



Valuation Report

Freecharge Payment Technologies Private Limited

&

Accelyst Solutions Private Limited

March, 2018

Strictly Private & Confidential

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March 22, 2018

To,

**The Board of Directors,
Freecharge Payment Technologies Private Limited,
16th Floor, DLF Cyber Greens,
Tower C, DLF Cyber City, Phase II
Gurugram- 122 002**

**The Board of Directors,
Accelyst Solutions Private Limited,
16th Floor, DLF Cyber Greens,
Tower C, DLF Cyber City, Phase II
Gurugram- 122 002**

Re: Recommendation of share exchange ratio

Dear Sirs/Madams,

We, BDO India LLP ('BDO India' or 'We' or 'Us'), have been appointed vide letter dated February 7, 2018 to determine the share exchange ratio for the purpose mentioned in Para 1 below. We are pleased to present herewith our report on the same.

1. Purpose of Valuation

- 1.1. Freecharge Payment Technologies Private Limited ("FPTPL") a wholly owned subsidiary of Axis Bank Limited, provides online payment solutions. It offers prepaid, postpaid, DTH, metro recharge, and utility bill payment services. It allows customers to pay across all major online platforms and offline stores.
- 1.2. Accelyst Solutions Private Limited ("ASPL"), also a wholly owned subsidiary of Axis Bank Limited owns and operates online mobile recharge platform 'Freecharge.in'. It offers a user to do online recharge for prepaid mobile, data cards, direct to home and postpaid mobile bill payment. The firm also provides discount coupons from every transaction and offers benefits in categories like food, lifestyle, e-commerce, and travel.
- 1.3. We understand that the management of ASPL & FPTPL ("hereinafter referred to as "the Companies" or "Client") is intending to merge ASPL with FPTPL ("Proposed Transaction") and intends to undertake determination of share swap ratio for the Proposed Transaction.
- 1.4. In this connection, the Companies would like to engage BDO India in determining share swap ratio for the Proposed Transaction.
- 1.5. We do not have any interest or conflict in carrying out the valuation.



2. Sources of Information

For the purpose of undertaking this valuation exercise, we have relied on the following sources of information:

- Audited financial statements of FPTPL for the financial years ended March 31, 2016 and March 31, 2017;
- Audited financial statements of ASPL for the financial years ended March 31, 2016 and March 31, 2017;
- Provisional financial statements of FPTPL and ASPL for nine months period ended December 31, 2017;
- Relevant data and information provided to us by the representatives of the Companies either in written or oral form or in form of soft copy;
- Discussions with the representatives of the Companies regarding the past & current performance of the Companies respectively;
- Information provided by leading database sources, market research reports and other published data;

3. Exclusions and Limitations

- 3.1. Our report is subject to the limitations detailed hereinafter. This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- 3.2. This report and the information contained herein are absolutely confidential and are intended for the use of management and representatives of the Companies for providing select information and only in connection with the purpose mentioned above or for sharing with statutory or regulatory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the Companies or their management or their representatives intends to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.
- 3.3. This report is subject to the laws of India.
- 3.4. The fee for this engagement is not contingent upon the outcome of the report.
- 3.5. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.
- 3.6. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

- 3.7. This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our report.
- 3.8. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the Companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.
- 3.9. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.
- 3.10. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.
- 3.11. Further, this report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.
- 3.12. We have arrived at a relative value based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.
- 3.13. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.
- 3.14. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any party in relation to the issue of this report.
- 3.15. In the particular circumstances of this case, our liability, if any (in contract or under statute or otherwise) for any economic loss or damage arising out of or in connection with this engagement, howsoever the loss or damage caused, shall be limited to the amount of fees actually received by us from the Companies, as laid out in the engagement letter, for such valuation work.

4. Brief Background of the Companies

Freecharge Payment Technologies Private Limited (“FPTPL”)

- 4.1. Freecharge Payment Technologies Private Limited, a wholly owned subsidiary of Axis Bank Limited, provides online payment solutions. It offers prepaid, postpaid, DTH, metro recharge, and utility bill payment services. It allows customers to pay across all major online platforms and offline stores.
- 4.2. The issued, subscribed and paid-up share capital of FPTPL as on December 31, 2017 stood at INR 5,810.50 million (“Mn”) comprising of 581,050,000 equity shares of face value INR 10/- each fully paid up held as under:

Name of Shareholder	No of Shares	% Holding
Axis Bank Limited	581,050,000	100%
Total	581,050,000	100%

- 4.3. We have been informed by the management and representatives of the Companies that there has been no change in the above shareholding pattern of FPTPL till the date of issuance of this report.

Accelyst Solutions Private Limited (“ASPL”)

- 4.4. Accelyst Solutions Private Limited, also a wholly owned subsidiary of Axis Bank Limited, owns and operates online mobile recharge platform ‘Freecharge.in’. It offers a user to do online recharge for prepaid mobile, data cards, direct to home and postpaid mobile bill payment. The firm also provides discount coupons from every transaction and offers benefits in categories like food, lifestyle, e-commerce, and travel.
- 4.5. The issued, subscribed and paid-up share capital of ASPL as on December 31, 2017 stood at INR 6,796.83 million (“Mn”) comprising of 679,682,662 equity shares of face value INR 10/ - each fully paid up held as under:

Name of Shareholder	No of Shares	% Holding
Axis Bank Limited	679,682,662	100%
Total	679,682,662	100%

- 4.6. We have been informed by the management and representatives of the Companies that there has been no change in the above shareholding pattern of ASPL till the date of issuance of this report.



5. Valuation Approach

- 5.1. The Proposed Merger scheme contemplates the merger of the Companies pursuant to the scheme of Amalgamation under sections 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013. Arriving at the share exchange ratio for the Proposed Merger would require determining the relative values of each company. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Merger.
- 5.2. It is pertinent to note that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.
- 5.3. The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.
- 5.4. The cut-off date for the valuation exercise has been considered as December 31, 2017.
- 5.5. There are three internationally accepted approaches to valuation:
 - (a) "Cost" approach
 - (b) "Income" approach
 - (c) "Market" approach

Cost Approach

- 5.6. The cost approach focuses on the net worth or net assets of a company. This valuation approach is mainly used in case where the firm is to be liquidated i.e. it does not meet the "going concern" or where the assets base dominates earnings capability or if it is investment holding company and significant value is derived from its investment holdings.

Net Asset Value ("NAV") Method

- 5.7. NAV Method under the Cost Approach considers the Assets and Liabilities, including Intangible Assets and Contingent Liabilities. The Net Assets, after reducing the dues to the Preference Shareholders, if any, represent the equity value of a company.



Break Up Value Method (“BV”)

- 5.8. Under the Break Up Value method, the assets and liabilities are considered at their realizable (market) values including intangible assets and contingent liabilities, if any, which are not stated in the balance sheet. From the realizable value of the assets, the payable value of all liabilities (existing plus potential) are deducted to arrive at the BV of the Companies.
- 5.9. This Valuation approach is mostly used in case of companies where there are huge operating investments or surplus marketable investments.

Income Approach

- 5.10. The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the Companies in the past as well as its future earning capability. The Discounted Cash Flow (“DCF”) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow (“DCF”) Method

- 5.11. Under the DCF Method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flows represent the cash available for distribution to both, the owners and creditors of the business. The free cash flows in the explicit period and those in perpetuity are discounted by the Weighted Average Cost of Capital (“WACC”). The WACC based on an optimal vis-à-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers equity-debt risk by incorporating debt-equity ratio of the firm.
- 5.12. The perpetuity/terminal value is calculated based on the business’ potential for further growth beyond the explicit forecast period. The “constant growth model” is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.
- 5.13. The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business’ future operations.
- 5.14. The Enterprise Value (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further adjusted for the borrowings, cash, non-operating assets/liabilities (e.g. fair value of investments in subsidiaries/associates/mutual funds, value of surplus assets, any contingent liability, etc.) and preference shareholders liability, if any, to arrive at value to the owners of the business.

Market Approach

- 5.15. Under the Market approach, the valuation is based on the market value of the Companies in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors’ perception about the true worth of the Companies.



Market Price ("MP") Method

- 5.16. Under the "Market" Approach, the market price of an equity share as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded.

Comparable Companies Multiples ("CCM") Method

- 5.17. The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the stock market valuations of listed companies.
- 5.18. This valuation is based on principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.
- 5.19. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Comparable Transactions Multiples ("CTM") Method

- 5.20. Under the CTM Method, the value is determined on the basis of multiples derived from valuations of similar transactions in the industry. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. Few of such multiples are Enterprise Value/ EBITDA multiple, Enterprise Value/ Revenue multiple.
- 5.21. This valuation is based on the principle of transactions taking place in the market between informed buyers and informed sellers, incorporating all factors relevant to valuation. While using transaction multiples, adjustment needs to be made for difference in circumstances, business volume, margins etc. in order to arrive at the enterprise value for the Companies.

Conclusion on Valuation Approach

- 5.22. Based on the information available and considering the nature & stage of business, we have considered the CTM Method under Market Approach for valuation of FPTPL and ASPL.

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6. Conclusion

- 6.1. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheet, but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Honorable Supreme Court of India in the case reported in 176 ITR 417 as under:

"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the Companies which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the Companies, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the Companies. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

- 6.2. In the light of the above, and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion a share exchange ratio in the event of merger of ASPL with FPTPL would be:

100 (Hundred) equity shares of INR 10/- each fully paid up of ASPL will get 174 (One Hundred & Seventy Four) equity shares of INR 10/- each fully paid up of FPTPL.

Yours faithfully,

BDO India LLP



Lata More
Leader - Valuation Practice