

FAIRNESS OPINION

NIIT LIMITED

August, 2014

 **Corporate Professionals**
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for NIIT Limited

RKASOP

Rajesh Arora
Company Secretary

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Ref. No: CPC/MB/027/2014-15

SEBI Reg. No: INM000011435

Dated 26 August 2014

To,
The Board of Directors
NIIT LIMITED
AND
NIIT ONLINE LEARNING LIMITED
AND
SCANTECH EVALUATION SERVICES LIMITED
AND
EVOLV SERVICES LIMITED
AND
HOLE-IN-THE-WALL EDUCATION LIMITED

Subject: Fairness Opinion on the valuation report of valuer pursuant to composite scheme of arrangement

Dear Sir,

We refer to our letter of engagement letter dated 14.08.2014 for the purpose of arriving at an opinion on the valuation report of the valuer in reference to the composite scheme of arrangement which has three parts:

Part I deals with merger of three wholly owned subsidiaries (WOS) namely Evolv Services Limited, Scantech Evaluation Services Limited and NIIT Online Learning Limited with NIIT Limited on a going concern basis.

Part II deals with reduction of Preference share capital of Hole-in-the-Wall Education Limited, a wholly owned subsidiary (WOS) of NIIT Limited ("HIWEL/Transferee company"), u/s 100 to 104 of the Companies Act, 1956.

Part III deals with transfer and vesting of the School Business Undertaking (the "Undertaking") of NIIT Limited into HIWEL, pursuant to the provisions of Section 391-394 and other applicable provisions of the Companies Act, 1956 and Companies Act, 2013 and/or Rules/Regulations made there under.

In terms of our engagement letter, we are enclosing our opinion along with this letter. Please note that this is just an opinion on the captioned subject on the basis of the documents submitted to us and does not constitute our independent analysis. All comments as contained herein must be read in conjunction with the Caveats to this opinion.

The opinion is confidential and has been prepared exclusively for the management of NIIT Limited and its wholly owned subsidiaries. It should not be used, reproduced or circulated to any other person, in whole or



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in part, without the prior consent of Corporate Professionals Capital Private Limited, such consent will only be given after full consideration of the circumstance at the time.

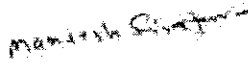
We are however aware that the conclusion in this report may be used for the purpose of certain statutory disclosures and we provide consent for the same. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully,

For Corporate Professionals Capital Private Limited



Chander Sawhney
Vice President



Maneesh Srivastava
Senior Manager



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CONTEXT AND BACKGROUND

1. We understand that NIIT Limited is listed at the BSE Limited and National Stock Exchange in India. The proposed composite scheme of arrangement (the "Scheme") provides for the following:
 - Merger of three WOS namely Evolv Services Limited, Scantech Evaluation Services Limited and NIIT Online Learning Limited with NIIT Limited on a going concern basis;
 - Reduction of Preference Share Capital of HiWEL u/s 100 to 104 of the Companies Act, 1956; and
 - Transfer and vesting of the School Business Undertaking (the "Undertaking") of NIIT Limited into HiWEL, pursuant to the provisions of Section 391 to 394 and other applicable provisions of the Companies Act, 1956, Companies Act, 2013 and/or Rules/Regulations made there under.
2. In accordance with Clause 24(h) of the 'Listing Agreement' and SEBI Circular No CIR/CFDDIL/5/2013, dated February 04, 2013 and clarified by SEBI Circular No CIR/CFDDIL/8/2013 dated May 21, 2013 as applicable to listed companies, the listed Company as well as the unlisted Companies entering into a scheme of arrangement shall each be required to appoint an independent merchant banker for giving a "fairness opinion" on the valuation of assets / shares done by the Valuers for the Company and unlisted companies.

Clause 24(h) of Listing Agreement reads as below-

"The company agrees that in the explanatory statement forwarded by it to the shareholders u/s 393 or accompanying a proposed resolution to be passed u/s 100 of the Companies Act, it shall disclose the pre and post-arrangement or amalgamation (expected) capital structure and shareholding pattern, and the "fairness opinion" obtained from an independent merchant bankers on valuation of assets / shares done by the valuer for the company and unlisted company."

3. With reference to the above, Corporate Professionals Capital Private Limited has been appointed as a Merchant Bankers by NIIT Limited to provide the "fairness opinion" in accordance with the Clause 24(h) of the Listing Agreement.



BRIEF ABOUT COMPANIES

NIIT Limited is a company incorporated under the provisions of the Companies Act, 1956 has its registered office at 8, Balaji Estate, First Floor Guru Ravi Das Marg, Kalkaji, New Delhi. The company is listed on the BSE Limited and National Stock Exchange and handles a diverse portfolio of businesses in the education sector.

Evolv Services Limited is a Company incorporated under the provisions of Companies Act, 1956 having its Registered Office at 8, Balaji Estate, First Floor Guru Ravi Das Marg, Kalkaji, New Delhi. It is a wholly owned subsidiary of NIIT Limited.

Scantech Evaluation Services Limited is a Company incorporated under the Companies Act, 1956 having its Registered Office at 8, Balaji Estate, First Floor Guru Ravi Das Marg, Kalkaji, New Delhi. It is a wholly owned subsidiary of NIIT Limited.

NIIT Online Learning Limited is a Company incorporated under the Companies Act, 1956 having its Registered Office at 8, Balaji Estate, First Floor Guru Ravi Das Marg, Kalkaji, New Delhi. It is a wholly owned subsidiary of NIIT Limited.

Hole-in-the-Wall Education Limited (herein after referred to as 'Transferee Company' or 'HIWEL") is a Company incorporated under the Companies Act, 1956 having its Registered Office 8, Balaji Estate, First Floor Guru Ravi Das Marg, Kalkaji, New Delhi. The company is engaged in the business of providing and supply of systems integration of software, computer hardware, computer peripherals, networking and communication components, cabling, power supply equipment, appropriate fixtures, metering and monitoring devices. It is a wholly owned subsidiary of NIIT Limited.



KEY FACTS & CERTAIN EXTRACT OF THE SCHEME

Based on our discussion with the key management personnel of the companies under the Scheme, we understand all the companies mentioned above, are wholly owned subsidiaries of NIIT Limited namely Evolv Services Limited, Scantech Evaluation Services Limited, NIIT Online Learning Limited and Hole-in-the-Wall Education Limited.

NIIT Limited handles a diverse portfolio of businesses including imparting training and education to individuals, corporate and schools.

The Scheme is being undertaken with the objective of rationalization of subsidiaries and that HiWEL shall more effectively and efficiently cater to the independent growth plan for the Schools Business Undertaking and its future expansion and diversification.

Part 1 of the Scheme

Evolv Services Limited, Scantech Evaluation Services Limited and NIIT Online Learning Limited which are the wholly owned subsidiaries shall be merging with its holding company i.e. NIIT Limited and no shares shall be issued pursuant to this merger as it is a transaction taking place between WOS's and its Holding company.

Part 2 of the Scheme

The Scheme envisages that pursuant to reduction of preference share, the issued, subscribed and fully paid-up Preference Share Capital along with all the rights pertaining to cumulative dividend for the past years shall stand cancelled, without any payment of the cancelled face value of the said shares to the shareholders of the Transferee Company.

The reduction of share capital of the Transferee Company does not involve either a diminution of liability as the preference shares are fully paid-up or payment to any shareholder of any part of the paid-up share capital, and accordingly the provisions of the section 101 of the 1956 Act or such other equivalent provision of the 2013 Act, as applicable, shall not be applicable to such reductions.

Upon cancellation of the Preference Share Capital of the Transferee Company, the same will be credited to the statement of profit and loss of the Financial Statements of the Transferee Company.

Part 3 of the Scheme

The consideration and accounting treatment for transfer and vesting of the Undertaking of NIIT Limited into HiWEL is on lump sum basis derived on the valuation of the Undertaking approved by the Board of Directors of the Transferor company and Transferee company based in their independent judgment and after taking into consideration the value report dated 25 August 2014 by S. R. Batliboi & Co LLP.



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Upon sanction of the Scheme by the Court, the Transferee Company shall take necessary steps to discharge the consideration as mentioned in Clause 12.1.1 of the scheme in such mode and manner as may be agreed by the Board of the Transferor Company and the Transferee Company



VALUER ANALYSIS

In reference to three parts of the composite scheme of arrangement, the valuers have given their valuation reports as detailed below.

Part 1 of the Scheme

In reference to part 1 of the composite scheme which deals with Merger of three WOS namely Evolv Services Limited, Scantech Evaluation Services Limited and NIIT Online Learning Limited with NIIT Limited, the valuation report from an Independent Chartered Accountant is not required as per point 4.2 of SEBI Circular dated CIR/CFD/DIL/8/2013 as there is no change in the shareholding pattern of the listed company.

Based on the above, the Company has not obtained any Valuation Report from an Independent Chartered Accountant for part 1 of the composite Scheme of Arrangement.

Part 2 of the Scheme

In reference to part 2 of the composite scheme which deals with reduction of Preference Share Capital of HiWEL u/s 100 to 104 of the Companies Act, 1956; Companies Act, 2013 and/or Rules/Regulations made there under, the valuer M/s Ghosh Khanna & Co, Chartered Accountants have computed the Pre and Post Reduction of Preference Share Capital Net worth and stipulated that there is no change in the Net worth of the Company as per their valuation report dated 22, August 2014.

Part 3 of the Scheme

In reference to part 3 of the composite scheme which deals with Transfer and vesting of the School Business Undertaking (the "Undertaking") of NIIT Limited into HiWEL, pursuant to the provisions of Section 391 to 394 and other applicable provisions of the Companies Act, 1956, Companies Act, 2013 and/or Rules/Regulations made there under.

The valuer have specifically relied upon the following while undertaking the valuation for this part

- Management approved unaudited segmental financial statements (without schedules and notes to accounts of the Undertaking
- Details of assets and liabilities being transferred as at year ended 31st March 2014;
- Profit and loss account for the years ended 31st March, 2012, 31st March 2013 and 31st March 2014;



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- Projected profit and loss account and balance sheet of the Undertaking along with supporting assumptions for the year ending 31st March 2015 to 31st March 2020
- Details of contingent liabilities/ assets and probabilities of their conversion into actual liabilities and assets;
- Draft Scheme; and
- Surplus assets of the Undertaking as at 31st March 2014.

The valuation under part 3 of the composite scheme has been carried out using the following methods:

Net Asset Value (NAV) Method

The asset based valuation technique is based on the value of the underlying net asset of the business, either on a book value basis or realizable value basis or replacement cost basis. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the 'going concern criteria or in case where the asset base dominate earning capability.

Considering the current profitability of the Undertaking and the nature of assets being transferred, the valuer have used the NAV method in their valuation analysis.

Comparable Companies' Multiple ("CCM") Method

Under this method, value of the equity shares of company is arrived at by using the multiple derived from valuation of comparable companies or comparable transaction, as manifest through stock market valuations of listed companies and the transaction value.

Considering the current profitability of the Undertaking, the valuer have not used CCM method in the valuation analysis.

Market Price Method

In the present case since Valuer is valuing only a business segment and not NIIT as a whole. Hence market price method has not been considered by the valuer.

Discounted Cash Flow ("DCF") Method

Under the DCF method, the projected free cash flow to the stakeholder are discounted at the weighted average cost of capital. The sum of the discounted value of such free cash flow is the enterprise value of the business. From this, net debt is deducted to arrive at the equity value. The valuer have used the DCF method to value the Undertaking.



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The valuer have assigned 50% weight to DCF Method and 50% weight to NAV Method for deriving the equity value of the Undertaking.

The valuation summary of the undertaking as provided by the valuer in the Annexure I of the valuation report dated 25th August 2014 is reproduced below.

Fair Value of Undertaking

Currency Rs Mn	Weights	Value	Annexure
DCF Method	50%	1,108	II
NAV Method	50%	1,053	III
Equity Value		1,081	

Based on the above, the fair equity value of the Undertaking for its proposed transfer to HIWEL as at the Valuation Date is estimated at Rs 1,081 million.



CONCLUSION & OPINION

With reference to above and based on information provided by the management of the entities forming part of the arrangement and after analyzing the valuation reports under part 1, part 2 and part 3 of the Scheme, we came to the following conclusion.

- In reference to part 1 of the scheme of arrangement, the entire share capital of all the three wholly owned subsidiaries viz: Evolv Services Limited, Scantech Evaluation Services Limited and NIIT Online Learning Limited, held by NIIT Limited, shall stand cancelled, without any consideration, in terms of Clause 6.1. of the Scheme. Hence, in terms of para 4.2 of SEBI Circular No. CIR/CFD/DIL/8/2013, dated May 21, 2013, valuation from an independent chartered accountant have not been undertaken as there will not be any change in the shareholding pattern of NIIT Limited, pursuant to the sanction of the Scheme.
 - The proposed reduction in Preference Share Capital of the Transferee Company will not have any impact on the net worth of NIIT Limited as per the valuation report of M/s Ghosh Khanna & Co, Chartered Accountants dated 22 August 2014 who has computed the pre and post Reduction Network of the Transferee company and concluded that there will be no change in shareholding pattern of the transferee company post reduction and further it's been represented by the management that the proposed reduction is not prejudicial to the interest of equity shareholders.
 - In case of transfer of School Business of NIIT Limited into into HiWEL, the valuer has undertaken valuation of the Undertaking, on lump sum consideration to be paid by the Transferee Company. The valuer has not undertaken the valuation of the Transferee Company so, we are not expressing our opinion on the valuation of the transferee company.
 - Upon sanction of the Scheme by the Court, the Transferee Company shall take necessary steps to discharge the consideration as mentioned in Clause 12.1.1 of the scheme in such mode and manner as may be agreed by the Board of the Transferor Company and the Transferee Company.
- "Subject to above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to Clause 24(h) of the listing agreement and SEBI Circular No CIR/CFDDIL/5/2013, dated February 04, 2013 and clarified by SEBI Circular No CIR/CFDDIL/8/2013 dated May 21, 2013, we have reviewed the valuation reports in reference to the composite scheme of arrangement and believe the same to be fair and reasonable to the equity shareholders of the company".*



CAVEATS

- We wish to emphasize that, we have relied on explanations and information provided by the respective key managements, and other public available information while verifying the Scheme. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed/validated the financial data except what is provided to us by the Companies.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this scheme of arrangement, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in NIIT Limited or in it's any of its wholly owned subsidiaries like Evolv Services Limited, Scantech Evaluation Services Limited, NIIT Online Learning Limited and Hole-in-the-Wall Education Limited and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the Management of NIIT Limited and its wholly owned subsidiaries under the scheme has drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Report.

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For NIIT Limited


Rajesh Arora
Company Secretary