

September 27, 2017

To,

**NELCO Limited**

EL-6, TTC Industrial Area

MIDC, Mahape

Navi Mumbai- 400 710

Maharashtra

Dear Sirs,

**Re: Valuation Report issued on September 1, 2017 in respect of Composite Scheme of Arrangement and Amalgamation between NELCO Limited, TATANET Services Limited and NELCO Network Products Limited**

**Sub: Response to the letter issued by NSE Limited dated September 22, 2017 in respect of requirement of Valuation Report as per SEBI Circular CIR/CFD/CMD/16/2015 dated November 30, 2015**

This is in reference to the subject letter dated September 22, 2017 issued by NSE Limited.

In this context, we provide herewith the following information / clarification in respect of the valuation report dated September 1, 2017:

1. The Board of Directors of Nelco Limited in its meeting on September 1, 2017 had approved a Composite Scheme of Arrangement and Amalgamation ("**the Scheme**") under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 between Nelco Limited, Tatanet Services Limited and Nelco Network Products Limited and their respective shareholders and creditors.
2. Pursuant to the said Scheme:
  - 2.1 The businesses of Nelco Limited (ISSS Business and VSAT Business) is being proposed to be transferred to its wholly owned subsidiary by way of slump sale, Nelco Network Products Limited ("**the Transferee Company**" and "**NNPL**") on a going concern basis.
  - 2.2 As envisaged in the Scheme, the consideration for transfer of the aforesaid businesses is to be settled by way of cash<sup>1</sup>. It may be noted that no shares of the Transferee Company would be issued as a consideration.

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<sup>1</sup> As mentioned in Clause 10 and 15 of the proposed Scheme

- 2.3 Post slump sale of the aforesaid businesses, Tatanet Services Limited (“TNSL”) (a wholly owned subsidiary of Nelco Limited) would be amalgamated into Nelco Limited. On amalgamation, no shares would be issued by Nelco Limited, being the amalgamation of wholly owned subsidiary with its holding company.
- 2.4 Further, no shares would be issued either by Nelco Limited or by Nelco Network Products Limited. In light of the above facts, it can be noted that the proposed internal restructuring of businesses amongst Nelco Limited, TNSL and NNPL would not result into change in the present shareholding of Nelco Limited and NNPL.
3. In view of the above, it is noted there is no requirement to either to issue “relative value per share” of the respective companies or to issue “fair share exchange ratio” / “swap ratio”. Accordingly, the Circular NSE/CML/2017/12 dated June 1, 2017 (“NSE Circular”) is not applicable under the present facts and circumstances.
4. However, while determining the consideration for transfer of businesses, the valuation methods as prescribed in the said NSE Circular have been duly factored i.e., Asset Approach, Income Approach and Market Approach.
5. Since the subject Scheme proposes internal restructuring of various businesses of Nelco Limited and its subsidiary (NNPL) to enable better realization of potential of the businesses and other business considerations as stated at Clause 3 (Rationale) of the Scheme. Under the present facts, the proposed slump sale of businesses is from Nelco Limited (the holding company) to its wholly owned subsidiary (NNPL) and as a result of which, post slump sale, the economic and beneficial ownership in such businesses continues to rest with Nelco Limited (holding company).
6. Post such transfer, the interest of the shareholders of Nelco Limited would not be prejudicially affected based on the consideration attributed to each of such business and accordingly, for the purpose of this engagement, we have applied only the Net Asset Value Method. Therefore, the other two methods – Income Approach and Market Approach have not been considered. Kindly refer to observations at Para 2.2 to 2.7 to the valuation report dated September 1, 2017.

Hope the above clarifies on matter under consideration.

Yours faithfully,

For Thacker & Associates  
Chartered Accountants

*Prashant Thacker*  
Prashant J. Thacker  
Partner

