Annexure - 3

DEC
2018

VALUATION REPORT

'CERTIFIED TRUE COPY'
For ODYSSEY TECHNOLOGIES LTD.

B. ANTONY RAJA
Whole-time Director

ODYSSEY TECHNOLOGIES LTD. CHENNAI

SUNDARARAJAN ASSOCIATES LLP.
CHARTERED ACCOUNTANTS

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Private & Confidential

10 December, 2018

The Board of Directors,
Odyssey Technologies Limited,
5th Floor, Dowlath Towers,
63, Taylors' Road,
Chennai-600 010

Dear Sir,

Please refer to our discussions and your request for valuation of Intellectual Property (IP) of M/s Cyberneme Private Limited (**Cyberneme**) for a proposed amalgamation of this company (Transferor) with the Transferee company viz., Odyssey Technologies Limited (**Odyssey**) being a listed and a related party entity to Cyberneme (Promoter Director) along with its intellectual property after valuation as at the relevant valuation date. We have also been advised to bring out the exchange ratio as a part of this proposed merger of the Transferor Company (Cyberneme) with the Transferee Company (Odyssey) after arriving at the appropriate value for IP of Cyberneme.

VALUATION OF IP FOR CYBERNEME

At the outset we wish to inform that valuation of an intangible asset by nature is the most difficult task and hard to evaluate as the processes involved are very complicated due to several parameters that are required to be looked into and derived for its valuation. There are not enough precedents to rely upon or to take cue out of such established valuation models that are attached to such IP valuation. This is also confounded by the fact that Intellectual Property (IP) valuation is all the more difficult to fit into acceptable parameters and there would be several models of valuation without much of uniqueness to any particular process of evaluation for arriving at any particular value for IP of similar nature.

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We have evolved our Valuation methods based on prudence and finalised various models of valuation for the purpose of proposed acquisition of the Intellectual Property (IP) rights and licenses of the Developer Company viz., Cyberneme by Odyssey through the process of amalgamation. While drafting our Valuation Models we have exercised several assumptions for the purpose as we have not done any in-depth due diligence on the efficacy of the IP product (both technical and non-technical) or on the financial projections provided to us, which however formed the basis for our valuation.

BACKGROUND AND PURPOSE

Odyssey is a company incorporated on April 6, 1990 under the Companies Act, 1956 and is listed in BSE Limited. Odyssey has its core competencies in products developed and built around Public Key Infrastructure (PKI) and is into Cryptography and Networking. PKI framework brings in confidentiality, authentication, privacy and non-repudiation into the world of internet. Odyssey has its own products and services in the area of transaction security, identity management, digital signature solutions, crypto toolkits, mobile solutions and design.

Cyberneme is an unlisted closely held company incorporated on April 6, 1990 under the Companies Act 1956. During the last decade the company has been actively engaged in technology research and intellectual property (IP) generation, working primarily in the area of designing and prototyping hardware and software for healthcare, security, sensor networks and internet of things (IoT). The company has made notable breakthroughs in asymmetric key usage in IoT devices and other stand-alone devices such as mobile phones and smart TVs.

The business of Odyssey and Cyberneme are having synergies except that Cyberneme has predominantly concentrated on technology research and possesses Intellectual Property Rights (IPR) over such technologies looking for suitable business models for monetizing these values including a possible merger of the entity with its IPR intangible assets for a suitable value.

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PROPOSED SCHEME

The synergies in businesses pertaining to both Odyssey and Cyberneme facilitated a proposed amalgamation so that businesses can be seamlessly combined into one single legal business entity with a combined advantage of both updating research on existing and developing products and monetizing the combined values for better growth prospects on the merged entity. The management of respective companies thought it prudent to go ahead with the merger proposal after evaluating the intellectual property of Cyberneme assets and amalgamate with Odyssey for a combined future value for the merged entity.

PRESENT CAPITAL STRUCTURE

Cyberneme

Issued and Paid up Capital Structure (as on 30.11.18)

Fully paid up & partly paid up

300 shares of Rs 10 each fully paid	Rs 3,000
200,000 shares of Rs 10 each partly paid up Rs 3.18 per share	Rs 6,36,000
Total paid up capital	Rs 6,39,000

As per the informations provided by the management, Mr B Robert Raja, promoter of Cyberneme holds 99.85% of the total share capital as on 30th Nov 2018.

Odyssey

Issued and Paid up Capital Structure (as on 30.11.18)

Promoters & Promoter Group with percentage (%) holdings

Individuals	15,11,752 shares of Rs 10 each fully paid up	Rs 151,17,520 (17.05%)
Cyberneme	3,52,900 shares of Rs 10 each fully paid up	Rs 35,29,000 (3.98%)
Total of Promoters and Promoter Group (18,64,652 shares)		Rs 186,46,520 (21.03%)

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Public

Bodies Corporate	3,75,360 shares of Rs 10 each fully paid up	Rs 37,53,600 (4.23%)
Individuals	66,24,863 shares of Rs 10 each fully paid up	Rs 662,48,630 (74.74%)

APPROACHES TO VALUATION

As has been already reiterated Valuation of IP and eventually of the company based on this would not fit into any exact science; we have based on our valuation on several parameters primarily on the financial projections and other relevant data provided by the management. We have not made any detailed verifications nor have done any in depth audit of various products nor of the companies (both) financial statements and projections as are provided to us. Over a period of time there are certain guiding principles and valuation models that are generally exercised for such valuations and we have also proceeded under the same parameters. We have made several assumptions and consequently disclaimers for the same.

The following valuation approaches have been given effected to predominantly in our report though for valuation of IP of Cyberneme we have adopted other models such as PECV Model (Profit Earnings Capacity Value), Cost Approach, Replacement Cost Approach and CAPM Approach (Capital Asset Pricing Method) and have taken the average value derived from these. For the purpose of valuation for the company, we have adopted the following models as are generally mandated to be considered.

a. **Asset Approach**
b. **Income Approach**
c. **Market Approach**

Asset Approach

This method is generally adopted on the basis of underlying net assets value (NAV) for the respective entities as on valuation date either on the book value or on realisable value or on replacement cost basis.

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This method is predominantly adopted for capital intensive industries and selectively adopted for service industries or labour intensive industries as the case may be depending upon requirements.

In our valuation process, we have opined that the underlying assets in the books as on valuation date of the entity would require to be added up with the proposed acquisition of IP Asset (theme or purpose of this valuation) and hence we have adopted this as an "off-balance-sheet" item to be added as per the average value derived for this IP Asset of Cyberneme (to be acquired by Odyssey during the amalgamation process). We consider otherwise the usefulness of Asset Approach for Cyberneme (as mandated by SEBI) would be an exercise that would not have any material effect on the valuation processes as such due to its book value of assets are not being significant enough as on valuation date (but for the consideration of this IP Asset outside the books as an 'off-balance-sheet' item).

Income Approach

Income Approach is also synonymously taken as discounted cash flow (DCF) method or present value of projected cash flows adjusted towards terminal value based on future earnings. Here again we have provided our calculations taking into account the IP (currently off-balance-sheet as on valuation date) and accordingly brought in the values.

We have taken projected earnings before depreciation, interest, tax and amortisation ('EBIDTA") on an incremental basis, adjusted towards amortisation and working capital changes (including those attributable to IP) to arrive at the Free Cash Flows for the Firm (FCFF). These free cash flows for the projected period had been discounted for perpetuity with an adequate terminal value for deriving at the WACC ie., weighted average cost of capital. WACC would further include Risk Free Return (RFR) based on Govt of India Bonds rate and in addition to that, we have considered two further risks a. On Obsolescence of products and b. On Intellectual theft.

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Based on all these parameters we have applied prudent certainty factors to effect valuation on a conservative basis and arrived at the value. Enterprise Value thereafter was derived based on the actual marketable or realisable value of assets as reduced by any liabilities that are attributable for such determination.

Market Approach

While it is a dominant practice to adopt the value per share based on the quoted prices of shares in the stock exchanges for a listed company, the practice for closely held or private companies seems to have enlarged the canvass to include one of following principles or attaching weightages for multiple models that are adopted under the same approach as detailed below:

a. Comparable Companies Market Multiples ("CCMM") Approach
b. Comparable Companies Transactions Multiple ("CCTM") Approach
c. Profit Earnings Capacity Value ("PECV") Method
d. Market Realisable Value ("MRV") or Replacement Cost Method ("RCM")

Under the method (a) above, value of equity shares of a company is derived using relevant multiples derived from valuation of comparable companies which are further amplified through peer comparisons from similar industries as per stock market data. The basis for this approach of calculation is predominantly due to trading activities are being understood by the sellers and buyers in the same equipoised business approach. If one adopts this method, one has to choose very carefully all the parameters pertaining to such valuations which are generally difficult to conclude and would also be subject to debates and interpretations.

Under the method (b) above, transactions that are generally reflected and reported in the transaction trail with the stock exchanges would be considered.

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Relevant multiples and weightages are given for adjusting differences due to circumstances such as investments, ESOPs, cash and cash equivalents, investments, existing debts etc., as are considered appropriate. **We have NOT applied these two models** for either of the entities as we consider that these are not appropriate in the present circumstances. Instead we have applied the more relevant PECV Model as detailed below.

Profit Earnings Capacity Value ("PECV") ***

This method on valuation sometimes used synonymously with Income Approach (DCF Technique) though in our opinion we would like to classify as Market Approach. As already detailed, in the case of listed company shares, the present traded activity would determine its' price subject to any adjustments that are to be factored. However in the case of closely held or un-listed private companies, under the concept of "going-concern" the same can be made applicable. Under this approach, the maintainable post tax earnings (MPAT) based on the projected financial statements, applying relevant PE multiple and factoring certainty of achievement on scale of operations (on prudence subject to judgement of future business growth) was adopted.

Cyberneme being an un-listed private company, direct market method is NOT maintainable due to factors that are deployed in assumptions such as non-determinant of appropriate market value. However we have considered PECV method as most near acceptable method appropriate towards this market approach mandated to be disclosed by SEBI as per notification with reasoning if when **not adopted**.

*** We are providing herein below sources to support the methodology adopted under this method which we consider as appropriate (ie., **PECV** Method). In the URL provided below (the source) http://bhbmlaw.com/valuation-of-closely-held-family-businesses/ the circumstances under which an adoption of this mandated method (ie., Market Approach mandated for disclosure under SEBI guidelines) has been dealt with appropriately for closely held companies (private or family owned businesses).

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SCOPE & PURPOSE OF EXCHANGE RATIO

As has already been detailed, we are providing herewith our valuation report based on several informations, documents and explanations provided to us. We have also relied upon Management Representations provided to us both orally and in writing on various occasions during this assignment and our report should be read together with our assumptions and disclaimers and not in parts or in exclusions of any of the underlying assumptions and disclaimers. We also reiterate that any changes in assumptions or on financial projections or on financial statements of either of the entities provided to us by the management (which have not been verified in detail nor conducted any in-depth audit whatsoever) would however change the methods as well as the workings provided herein including those mandated to be disclosed separately under SEBI guidelines and to that extent it would stand corrected. As there are no singular and concrete approaches available for such valuations and as only comparable methods are envisaged in such valuations, we have also adopted such generally available approaches and practices. It is rather declared as unique in this case as the valuation of respective entities are done for share exchange ratio only after considering the intangible asset of intellectual property (IP) of the transferor entity (Cyberneme) under the proposed scheme of amalgamation of the same to the transferee entity (Odyssey) and hence should be read along with all relevant disclaimers provided.

ASSUMPTIONS & DISCLAIMERS

We wish to disclaim that wherever our assumptions are going differently based on differential inputs or explanations or approaches collectively or singularly, the valuation made by us would also undergo corresponding changes and ratios of exchanges. We have also provided as part of our report several declarations stating that this valuation report is based on limited verification of financial projections provided to us and that we have not conducted any in-depth audit for verification of financial statements and/or projections.

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We have also reiterated that no technical expertise on the subject was engaged for the purpose of this valuation despite the fact that the primary theme is an IP Valuation on a technical product for which we do not possess any expertise to assess its true potential and real value in the market for any commercial usage in due course of continuity of the business. While all care and caution were taken for the preparation of several models of valuation of IP for this technology product, we declare that our valuation was profoundly based on various inputs given which we have not verified with any similar peer group companies that may have adopted such practices and hence to that extent this valuation would have limitations.

We have also been given to understand that the IP product to be acquired is a completed technical product and consequently the product after acquisition is capable of generating the projected revenues that formed the basis for our valuation which in turn forms basis for deriving at exchange ratios as mandated to be given under the relevant SEBI guidelines. As already mentioned, the attempt is to evaluate a HARD TO VALUE INTANGIBLE ASSET and hence we decided, as is the principle in practice, to provide an averaged-out value based on several models, each one of them having its' own limitations, assumptions on its adoption, risk factors, certainty factors, expected future earnings, redundancy factors and above all relevant disclaimers attached thereto all to be read together and not in parts.

The relative value per share of the entities brought out is based primarily on mandated methods of approach required under SEBI guidelines wherein we have adopted certain 'off-balance-sheet' considerations as on relevant date, with necessary explanations, assumptions, disclaimers, limitations and adoption in our calculations for exchange ratio.

Having explained as above the basis for our valuation report separately with its preparations, assumptions disclaimers and limitations, we have brought out the average valuation of IP product as **Rs 1,860.86 lacs** and the valuation of the firm viz., Cyberneme is **Rs 1,954.13 lacs** (adopted for exchange ratios).

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SUMMARY OF VALUATION & SHARE EXCHANGE RATIO

Value recommended for IP product of Cyberneme -Rs lacs	1,860.86
Total Value of Cyberneme (incl IP value) -Rs lacs	**1,954.13**
Price recommended per share (as per SEBI ICDR Regulations)**	**26.72**
*** relevant date: 10th December 2018*	
No of shares recommended to be issued	72,34,200
Promoters' present share-holding –No of shares	18,64,652
Promoters' present share-holding –Percentage (%)	21.03%
Proposed shares to Promoters net of extinguishment-No of shares	68,69,900
Total Promoters' holding post-acquisition-No of shares	87,34,552
Proposed Promoters' holding (post acquisition)-Percentage (%)	55.47%
Overall paid up capital–post acquisition (proposed) – No of shares	157,46,175
Proposed Paid up Capital Rs lacs	**1574.62**

VALUATION & CONCLUSION

As per SEBI mandate, BSE Ltd has issued a Circular LIST/COMP/02/2017-18 dated May 29, 2017 ("the Circular") as a directive from Stock Exchange to adopt the following format for disclosure for Listed Companies which shall display workings, relative fair value per share and fair share exchange ratio. As per the required disclosure, we provide herein below in the same format:

Computation of Fair Share Exchange Ratio

Particulars	Odyssey		Cyberneme	
VALUATION APPROACH	**Value Per Share (Rs)**	**Weightage**	**Value Per Share (Rs)**	**Weightage**
Asset Approach	12.59	1	2,769.33	1
Income Approach	21.06	1	2,935.09	1
Market Approach	26.72	1	3,469.88	1
Relative Value Per Share	**26.72**		**3,058.10 #**	

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Exchange Ratio (rounded off)-fully paid up shares			**114**	
Exchange Ratio (rounded off)-partly paid up shares (Rs 3.18 paid up)			**36**	

 # average of the above three approaches recommended

Based on detailed explanations provided above, we recommend the following exchange ratio:

Recommended Exchange Ratio

a. For **every fully paid share** (Rs 10/-) in Cyberneme, a total of **114 shares** is recommended in Odyssey.

b. For **every partly paid share** (Rs 3.18) in Cyberneme, a total of **114** shares divided by **10** and multiplied **by 3.18** equivalent of **36 shares** was calculated and recommended in Odyssey.

For **Sundararajan Associates LLP**
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