

STRICTLY CONFIDENTIAL

September 1, 2017

The Board of Directors,  
**Nelco Limited,**  
EL-6, TTC Industrial Area,  
MIDC, Electronics Zone,  
Mahape, Navi Mumbai – 400710

Ladies / Gentlemen:

We refer to the engagement letter dated August 23, 2017 (“**Engagement Letter**”) whereby Nelco Limited (“**Nelco**” or “**Amalgamated Company**” or “**Transferor Company**” or “**Company**”) has engaged JM Financial Institutional Securities Limited (“**JM Financial**”), *inter alia*, to provide a fairness opinion to the Company on the valuation report dated September 1, 2017 (“**Valuation Report**”) issued by Thacker & Associates, Chartered Accountants (the “**Valuer**”) for the proposed transfer and vesting of Transferred Undertaking 1 (as defined hereinafter) and Transferred Undertaking 2 (as defined hereinafter) into Nelco Network Products Limited (“**NNPL**” or “**Transferee Company**”) as a going concern on an a slump sale basis for a lump sum consideration and thereafter, amalgamation of Tatanet Services Limited (“**TNSL**” or “**Amalgamating Company**”) with Nelco with Appointed Date as on April 1, 2017 (or such other date as may be directed by NCLT) vide a composite scheme of arrangement and amalgamation under the provisions of Sections 230 to Section 232 of the Companies Act, 2013 read with other applicable provisions and rules thereunder (“**Proposed Scheme**”). We understand that the Proposed Scheme will be considered by the Board of Directors of Nelco.

**Company Background and Purpose**

Nelco is a public limited company incorporated under the Companies Act, 1913. The Company is presently engaged in the business of providing Integrated Security and Surveillance solutions (ISSS) and providing Very Small Aperture Terminals (VSAT) hardware and allied services consisting of network management, project management, infrastructure services, turnkey solutions for satellite communication systems, and co-location services to customers. The equity shares of the Company (“**Equity Shares**”) are listed on the BSE Limited (“**BSE**”) and the National Stock Exchange of India Limited (“**NSE**” and together with the BSE, the “**Stock Exchanges**”).

TNSL is an unlisted public company limited by shares, incorporated under the provisions of the Companies Act, 1956. TNSL is presently engaged in the business of providing wide area networking solutions using VSAT communication services on a pan India basis pursuant to the commercial VSAT Service provider license from Department of Telecom (DOT). TNSL offers these services to enterprise customers across the various industry verticals as well as to Government customers. TNSL is a wholly owned subsidiary of Nelco.

NNPL is an unlisted public company limited by shares, incorporated under the provisions of the Companies Act, 2013. NNPL is yet to engage in any business activity. NNPL is a wholly owned subsidiary of Nelco.

The Company has appointed the Valuer to determine the valuation of Transferred Undertaking 1 and Transferred Undertaking 2. Transferred Undertaking 1 pertains to the Transferred Business 1 of the Transferor Company which is in the business of providing solutions in the areas of Automation Control of Integrated Security and Surveillance solutions (ISSS). Transferred Undertaking 2 pertains to the Transferred Business 2 of the Transferor Company which is in the business of providing VSAT

hardware and allied services consisting of network management, project management, infrastructure services, turnkey solutions for satellite communication systems, and co-location services to all customers other than to TNSL. The Company in terms of the Engagement Letter requested us to examine the Valuation Report issued by the Valuer and other related information provided by the Company and issue our independent opinion as to the fairness of Valuation (“**Fairness Opinion**”) as per the requirements of the SEBI circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017 (“**SEBI Circular**”).

All terms not specifically defined in this Fairness Opinion shall carry the same meaning as in the Proposed Scheme.

### **Brief Background of the Proposed Scheme**

Nelco under the Proposed Scheme is desirous of transferring Transferred Undertaking 1 and Transferred Undertaking 2 to NNPL as a “going concern” on a slump sale basis for a lump sum consideration of Rs. 10.08 crores for Transferred Undertaking 1 and Rs. 15.83 crores for of Transferred Undertaking 2. Subsequently, post the Slump Sale, TNSL will amalgamate with Nelco. Since the entire share capital of the Amalgamating Company is held by the Amalgamated Company, the Amalgamated Company is not required to issue shares or pay any consideration to the Amalgamating Company or its shareholders.

As per the Proposed Scheme, the proposed restructuring is expected to result in following benefits:

- Result in simplification of the corporate structure with the VSAT communication service business vesting in the flagship listed parent entity and the related hardware business in its wholly owned subsidiary. This would result in revenue from recurring services from VSAT communication service to be in Nelco and the revenue from sale of hardware including VSAT equipment business to be in NNPL whose revenue will be mainly one-time in nature.
- The enhanced net worth of Nelco (which would own the VSAT license post the restructuring) after the Arrangement and Amalgamation will improve its ability to bid for larger projects and pursue bigger opportunities.

We understand that Transferred Undertaking 1 and Transferred Undertaking 2 are proposed to be transferred under the Scheme by the Transferor Company to the Transferee Company for a consideration of Rs. 10.08 crores and Rs. 15.83 crores respectively. The consideration shall be discharged within 6 months from the Effective Date or such other date and terms as determined by the Board of Directors.

### **Source of Information**

For the said examination and for arriving at the opinion set forth below, we have received:

1. Valuation Report issued by the Valuer;
2. Draft of the Proposed Scheme; and
3. Necessary explanations and information from the representatives of Nelco.

### **Scope Limitations**

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by the Company for the purposes of this Fairness Opinion. We express no opinion and accordingly accept no responsibility with respect to or for such information, or the assumptions on which it is based. We



have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of the Company, NNPL and TNSL and neither expresses any opinion with respect thereto nor accept any responsibility therefore. We have not made any independent valuation or appraisal of the assets or liabilities of the Company, NNPL or TNSL, nor have we been furnished with any such appraisals. We have not reviewed any internal management information statements or any non-public reports, and instead, with your consent, have relied upon information that was publicly available or provided or otherwise made available to us by the Company, NNPL and TNSL for the purposes of this Fairness Opinion. We are not experts in the evaluation of litigation or other actual or threatened claims, and accordingly, we have not evaluated any litigation or other actual or threatened claims. In addition, we have assumed that the Proposed Scheme will be approved by regulatory authorities and that the Proposed Scheme will be consummated substantially in accordance with the terms set forth in the Proposed Scheme. We have assumed that there are no other contingent liabilities or circumstances that could materially affect the business or financial prospects of the Company, NNPL and TNSL, other than those disclosed in the information provided or considered in the Proposed Scheme.

We understand that the management of the Company and, during our discussion with them, would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion. We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Proposed Scheme, no restrictions will be imposed or there will be no delays that will have a material adverse effect on the benefits of the Proposed Scheme that may have been contemplated. Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have an obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we were not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition, business combination or other extraordinary transaction involving the Company or any of its assets, nor did we negotiate with any other party in this regard.

In the ordinary course of business, the JM Financial group is engaged in securities trading, securities brokerage and investment activities, as well as, providing investment banking and investment advisory services. In the ordinary course of its trading, brokerage and financing activities, any member of the JM Financial group may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in debt or equity securities or senior loans of any company that may be involved in the Proposed Scheme.

We express no opinion whatsoever and make no recommendation at all as to the Company's underlying decision to effect the Proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of Company should vote at their respective meetings held in connection with the Proposed Scheme. We do not express and should not be deemed to have expressed any views on any other terms of the Proposed Scheme. We also express no opinion, and accordingly, accept no responsibility for or as to the price at which the equity shares of Company will trade following the announcement of the Proposed Scheme or as to the financial performance of the Company, NNPL or TNSL following the consummation of the Proposed Scheme. We express no opinion whatsoever and make no recommendations at all (and accordingly take no responsibility) as to whether shareholders / investors should buy, sell or hold any stake in the Company or any of its related parties (holding company / subsidiary / associates etc).

#### **Conclusion**

The transaction involves slump sale of two business undertakings from parent company into its wholly owned subsidiary and amalgamation of a wholly owned subsidiary into parent company.



Based on our examination of the Valuation Report, such other information / undertakings / representations provided to us by the Company and our independent analysis and evaluation of such information and subject to the scope limitations as mentioned hereinabove and to the best of our knowledge and belief, we are of the opinion that the value of Transferred Undertaking 1 of Rs. 10.08 crores and Transferred Undertaking 2 of Rs. 15.83 crores is fair.

#### **Distribution of the Fairness Opinion**

The Fairness Opinion is addressed to the Board of Directors of the Company solely for the purpose of providing them with an independent opinion on the fairness of the Valuation as determined by the Valuer and for the purpose of submission to the Stock Exchanges, National Company Law tribunal along with the petition for the Proposed Scheme and such other applicable regulatory authorities under SEBI Circular and/ or the Companies Act, 2013. The Fairness Opinion shall not be disclosed or referred to publicly or to any other third party, other than as required by Indian law in which case you would provide us a prior written intimation. The Fairness Opinion should be read in totality and not in parts. Further, this Fairness Opinion should not be used or quoted for any purpose. If this Fairness Opinion is used by any person other than to whom it is addressed or for any purpose other than the purpose stated hereinabove, then, we will not be liable for any consequences thereof. In no circumstances however, will JM Financial or its management, directors, officers, employees, agents, advisors, representatives and controlling persons of JM Financial accept any responsibility or liability including any pecuniary or financial liability to any third party. Neither this Fairness Opinion nor its contents may be referred to or quoted to / by any third party, in any registration statement, prospectus, offering memorandum, annual report, loan agreement or any other agreement or documents given to third parties.

Yours truly,

**For JM Financial Institutional Securities Limited**



Authorized Signatory

KAMAL SULTANIA