BDO

Valuation Annexure to Fair Equity Share Exchange Ratio Report in relation to the Scheme of Amalgamation

July 2021

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Mumbai 400028, INDIA

Ref. No.: MG/Jul9-37/2021 July 9, 2021

To
The Board of Directors
Expleo Solutions Limited
6A, Sixth Floor, Prince Infocity II,
No.283/3 & 283/4
Rajiv Gandhi Salai (OMR), Kandanchavadi,
Chennai - 600 096.
Dear Sir(s)/ Madam(s),

Sub: Recommendation of Fair Equity Share Exchange Ratio in relation to the Proposed Scheme of Amalgamation (as defined below)

This is with reference to BDO Valuation Advisory LLP **('BDO India' or 'Us')** report dated July 9, 2021 with Ref. No.: MG/Jul9-37/2021 **('Report')**. Please find enclosed relevant computations based on which our recommendation of the fair equity share exchange ratio for the proposed amalgamation of Expleo India Infosystems Private Limited ('**EIIPL**' or '**Transferor Company 1**') with Expleo Solutions Limited ('**ESL**' or '**Client**' or '**Transferee Company**') ('**Amalgamation 1**') through a scheme of amalgamation between the Companies (defined in the Report) and their respective shareholders (**"the Proposed Scheme")**.

Further as stated in the Report, in respect of Amalgamation 2 and Amalgamation 3 (defined in the Report), wholly owned subsidiaries are merged into holding company. Accordingly, no equity shares are required to be issued on such amalgamation.

In this connection, we mention that the computations enclosed herewith need to be viewed in conjunction with the Report and the documents referred to in the Report.

The recommendation of the fair equity share exchange ratio for Amalgamation 1 is arrived on the approach and methodology detailed in the Report and various qualitative factors relevant to each specific company having regard to the information, management representations, key underlying assumptions and limitations as referred in the Report.

Regards,
For BDO Valuation Advisory LLP
IBBI Regn No.: IBBI/RV-E/02/2019/103

Name: Mandar Vikas Gadkari
Designation: Partner
IBBI Regn No.: IBBI/RV/06/2018/10500

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Annexure 1: Summary of Valuation Approaches & Methodologies used for Valuation Exercise

Company	Market Approach - MP Method [1]	Market Approach - CCM/ CTM Method [2]	Income Approach - DCF Method [3]	Cost Approach - Summation Method [4]
ESL	✓	✓	X	X
EIIPL	X	✓	✓	X

Notes:

1. *EIIPL is not listed on any Indian Stock Exchange; hence Market Price Method under Market Approach is not used. ESL is listed on BSE Limited and National Stock Exchange of India Limited ('NSE'). Hence, we have considered market price method for valuing ESL.*
2. *We have used CCM Method for valuation of ESL and EIIPL based on comparable companies operating in similar business segment. CTM Method is not used for valuation of ESL and EIIPL due to paucity of comparable transactions in private space.*
3. *Discounted Cash Flow Method under Income Approach has been considered for valuing EIIPL based on projections provided to us. DCF Method has not been considered for ESL as it is a listed entity and the management has not provided us the information related to future profit and loss account, balance sheet and cash flows being price sensitive.*
4. *Summation Method under Cost Approach has not been considered since the net asset value does not reflect the intrinsic value of the business in a going concern scenario.*

In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined in the Report and hereinabove, in our opinion fair equity share exchange ratio for Amalgamation 1 of EIIPL into ESL is as follows (as per the Report):

Valuation Approach	Valuation Method	EIIPL		ESL	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Cost Approach	Summation Method	NA	NA	NA	NA
Income Approach	DCF Method	36,722.57	50%	NA	NA
Market Approach	MP Method	NA	NA	833.58	50%
Market Approach	CCM Method	40,181.35	50%	840.81	50%
Value Per Share		**38,451.96**		**837.19**	
Equity Share Exchange Ratio (Rounded Off)		**10**		**459**	

NA= Not Adopted/Not Applicable

Recommendation:

- 459 equity shares of Expleo Solutions Limited (of INR 10/- each fully paid up) for every 10 equity shares held in Expleo India Infosystems Private Limited (of INR 10/- each fully paid up) for Amalgamation 1.

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Annexure 2: Valuation of EIIPL as per Discounted Cash Flow Method:

The future financial projections of EIIPL is based on the information provided by the management. The future earning capability of the business is important; therefore, we have considered DCF Method under Income Approach.

DCF Analysis

Particulars	Amount (INR Mn)
Net Present Value (NPV) of Cash Flow for the explicit period	336.8
Add: NPV of Terminal Value	2,845.0
Enterprise Value	**3,181.8**
Add: Other Adjustments as at the Valuation Date	204.1
Equity Value (Pre-Illiquidity Discount)	**3,385.9**
Less: Illiquidity Discount	(507.9)
Equity Value (Post-Illiquidity Discount)	**2,878.0**
Add: Value of Entities Acquired	1,336.1
Adjusted Equity Value	**4,214.1**
Number of Equity Shares	1,14,755
Equity Value per share (INR)	**36,722.57**

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Annexure 3: Valuation of ESL and EIIPL as per Comparable Companies Multiple Method:

Under Market Approach, we have also considered CCM Method. We have identified listed comparable companies based on business of each company and thereafter screen selected multiple based on business composition, business description, etc. We have considered Price to Earnings multiple of the comparable listed companies. The total equity value so derived is than divided by total number of equity shares for arriving at the value per equity share of companies under CCM Method.

CCM Analysis

A) ESL

Particulars	Amount (INR Mn)
Maintainable Profit Before Tax	**504.4**
P/E Multiple	17.1x
Adjusted Equity Value	**8,620.4**
Number of Equity Shares	1,02,52,485
Equity Value per share (INR)	**840.81**

B) EIIPL

Particulars	Amount (INR Mn)
Profit Before Tax	302.5
Less: Normalised Tax Rate	25.2%
Maintainable Profit Before Tax	**226.4**
P/E Multiple	17.0x
Equity Value (Pre-Illiquidity Discount)	**3,852.8**
Less: Illiquidity Discount	(577.9)
Equity Value (Post-Illiquidity Discount)	**3,274.9**
Add: Value of Entities Acquired	1,336.1
Adjusted Equity Value	**4,611.0**
Number of Equity Shares	1,14,755
Equity Value per share (INR)	**40,181.35**

Annexure 4: Valuation of ESL as per Market Price Method

In the present case, the share price of ESL on the NSE has been considered, as the trading volumes are higher at NSE as compared to BSE as per the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulation 2018 (**"ICDR Regulations"**) and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations 2011 guidelines, as applicable, on a recognized stock exchange during the twelve calendar months preceding the relevant date (being the date of the meeting in which the Board of Directors of ESL to adopt the Proposed Scheme).

Attention may also be drawn to Regulation 158 of ICDR Regulations which specifies that issue of equity shares to shareholders of an unlisted entity pursuant to a National Company Law Tribunal approved scheme shall conform with the pricing provisions of preferential issue specified under Regulation 164 of the said regulations. Further it may be noted that Regulation 164 specifies the minimum price for issue of shares on a preferential basis.

The Pricing Formula provided in Regulations 164 (1) has been considered for arriving at the minimum value per equity share of ESL under the Market Price Method. The market price is considered as higher of following:

(a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding July 9, 2021; or

(b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding July 9, 2021.

In the present case, the market price of ESL has been considered based on last 2 weeks Volume Weighted Average Price (**"VWAP"**) on NSE preceding July 9, 2021 (INR 833.58 per share - Refer Table 4(ii) below).

The said 2 weeks VWAP price considered (INR 833.58 per share) is higher than the minimum price as per ICDR regulations (INR 818.83 per share - Refer Table 4(i) below).

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Table 4(i) Pricing as per ICDR regulations

Week	Week Ending Date	Weekly High of VWAP	Weekly Low of VWAP	Average of Weekly High & Low
1	08-Jul-21	921.74	828.24	874.99
2	01-Jul-21	834.02	691.32	762.67
3	24-Jun-21	699.89	637.20	668.55
4	17-Jun-21	670.49	652.39	661.44
5	10-Jun-21	654.92	620.04	637.48
6	03-Jun-21	619.35	598.86	609.11
7	27-May-21	652.24	615.97	634.11
8	20-May-21	707.78	682.11	694.95
9	13-May-21	713.00	600.19	656.60
10	06-May-21	595.84	540.14	567.99
11	29-Apr-21	547.32	528.50	537.91
12	22-Apr-21	558.32	534.18	546.25
13	15-Apr-21	625.64	562.05	593.85
14	08-Apr-21	611.58	597.95	604.77
15	01-Apr-21	544.17	522.69	533.43
16	25-Mar-21	529.94	500.98	515.46
17	18-Mar-21	552.25	500.41	526.33
18	11-Mar-21	527.88	514.97	521.43
19	04-Mar-21	539.48	508.05	523.77
20	25-Feb-21	519.24	476.13	497.69
21	18-Feb-21	507.58	490.26	498.92
22	11-Feb-21	513.73	465.28	489.51
23	04-Feb-21	491.68	468.44	480.06
24	28-Jan-21	489.96	475.46	482.71
25	21-Jan-21	514.33	494.60	504.47
26	14-Jan-21	555.64	511.29	533.47

Minimum price prescribed under Regulation 164	INR Per Share
(a) average of the weekly high and low of the volume weighted average price of equity shares of ESL quoted on NSE during the 26 weeks preceding the relevant date	582.99
(b) average of the weekly high and low of the volume weighted average price of equity shares of ESL quoted on NSE during the 2 weeks preceding the relevant date	818.83
Higher of the above two considered as minimum price under Regulation 164	**818.83**

Table 4(ii) - 2 weeks Volume Weighted Average Price

Date	Volume	Value (INR)
08-Jul-21	3,48,040	32,08,00,753
07-Jul-21	35,186	2,95,63,425
06-Jul-21	1,22,989	10,65,54,067
05-Jul-21	1,24,834	10,72,56,300
02-Jul-21	45,675	3,78,29,745
01-Jul-21	62,190	5,03,78,892
30-Jun-21	99,080	8,26,34,900
29-Jun-21	2,85,459	22,94,98,971
28-Jun-21	2,51,248	18,59,83,693
25-Jun-21	32,197	2,22,58,429
Total	**14,06,898**	**1,17,27,59,176**

The value of ESL as per market price method is arrived at INR 833.58 per share derived by dividing the total value by the total volume for the past 2 weeks as provided in the table above.