. We have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of GTL Infra and CNIL. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.
- 3.5. This report and the information contained herein are intended for the sole use of Board of Directors of GTL Infra and CNIL and only in connection with the purpose of the proposed merger as aforesaid including for the purpose of obtaining requisite approvals. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued. We will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without our written consent.
- 3.6. Further, this report is necessarily based on financial, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. This report exclusively focuses on the valuation of companies proposed to be merged pursuant to the Scheme of Amalgamation and the share exchange ratio and do not address any other issues such as the underlying business decision to recommend the transaction or its commercial merits. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if information provided to us changes.
- 3.7. This report is based on the specific information received from sources mentioned herein and discussions with the management/representatives of GTL Infra and CNIL. We have assumed that no information has been withheld that could have influenced the purpose of our report.
- 3.8. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither ourselves, nor any of our Directors, Officers or Employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any third party in relation to the issue of this report.



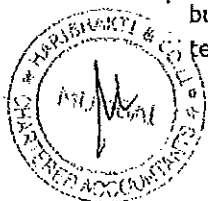
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- 3.9. For the present valuation exercise, we have relied on information available in public domain; however the accuracy and timelines of the same has not been independently verified by us.
- 3.10. In the particular circumstances of this case, our liability (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, however the loss or damage caused, shall be limited to the amount of fees actually received by us from the Companies.
- 3.11. The fee for this engagement is not contingent upon the results of the report.
- 3.12. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.
- 3.13. This report does not in any way constitute a recommendation by us to any shareholders as to whether such shareholders should approve or reject the said Proposed Merger. We urge you to read this report and methodology and other details stated herein carefully and entirely.
- 3.14. Our recommendation is based on the estimates of future financial performance as projected by the management, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective 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 exercise of valuation should not be construed or taken as our being associated with or a party to such projections.
- 3.15. This report is subject to the laws of India.
- 3.16. This report is prepared for the Board of Directors of GTL Infra and CNIL and to the extent mandatorily required under applicable laws of India, may be produced before judicial, regulatory or government authorities, stock exchanges where shares of GTL Infra are listed, the shareholders of the Companies, Registrar of Companies, Regional Director, Official Liquidator, High Court of the state where the registered office of GTL Infra and CNIL is located and disclosed on the GTL Infra website if required under any applicable laws in India, in connection with the scheme of amalgamation.

#### 4. Brief Background - GTL INFRA

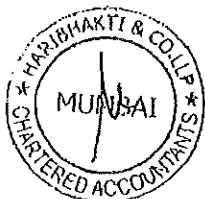
- 4.1. GTL Infrastructure Limited ("GTL Infra"), is a company incorporated on 4 February, 2004, under the provisions of the Companies Act, 1956. GTL Infra is, inter alia, engaged in the business of building, maintaining and providing telecommunication infrastructure facilities to telecommunication service providers



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- 4.2. GTL Infra is in the business of shared passive telecom infrastructure in India. GTL Infra is an independent tower company in India. It is registered with the Department of Telecommunications as an Infrastructure Provider in Category I (IP-I).
- 4.3. Equity Shares of GTL Infra are listed on BSE limited ("BSE") and National Stock Exchange limited ("NSE").
- 4.4. The issued, subscribed and paid up share capital of GTL Infra as on 31 December 2016 stood at INR 24,600.80 Mn divided into 2,460.08 Mn equity shares of INR 10/- each fully paid up.
- 4.5. As represented to us by the management and representatives of GTL Infra the issued, subscribed and paid up capital has undergone changes post 31 December 2016 on account of conversion of debt instruments and borrowings. Accordingly, we have been informed to consider the revised issued, subscribed and paid up capital of GTL Infra for the current valuation exercise to be INR 50,918 Mn divided in to 5,091.80 Mn shares.
5. Brief Background - CNIL
  - 5.1. CNIL, is a company incorporated on 8 December, 2009, under the provisions of the Companies Act, 1956. CNIL is, inter alia, engaged in the business of building, maintaining and providing telecommunication infrastructure facilities to telecommunication service providers
  - 5.2. The Issued, subscribed and paid up share capital of CNIL as on 31 December 2016 stood at INR 65,955.9 Mn divided into 6,595.59 Mn equity shares of INR 10/- each fully paid up.
  - 5.3. As represented to us by the management and representatives of CNIL, the Issued, subscribed and paid up capital has undergone changes post 31 December 2016 on account of conversion of debt instruments and borrowings. Accordingly, we have been informed to consider the revised issued, subscribed and paid up capital of CNIL for the current valuation exercise to be INR 94,045 Mn divided in to 9404.54 Mn shares.
6. Valuation Approach
  - 6.1. Arriving at the share exchange ratio would require determining the fair value of equity shares of GTL Infra and CNIL as at 31 December 2016 (the "Valuation Date"). These values are to be determined independently but on relative basis, and without considering the current transaction.
  - 6.2. We have been provided with financial information up to 31 December 2016 for GTL Infra and CNIL. We have considered the same in our analysis and made adjustments for further facts made known (past or future) to us till the date of our report. The managements of GTL Infra and CNIL have informed us that they do not have any information which is not in public domain and which is likely to result in any events which are unusual or not in normal course of business in the future. The current valuation does not factor impact of any event which is



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unusual or not in normal course of business and not known to the market. Further the management and representatives of the Companies has informed us that all material information impacting the Companies has been disclosed in press releases/to us and as per their best understanding.

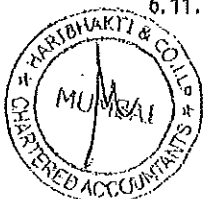
- 6.3. We have relied on the representation provided by the management and representatives of Companies for the revised issued, subscribed and paid up capital of the Companies for the current valuation exercise.
- 6.4. We have relied on the above while arriving at the fair exchange ratio for the proposed amalgamation.
- 6.5. There are three generally accepted approaches to valuation:
  - (a) "Cost" approach
  - (b) "Income" approach
  - (c) "Market" approach

### Cost Approach

- 6.6. The Cost approach focuses on the net worth or net assets of a company. The Net Assets Value ("NAV") Method, widely used under the Cost approach, considers the assets and liabilities as stated at their book values. The net assets, after reducing the dues to the preference shareholders, and contingent liabilities, if any, represent the value of the company to the equity shareholders.
- 6.7. In the present case we have not considered Cost Approach for valuation exercise.

### Income Approach

- 6.8. The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow ("DCF") Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.
- 6.9. Under the DCF Method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter.
- 6.10. The perpetuity (terminal) value is calculated based on the business' potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.
- 6.11. To the equity value so arrived, adjustments need to be made for the value of investments, debt and contingent assets/liabilities, if any, in order to arrive at the value for the equity



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shareholders. The total value for the equity holders so arrived has to be then divided by the number of equity shares in order to work out the value per equity share.

- 6.12. We have considered the Free Cash Flow to Firm ("FCFF") under DCF Method for valuation of GTL Infra and CNIL. The free cash flow available to the enterprise in the explicit period and those in perpetuity are discounted by discounting factor based on weighted average cost of capital.

### Market Approach

- 6.13. Under the Market approach, the valuation is based on the market value of the company in case of listed companies or/and comparable companies trading or transaction multiples of comparable companies. The Market approach generally reflects the investors' perception about the true worth of the company.

### Market Price ("MP") Method

- 6.14. Under the "Market" Approach, the market price of an equity share as quoted on a recognized 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.
- 6.15. Since the shares of GTL Infra are listed on NSE and BSE (recognized stock exchange in India) and are freely & frequently traded on such exchanges, we have considered the market price method for valuation of GTL Infra. Since the shares of CNIL are not listed on recognized stock exchange in India, we have not considered this approach for valuation of CNIL.

### Comparable Companies Multiple ("CCM")

- 6.16. Under this method, value of a company is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifested through stock market valuations of listed companies and the transaction valuation. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to the valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.
- 6.17. In the present case, we have considered earnings based valuation multiples based on the comparable listed companies for the valuation of CNIL.

## 7. Conclusion

- 7.1. The basis of merger of CNIL into GTL Infra would have to be determined after considering all the factors and methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses



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of the Companies. Though different values have been arrived at under each of the above methodologies, for the purpose of recommending the share exchange ratios of equity shares it is necessary to arrive at a single value for the share of the Companies. It is however, important to note that in doing so, we are not attempting to arrive at the absolute equity values of the Companies but at their relative values to facilitate the determination of share exchange ratios.

- 7.2. We have considered DCF Method under Income Approach and for current valuation for both the Companies. We have considered Market price Method for GTL Infra and CCM Method for CNIL. We have assigned appropriate weights to values arrived under Market Approach and Income Approach for the Companies.
- 7.3. The fair share exchange ratio of equity shares of GTL Infra and CNIL has been arrived on the basis of a relative equity valuation for GTL Infra and CNIL 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 Companies, having regard to information base, key underlying assumptions and limitations.
- 7.4. On consideration of all the relevant facts and circumstances, fair ratio of exchange in the event of merger of CNIL with GTL Infra would be:

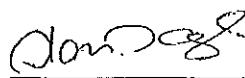
1 (One) equity share of GTL Infra of INR 10 each fully paid up for every 1 (One) equity shares of CNIL of INR 10 each fully paid up.

Yours faithfully,

For Haribhakti & Co LLP

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Firm Registration No.103523W/W100048





Partner

Name: Manoj Daga

Membership No.: 048523

Place: Mumbai