



Hem Securities Ltd.

Member : BSE, MCX-SX, USE, CDSL-DP, MERCHANT BANKER

CIN : U67120RJ1995PLC010390

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STRICTLY PRIVATE & CONFIDENTIAL

November, 13, 2014

The Board of Directors
India Infraspace Limited
7th Floor, "A" Wing,
Ashoka Chambers, Rasala Marg,
Ahmedabad - 380006.

The Board of Directors
Vernes Infotech Private Limited
403/TF, Sarthik II, Opposite Rajpath Club,
Bodakdev, Ahmedabad-380054, Gujarat

&
The Board of Directors
Vintron Infrastructure and Projects Private Limited
402, Sarthik, Opposite Rajpath Club,
S. G. Highway, Ahmedabad - 380 054

Sub: Fairness Opinion on the valuation carried out by M/s Keval Ponkiya & Associates Chartered Accountants ("Valuer") in relation to Composite Scheme of; demerger of Infrastructure Division of India Infraspace Ltd. "IIL" (Demerged Company) and vesting the same into Vernes Infotech Pvt. Ltd. "Vernes"(Resulting Company) and amalgamation of Vintron Infrastructure & Projects Pvt. Ltd. "VINTRON"(Transferor Company) with Vernes Infotech Pvt. Ltd. under section 391 and 394 of The Companies Act, 1956.

Dear Sirs,

- 1.1 This has reference to the request made by the management of respective Companies in connection with fairness opinion on valuation carried out by Valuer for Scheme of Arrangement of demerger of Infrastructure Division of India Infraspace Ltd. "IIL" (Demerged Company) and vesting the same into Vernes Infotech Pvt. Ltd. "Vernes"(Resulting Company) and amalgamation of Vintron Infrastructure & Projects Pvt. Ltd. "VINTRON"(Transferor Company) with Vernes Infotech Pvt. Ltd. under section 391 and 394 of The Companies Act, 1956.



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PURPOSE OF VALUATION UNDERTAKEN BY THE VALUER

- 1.2 We have been informed that the Board of Directors of the respective Companies have considered and approved a proposal on Scheme of Arrangement for demerger of Infrastructure Division of India Infraspace Ltd. "IIL" (Demerged Company) and vesting the same into Vernes Infotech Pvt. Ltd. "Vernes" (Resulting Company), and amalgamation of Vintron Infrastructure & Projects Pvt. Ltd. "VINTRON"(Transferor Company) with Vernes Infotech Pvt. Ltd.
- 1.3 In this regard, M/s Keval Ponkiya & Associates Chartered Accountants, having M. No. 147280 and its office located at 101, Abhijyot Square, Bh. Divya Bhaskar, Off. S.G. Highway, Ahmedabad - 380051 was appointed by the Company as Valuer to carry out the valuation with a view to recommend Share Swap Ratio.
- 1.4 The information contained herein and our report is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approvals as per the requirement of Clause 24(h) Listing Agreement entered with Stock Exchange.

SOURCES OF INFORMATION

For the purposes of fairness opinion, we have relied upon the following sources of information:

- (a) Certified Valuation Report along with relevant annexure/workings dated August 31, 2014 issued by valuer.
- (b) Certified Copy of Audited financial Statements for F.Y. ended 2014 of India Infraspace Ltd, Vernes Infotech Pvt. Ltd & Vintron Infrastructure & Projects Pvt. Ltd
- (c) Certified copy of Scheme of Arrangement for demerger of Infrastructure Division of India Infraspace Ltd. "IIL" (Demerged Company) and vesting the same into Vernes Infotech Pvt. Ltd. "Vernes"(Resulting Company) and amalgamation of Vintron Infrastructure & Projects Pvt. Ltd. "VINTRON" with Vernes Infotech Pvt. Ltd. under section 391 to 394 of the Companies Act, 1956.
- (d) Such other information and explanations as we have required and which have been provided by the Company & Valuer.

BACKGROUND INFORMATION

1. India Infraspace Limited (Demerged Company):

India Infraspace Limited, formerly known as Ganpati Infrastructure Limited is incorporated on 07.03.1995 under the Companies Act, 1956. The registered office of the India Infraspace Limited is situated at 7th Floor, "A" Wing, Ashoka Chambers, Rasala Marg, Ahmedabad - 380 006
IIL is engaged in the business of steel manufacturing & steel trading as well as infrastructure & allied services.



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2. Vernes Infotech Private Limited (Resulting Company):

Vernes Infotech Private Limited is a company incorporated on 31.05.2013 under the provisions of the Companies Act, 1956 with the object of engaging in the business of Information Technology. The registered office of Vernes is situated at 403/TF, Sarthik II, Opposite Rajpath Club, S. G. Highway, Bodakdev, Ahmedabad-380054, Gujarat.

3. Vintron Infrastructure & Projects Private Limited (Transferor Company)

Vintron Infrastructure and Projects Private Limited is a company incorporated on 05.10.2004 under the provisions of the Companies Act 1956. The registered office of Vintron is situated at 402, Sarthik, Opposite Rajpath Club, S. G. Highway, Ahmedabad - 380 054. Vintron is engaged in the business of Infrastructure & Allied Services.

VALUATION METHODOLOGY ADOPTED BY THE VALUER

For the purposes of determining the Swap Ratio the Valuer has considered following methods:

- Net Asset Value Method
- Profit Earning Capacity Value Method (PEVC)
- Market price Method
- Discounted Cash Flow Method

The valuer has adopted the "Net Asset Value Method" considering the past track record of all Companies and limitations in using other valuation methods.

FINDINGS OF HEM SECURITIES LIMITED ("HSL")

We have gone through the valuation report dated August 31, 2014 issued by valuer for the purpose of ascertaining the reasonableness of the Share Swap Ratio determined by Valuer. We have taken into consideration the fairness on the Net Asset Value Method used by Valuer for the purpose of determining Share Swap Ratio.

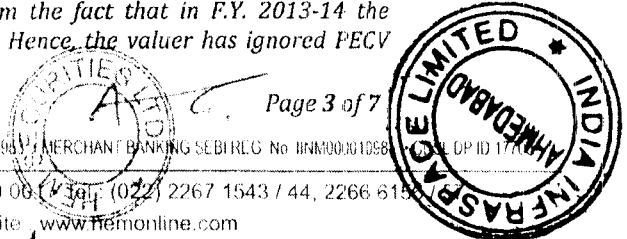
Based on the Valuation Report dated August 31, 2014 and explanations given to us by Valuer following are the methods considered by Valuer and justifications for the same:

- Profit Earning Capacity Value Method (PECV):** Under this Method, Weighted Average earnings in terms of Profit After Tax from the audited accounts of last three years are capitalized on the basis of price earnings ratio to get the true and fair value of company.

However this method was not considered by Valuer because the "Demerged Company" has not made any revenue/profit from its "Infra division" in last 3 financial years. Also, "Resulting Company" is a newly incorporated Company (incorporation date 31.05.2013) and it does not have any track record of business. This is evident from the fact that in F.Y. 2013-14 the "Resulting Company" has NIL revenue from Operations. Hence, the valuer has ignored PECV Method.

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- b. **Market Price Method:** Under this method, Average High/Low of closing Market Price over the period of 26 weeks/52 weeks are considered for Valuation of Equity. *However this method is also not appropriate because it is not possible to determine the market price of Infrastructure division of IIL and also shares of Vernes & Vintron are not listed on any Stock Exchange.*
- c. **Discounted Cash Flow Method:** Under this method, business is only concerned with its cash generating ability. Further, in this method the value of business is derived by discounting its Free Cash Flows (FCF) for a pre-determined forecasted period to the present at discounting rate.

For this purpose, FCF is cash available for distribution to the capital provider after considering the change in capital expenditure and re-investment required to sustain the operations and growth of the business.

However this method was not considered by Valuer because the "Infra division" of "Demerged Company" has not done any business in last 3 financial years and the "Resulting Company" is also a newly incorporated Company due to which prospective generations of cash flows could not be judged. Thus this method has been neglected by the valuer.

- d. **Net Asset Value Method:** Under this method, Net Assets Value is arrived after deducting Total Liabilities from Total Assets. *Considering the past track record of all Companies and limitations in using other valuation methods, this method was adopted by valuer for determining the Swap Ratio.*

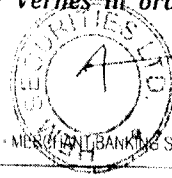
Different estimation techniques may also be adopted depending on Business, Industry and purpose of the valuation. Overall, risk-averse and financial investors seeking to secure their investments may prefer the , Profit Earning Capacity Market, Discounted Cash Flow Method, or Market Value Method. **However, based on the relevant information/explanations received, we believe that Net Asset Value Method is the Fair Method considering the past track record of all the Companies and limitations in using other valuation methods.**

Fairness Opinion & Comments on the Valuation as per Net Asset Value Method

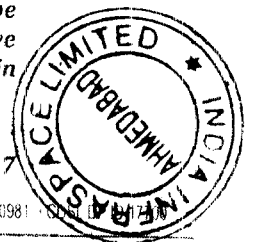
- 1) (a) Consideration to Shareholders of IIL by Vernes for merger of "Infra division of IIL" into Vernes

Share Exchange Ratio derived by Valuer under Net Asset Value Method comes to 0.74:1 i.e. for every 1 share in IIL, 0.74 shares of Vernes will be issued, which in our opinion is fair & reasonable.

However, in order to comply with SEBI Circular No. CIR/CFD/DIL/5/2013 dtd. 4. Feb.'13, Valuer has recommended that shares shall be allotted only to non promoter shareholders of IIL in ratio of 3:4 i.e. for every 4 shares of IIL, 3 shares of Vernes will be issued to non promoter shareholders of IIL and promoters of IIL shall forgo and waive their rights and entitlements to receive any shares of Vernes in order to maintain minimum public shareholding of 25% in IIL.*



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*As per SEBI Circular No. CIR/CFD/DIL/5/2013 Dtd. 4. Feb.'13. it is prescribed that the share exchange ratio should be such that the public shareholders of the Transferee Company should hold atleast 25% of the expanded share capital of the Transferee Company upon implementation of the Scheme.

Also, we draw attention to Clause 10 of the Scheme of Arrangement, which states that after this Scheme is approved by the BSE/ SEBI, but before coming into effect of this Scheme, Vernes shall be converted in to a Public Company and it shall adopt a new set of the Article of Association as may be approved by the Bombay Stock Exchange.

(b) Consideration to Shareholders of "Vintron" by "Vernes"

Share exchange ratio derived by Valuer under Net Asset Value Method comes to 99.11:1 i.e. for every 1 share of Vintron, 99.11 shares of Vernes will be issued, which in our opinion is fair & reasonable.

Further, the valuer has stated in his report that as per share exchange ratio of 99.11:1, 99,11,095 equity shares of Vernes shall be allotted to shareholders of Vintron. As, all the shareholders of Vintron belongs to promoter group of Vernes, allotment of 99,11,095 shares will increase the promoter's shareholding in Vernes to 30.43%, which would be in violation of the requirement of minimum public shareholding of 25% in IIL. **Thus the valuer has stated that promoters would sacrifice and instead of 99,11,095 shares, they shall be issued and allotted 74,70,807 new Equity Shares of Vernes in ratio of 747:10 i.e. For Every 10 shares held in Vintron, 747 shares of Vernes will be issued and balance 807 Equity Shares is to be allotted to any one of the Core Promoter of Vernes/Vintron.**

Also, we again, draw attention to Clause 10 of the Scheme of Arrangement, which states that after this Scheme is approved by the BSE/ SEBI, but before coming into effect of this Scheme, Vernes shall be converted in to a Public Company and it shall adopt a new set of the Article of Association as may be approved by the Bombay Stock Exchange.

EXCLUSIONS AND LIMITATIONS

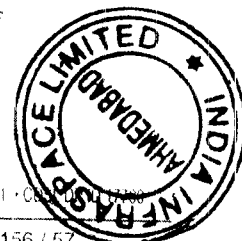
For the purpose of our opinion we have relied upon the information provided to us and have not carried out any audit / due diligence / any independent verification of such information.

- 1.5 Our opinion is neither and nor it should it be construed as we opining or certifying the compliance of the proposed Scheme of Arrangement for demerger of infrastructure Division of India Infraspace Ltd. "IIL" (Demerged Company) and vesting the same into Vernes Infotech Pvt. Ltd. "Vernes"(Resulting Company), and amalgamation of Vintron Infrastructure & Projects Pvt. Ltd. "VINTRON"(Transferor Company) with Vernes Infotech Pvt. Ltd.

Our Opinion is restricted to determining the fairness of Share Swap Ratio as arrived by valuer and should not be construed as fair opinion given by us on reorganization and reduction of capital of IIL.



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For Hem Securities Limited.



Akun Goyal
Manager-Merchant Banking
Place: Jaipur
SEBI Registration No. : INM000010981
(Merchant Banker)



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DISCLAIMER CLAUSE

We hereby declare that we have no direct or indirect interest in the Companies / Assets valued. Our work did not constitute an audit in accordance with Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services. Accordingly we do not express an opinion on the information presented.

It may be noted that this Fairness Opinion is expressed solely with reference to requirements under clause 24(h) of the listing agreement and the purpose and scope of this assignment is restricted to opine about fairness of valuation already done by the valuer.

This opinion does not in any way constitute a recommendation by HSL to any shareholders as to whether such holders should approve or reject the proposed composite scheme of Arrangement for demerger of Infrastructure Division of India Infraspace Ltd. "IIL" (Demerged Company) and vesting the same into Vernes Infotech Pvt. Ltd. "Vernes"(Resulting Company), and amalgamation of Vintron Infrastructure & Projects Pvt. Ltd. "VINTRON"(Transferor Company) with Vernes Infotech Pvt. Ltd.

We have been engaged by the respective companies to issue a Fairness Opinion and will receive a fixed fee for rendering this Fairness Opinion, which is independent of the happening or otherwise of the proposed activities.

Our Opinion is restricted to determining the fairness of Share Swap Ratio as arrived by valuer and should not be construed as fair opinion given by us on reorganization and reduction of capital of IIL or waive of right to receive consideration of shares by promoters of IIL & Vernes.

It is understood that this Fairness Opinion may not be relied upon by, nor be disclosed, in whole or in part, to any third party for any purpose whatsoever. Notwithstanding the foregoing, this Fairness Opinion may be reproduced in the explanatory statement sent to the shareholders along with the notice of general meeting / postal ballot form, conducted to get approval for the proposed activities, so long as the form of reproduction of the Fairness Opinion in such report and any description of or reference in such report to HSL is in a form acceptable to us.

In no circumstances however, will Hem Securities Ltd. or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Hem Securities Ltd. or its associates, directors or employees by any third party, IIL & Vernes and their affiliates shall indemnify them.

