

**Fairness Opinion Report on 'Valuation Report' issued for Proposed Scheme of
Reduction of Share Capital of Northgate Com Tech Limited**

Prepared by



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SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000011211

Notice to Reader

This report is prepared by Saffron Capital Advisors Private Limited ("Saffron") solely for the purpose of giving a fairness opinion on "Valuation Report" issued for the proposed "Scheme of Reduction of Share Capital" of Northgate Com Tech Limited ("NGCT" or "ompany"). This report is not to be used, circulated, and quoted otherwise than for the purpose stated herein. This report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without Saffron's written consent.

For the purpose of this assignment, Saffron has relied on the Valuation Report dated 31/08/2015 prepared by CA. B. Prabhakara Rao, Chartered Accountant (Membership No. 212939) having their head office situated at Plot No. 61, D. No. 8-3-167/K/61, Venture-III, Kalyan Nagar, Hyderabad – 500 018 for the proposed "Scheme of Reduction of Share Capital" of NGCT, information and explanation provided to it and Saffron has not tried to evaluate the accuracy thereof. Saffron's work does not constitute certification or due diligence of the past working results and Saffron has relied upon the information provided to it as set out in audited and working results of the aforesaid reports.

Saffron has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of NGCT pursuant to Clause 24 of the Listing Agreement, to the Stock Exchanges and to the Registrar of Companies.

Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed capital reduction with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.



The information contained in this Report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Report issued for the proposed Scheme of Reduction of Share Capital of NGCT and may not be applicable or referred to or quoted in any other context.

For **Saffron Capital Advisors Private Limited**



A handwritten signature in blue ink is written over a circular stamp. The stamp contains the text "SAFFRON CAPITAL ADVISORS PRIVATE LIMITED" around the perimeter and "MUMBAI" in the center. There is also a small star symbol inside the stamp.

Authorised Signatory

Introduction and Scope of Assignment

1. Corporate Profile – Northgate Com Tech Limited :

Northgate Com Tech Limited was incorporated in India on May 28, 2010 under the provisions of the Companies Act, 1956, in the name and style as Northgate Com Tech Private Limited. It became public limited company and a fresh certificate of incorporation was issued by the Registrar of Companies Andhra Pradesh on August 01, 2011.

Principal business of the Company is online advertising services. Through this service, it aggregate, position and track Internet advertisements for online advertising agencies and other advertisers on websites controlled by third parties or held by the Company on its own with the goal of increasing awareness and actions through the Internet in respect of the advertised products.

The shares of NGCT are listed on The National Stock Exchange of India Limited.

2. Capital Structure of NGCT as on March 31, 2015

Share Capital	Amount in Rs.
<u>Authorised:</u> 5,00,00,000 Equity Shares of Rs.10/-each	Rs. 50,00,00,000/-
<u>Issued, Subscribed and Paid-up Share Capital:</u> 4,90,18,590 Equity Shares of Rs.10/- each	Rs. 49,01,85,900/-

3. The Board of Directors of the Company propose to reduce share capital in accordance with Sections 78 and 101-104 of the Companies Act, 1956 to reflect its assets and liabilities at their real value and maximize its business value.



4. Upon the scheme coming into effect,

- i. The Share capital of the Company in accordance with above clauses, 4,90,18,590 equity shares having a face value of Rs.10 each shall be reorganized into 4,90,18,590 equity shares of Re.1/- each fully paid-up. Accordingly, the Company shall issue, to its shareholders, 1 equity share of the face value of Re.1/- fully paid-up for every 1 equity share of the face value of Rs.10/- each fully paid-up held by them in the Company.
- ii. The Subscribed and Paid up Capital of the Company shall be reduced to the extent of INR. 44,11,67,310 being the major portion of Accumulated Losses
- iii. The share capital of the Company will be reduced and reorganized by reducing the paid up value of the equity shares of the Company from Rs. 10/- per Equity Share to Rs. 1/- per Equity Share and the paid up share capital of the company shall stand at Rs.4,90,18,590.

5. The proposed reconstruction/restructuring of capital by reduction of paid up capital against accumulated losses shall be reflected in the books of Accounts of the Company, on the effective date, in the following manner:

Particulars	Prior Capital to the Scheme of Reduction as on 31 st March 2015 (Audited)	Reduction of capital against accumulated loss as per Scheme
Number of Equity Shares	4,90,18,590	4,90,18,590
Value of each Share	10	1
Total Paid up share Capital	49,01,85,900	4,90,18,590
Accumulated Losses	(66,03,88,285)	(21,92,20,975)



6. The reasons for reduction of share capital are intended for the benefit of all the stake holders including creditors. It is submitted that the requirement of consent of creditors otherwise under Section 101 (2) of the Companies Act, 1956 is also not required on this reason also.
7. Valuation of Equity Capital has been decided based on the Valuation Report dated 31/08/2015 prepared by CA. B. Prabhakara Rao, Chartered Accountant (Membership No. 212939) having their head office situated at Plot No. 61, D. No. 8-3-167/K/61, Venture-III, Kalyan Nagar, Hyderabad – 500 018.
8. We, Saffron Capital Advisors Private Limited, a SEBI registered Category-I Merchant Banker, has been engaged to give a fairness opinion on Valuation Report issued for the proposed Scheme of Reduction of Share Capital of NGCT. The valuation mentioned herein reflects our independent opinion which is arrived at based on the information provided to us.

(Source: Draft Scheme)



Exclusions and Limitations

- In this connection, Saffron has been requested to submit a report by giving a fairness opinion on Valuation Report issued for the proposed Scheme of Reduction of Share Capital of NGCT.
- We have prepared the Fairness Opinion on the basis of the following information provided to us / collated by us from publicly available sources, like website of NSE:
 - a) Background documents and information of the Company
 - b) Information obtained from the public domain of NSE as set out in the valuation report of CA. B. Prabhakara Rao, Chartered Accountant, dated 31/08/2015, as provided to us by the Company
 - c) Draft Scheme of Reduction of Capital provided to us by the Company
- We have prepared our report based on the information provided to us by the Company.
- Our valuation exercise and conclusions reached by us are dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report.
- Our report will not be offered to any section of the public to subscribe for or purchase any securities in or assets or liabilities of any company or business valued by us.



- This report is prepared with a limited purpose/ scope as identified/ stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.



Key Extracts of Valuation Report of CA. B. Prabhakara Rao, Chartered Accountant

I have been appointed by the Management of M/s. Northgate Com Tech Limited (hereinafter referred as "NORTHGATE") to prepare a Valuation Report for valuation of Equity Shares of the Company for the proposed reduction of share capital of the Company.

To arrive at the valuation of the equity shares of NORTHGATE for its proposed reduction of share capital. The said valuation is to be arrived at on the basis of the fair value of the equity shares of the company. Accordingly, this Report has been prepared for the purpose of arriving at a fair value of the shares of the Company.

There are several methods available for arriving at fair value of shares of Company. Some of the recognised methods in vogue are as under:

- a) Net Asset Value Method (NAV)
- b) Profit Earning Capacity Method (PECV)
- c) Market Price Method (MV)

While calculating Net Asset Value (NAV), I have taken into consideration Audited Financials of NORTHGATE for the year ended 31st March, 2015. As at 31st March 2015 the Company's accumulated losses exceeded it's Share Capital and Reserves hence Net Assets Value came out is Negative.

PECV of NORTHGATE is not considered since the Company has incurred loss in the first 2 years out of the last 3 years and also incurred loss for the Quarter ending 30th June, 2015 in the present financial year 2015-16 as per published Unaudited Financial Results.

For calculating per share value, I have taken into consideration the Market Value based on Last 26 weeks to the Relevant Date. High, Low, Average Closing Prices of NORTHGATE as per NSE (National Stock Exchange of India Limited). Relevant date considered is 29th August, 2015 as my report dated is 31st August, 2015.



i. The Net Asset Value of NORTHGATE based on financials for the year ended 31st March 2015 Negative. Hence under this method the value of shares is Rs. NIL/Not Applicable.

ii. The Price Earning Capacity Value is Rs. 0.07.

iii. The Company is listed in National Stock Exchange. The Average value of shares traded on National Stock Exchange for Last 26 weeks (i.e. from 02.03.2015 to 28.09.2015) based on High, Low, Average Closing Prices of the Company is Rs. 1.23/- (Rupees one and Paisa twenty three only) and the Average value of shares traded on National Stock Exchange for last 2 weeks (i.e. from 18.08.2015 to 28.08.2015) based on High, Low Average closing Prices of the Company is Rs.2.00. Higher of two is Rs. 2.00 is adopted.

On a careful consideration of the peculiar facts and circumstances of the case and the reasons discussed herein above I am of the opinion that the Average of PECV and Market Value is the most appropriate value to arrive at a Fair Value of the Shares of the Company.

Hence the fair value of the Equity Shares of the Company for the proposed reduction of Share Capital can be considered at Rs. 1.04/- (Rupees one paisa four only).

(Source: Valuation Report)



Conclusion and Opinion on Valuation Report

Conclusion:

We have reviewed the methodology as mentioned above used by the Valuer for arriving at the fair valuation of the equity shares of the company and also reviewed the working and underlining assumptions adopted to arrive at the values under each of the above approaches.

Valuation of Equity Capital has been arrived at based on various methodologies explained herein earlier and various qualitative factors relevant to the company and the business dynamics and growth potentials of the business of the company, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

Based on the information, material data made available to us, including the Valuation Report and working thereto, to best of our knowledge and belief, the methodologies used and corresponding valuation of Equity Capital suggested by the Valuer (CA. B. Prabhakara Rao, Chartered Accountant) under the proposed Scheme of Reduction of Capital is **Fair and Reasonable**.

