



The Board of Directors
M/s Cambridge Technology Enterprises Limited
Unit No.04-03, Level 4, Block 1,
Cyber Pearl, Hitec-City,
Madhapur, Hyderabad – 500081.

Dear Sirs,

11thDecember,2015

Sub: Fairness opinion on the proposed Scheme of Reduction of capital of
M/s. Cambridge Technology Enterprises Limited

We, **Quintessence Enterprises Pvt. Ltd., ('QEPL')**, refer to our offer letter dated 11th December, 2015 which has been duly accepted by you, whereby you have appointed us as an Independent Merchant Banker for furnishing a 'Fairness Opinion' on the proposed Scheme of Reduction of capital of M/s. Cambridge Technology Enterprises Limited to be submitted to the Stock Exchanges as per clause 24(h) of the Listing Agreement on the Scheme of Reduction.

MERCHANT BANKER – QUINTESSENCE ENTERPRISE PVT LTD (QEPL)

QEPL formed in 1999, is a Category – I, Merchant Banking company, based in Hyderabad, Andhra Pradesh, having its registered office at 'NANDANAM' 8-2-

Fairness Opinion on CTCL



Page | 1

Admin Office : 8-2-603/B/33/A/9, B-201, Zahera Nagar, Road No. 10, Banjara Hills, Hyderabad - 500 034.

Phone : 040 65528262, **Mobile :** +91 9949270707, +91 9885099661, **CIN No.** U72200TG1999PTC032411

Regd. Office : #8-2-603/1/VP, Plot No. 8A, Road No. 10, Banjara Hills, Hyderabad - 500 034.

E-mail : quintessence@qeplindia.com, **Website :** www.qeplindia.com

603/1/VP, Plot No. 8A, Road No. 10, Banjara Hills, Hyderabad - 500034, and Administrative office at 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills, Hyderabad - 500034. It is SEBI registered with Registration Code INM000011997 valid till 31/07/2017, as Category I Merchant Banker.

BACKGROUND/ PURPOSE

We understand that the management of M/s. Cambridge Technology Enterprises Limited has proposed a Scheme of Reduction of capital wherein it provides for writing off the goodwill and the accumulated losses against the Securities Premium Account of "Cambridge Technology Enterprises Limited". This is proposed to be achieved by a Scheme of Reduction under the provisions of Sec 100-103 of the Companies Act, 1956, including Sec 52 of the Companies Act, 2013, and any amendments and/or re-enactment thereof, for the time being in force.

The proposed Reduction of Capital does not involve the reduction in the Paid up share capital of the Company, however, it envisages the reduction in the Securities Premium Account by setting it off against the entire goodwill and balance against the accumulated losses which shall be reflected in the books of Accounts of the Company, on the effective date. The shareholding pattern of the Company and the number of shares shall remain unchanged as there is no reduction in the paid up share capital of the Company contemplated in the Scheme.

As per para 5.16 (a) of circular no. CIR/CFD/DIL/ dated May 21st 2013, issued by SEBI, in such a situation no valuation is required and the above Scheme seems to be fair and reasonable since the shareholders of Cambridge Technology Enterprises Limited will continue to remain the beneficial owners of M/s. Cambridge Technology Enterprises Limited in the same proportion they held before the Scheme.



In this connection we have been requested by Cambridge Technology Enterprises Limited to render our professional services by issuing a fairness opinion as per clause 24(h) of the Listing Agreement on the Scheme of Reduction.

'Valuation Report from an Independent Chartered Accountant' need not be required in cases where there is no change in the shareholding pattern of the listed company. In such cases, the listed entities shall furnish an undertaking certified by the auditor and duly approved by the Board of the company clearly stating the reasons for non-applicability of Para 5.16 (a).

The company has given such an undertaking dated 18.11.2015 which has been certified by the Auditors M. Anandam & Co., Chartered Accountants, as on 18.11.2015, 2015 having their address at 7 'A', Surya Towers, Sardar Patel Road, Secunderabad, 500003.

Based on the above certified undertaking we feel that the Scheme is **fair and reasonable**

RATIONALE OF THE SCHEME

The Company has incurred business losses in the past few years and the accumulated losses as on 31.03.2015 (Thirty First day of March, Two Thousand and Fifteen) amounts to Rs. 15,06,44,130/- (Rupees Fifteen Crores Six Lakhs Forty Four Thousand One Hundred and Thirty only). The Company also has an amount of Rs. 22,52,15,578/- (Rupees Twenty Two Crores Fifty Two Lakhs Fifteen Thousand Five Hundred and Seventy Eight only) lying in the Securities Premium Account of the Company as on 31.03.2015 (Thirty First day of March, Two Thousand and Fifteen).

1. The Company also has in its balance sheet Goodwill of Rs. 9,77,14,002/- (Rupee Nine Crores Seventy Seven Lakhs Fourteen Thousand and Two only) which was created consequent to the amalgamation of Cambridge Technology India Private Limited (a Wholly Owned Subsidiary Company) into the Company pursuant to the Order passed by the Hon'ble High Court of Karnataka at Bangalore, dated 07.08.2014 (Seventh Day of August, Two Thousand and Fourteen), under a scheme of Amalgamation in terms of the provisions of section 391 to 394 of the Companies Act, 1956.
2. The Board of Directors of the Company at its meeting held on 02.11.2015 (Second day of November, Two Thousand and Fifteen), took note that the creation of goodwill account was a merely an accounting entry made pursuant to the Accounting Standards issued by the Institute of Chartered Accountants of India and that the Goodwill account as such does not carry any tangible value. Therefore the balance sheet of the company carrying goodwill as an asset of book value of Rs. 9,77,14,002/- (Rupee Nine Crores Seventy Seven Lakhs Fourteen Thousand and Two only) which in fact does not have any tangible value does not reflect the factual financial position of the Company.
3. In order to present a true and factual financial position of the Company and after an analysis of the various options available to the Company, the Board felt that it would be prudent to utilize the balance lying in the Securities Premium Account of the Company to write off the entire Goodwill and the balance against the accumulated losses of the Company which is the most practical and economically efficient option available to the Company in the present scenario.
4. Therefore, the Board of Directors of the Company approved the draft Scheme of Reduction of Capital at its meeting held on 18.11.2015 (Eighteenth day of November, Two Thousand and Fifteen).

5. The following are the benefits arising out of the Scheme of Reduction of Capital:

- The reduction of capital will result in reflecting the actual Net Worth of the Company.
- The Company's financial position will become more accurate after the capital reduction.
- The proposed capital reduction will enable the company to use the amount which is lying unutilized in the securities premium account of the company in an effective manner for the benefit of the company.

BACKGROUND OF THE COMPANY

M/s. "Cambridge Technology Enterprises Limited" (CTEL) was originally incorporated as a Private Limited Company under the name and style M/s. "Unique Solutions (India) Private Limited" on 28.01.1999 (Twenty Eighth day of January, One Thousand Nine Hundred and Ninety Nine), in the erstwhile state of Andhra Pradesh (now Telangana), Hyderabad vide Certificate of Incorporation Number 01-30997 of 1998-99. Subsequently, the name of the Company was changed from 'Unique Solutions (India) Private Limited' to 'Cellexchange (India) Private Limited' and consequent upon change of name, the Company obtained a Fresh Certificate of Incorporation from the Registrar of Companies, Andhra Pradesh on 21.01.2003 (Twenty First day of January, Two Thousand and Three) after complying with the relevant provisions under the Companies Act, 1956. Further the name of the Company was once again changed from 'Cellexchange (India) Private Limited' to 'Cambridge Technology Enterprises Private Limited' and consequent upon change of name, the Company once again obtained a Fresh Certificate of Incorporation from the Registrar of Companies, Andhra Pradesh on 12.03.2004 (Twelfth day of March, Two Thousand and Four) after complying with the relevant provisions under the Companies Act, 1956.

Subsequently, the Company changed its name once again from 'Cambridge Technology Enterprises Private Limited' to 'Cellexchange (India) Private Limited'. Consequent upon change of name, the Company obtained a Fresh Certificate of Incorporation from the Registrar of Companies on 22.07.2004



(Twenty Second day of July, Two Thousand and Four) after complying with the relevant provisions under the Companies Act, 1956.

In the year, 2005, the Company deemed it fit to change its name once again to 'Cambridge Technology Enterprises Private Limited' and obtained a Fresh

Certificate of Incorporation from the Registrar of Companies on 16.03.2005 (Sixteenth Day of March, Two Thousand and Five) after complying with the relevant provisions of the Companies Act, 1956.

Further, the Company had obtained the approval of the shareholders vide special resolution passed on 14.03.2006 (Fourteenth day of March, Two Thousand and Six) and converted itself into a Public Company. Consequent upon which the word "Private" was deleted from the name of the Company and the name of the Company was changed to M/s. 'Cambridge Technology Enterprises Limited'. The Company obtained the fresh Certificate of Incorporation from the Registrar of Companies on 31.03.2006 (Thirty First day of March, Two Thousand and Six). The Corporate Identification Number of the Company is L72200AP1999PLC030997 (hereinafter referred to as the "Company").

M/s. 'Cambridge Technology Enterprises Limited' is a listed Company having its shares listed and traded on BSE Limited (formerly known as 'Bombay Stock Exchange Ltd') and the National Stock Exchange of India Limited.

The Registered Office of the Company is situated at Unit No.04-03, Level 4, Block 1, Cyber Pearl, Hitec-City, Madhapur, Hyderabad - 500081.

EFFECT OF REDUCTION OF CAPITAL

The proposed Reduction of Capital does not involve the reduction in the Paid up share capital of the Company, however, it envisages the Reduction in the Securities Premium Account by setting it off against the entire goodwill and



balance against the accumulated losses which shall be reflected in the books of Accounts of the Company, on the effective date, in the following manner:

Particulars	Prior to the Scheme of Reduction of Capital	Proposed Reduction in the Securities Premium Account	After the Scheme of Reduction as on the Effective Date
Paid up share Capital	19,63,10,150	Nil	19,63,10,150
Securities Premium Account	22,52,15,578	(22,52,15,578)	Nil
Goodwill Account	9,77,14,002	(9,77,14,002)	Nil
P&L Account (Dr.) i.e. accumulated losses:	(15,06,44,130)	12,75,01,576	(2,31,42,554)

The shareholding pattern of the Company and the number of shares shall remain unchanged as there is no reduction in the paid up share capital of the Company contemplated in the Scheme. The Pre and Post Reduction Shareholding pattern of the Company will be as follows:

Particulars	Prior to the Scheme		After the implementation of the Scheme	
	No. of Shares (Rs. 10/- each)	% to total	No. of Shares (Rs. 10/- each)	% to total
Promoter's & Group	9209693	46.91%	9209693	46.91%
Institutions/ Mutual Funds etc	57381	0.29%	57381	0.29%
Public holding	10363941	52.80%	10363941	52.80%
Total	1,96,31,05	100%	1,96,31,015	100%

SOURCES OF INFORMATION

- A copy of the Memorandum and Articles of Association of the company
- Audited financial statements of the year ending 2015, of the company
- Shareholding pattern before and after the Scheme
- A draft copy of the Scheme of Reduction.
- A certified copy of the Board Resolution of the company.
- A certified copy of the undertaking dated 18.11.2015 for non-applicability of para 5.16 (a) of circular no. CIR/CFD/DIL/ dated May 21st 2013, issued by SEBI, which has been certified by the Auditors M. Anandam & Co., Chartered Accountants, as on 18.11.2015 having their address at 7 'A', Surya Towers, Sardar Patel Road, Secunderabad, 500003.

OPINION ON SCHEME OF REDUCTION

As Merchant Bankers furnishing an opinion about the fairness of the Scheme based on the information, material, data made available to us including the certified Undertaking and workings to the best of our knowledge and belief, the Scheme of Reduction is **Fair**.

LIMITATIONS & CAVEATS OF THE FAIRNESS OPINION

The assignment did not include the following:

- Our fairness opinion is based on the information made available to us by the management of Cambridge Technology Enterprises Limited. Any subsequent changes to the financial and other information provided to us, may affect the opinion in this report.

- We have reviewed the information made available to us for over all consistency and have not carried out any detailed tests in the nature of audit to establish the accuracy of such statements and information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the company.
- 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 information contained in this report is selective and is subject to updations, expansions, revisions and amendment, 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.
- In rendering this Opinion, QEPL has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly QEPL does not assume any responsibility in respect thereof. Further QEPL has assumed that the Scheme of Reduction will be implemented on the terms and conditions as set out in the draft Scheme of Reduction without any material changes to or waiver of its terms and conditions.
- This report is intended only for the sole use and information of the company and only in connection with the Scheme of Reduction including for the purpose of obtaining judicial and regulatory approvals for the Scheme of Reduction. We are not responsible in any way to any other person/party for any decision of such person or party based on this report. Any person /party intending to provide finance / invest in the shares / business of any of the company or its subsidiaries /



joint venture / associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedure to ensure that they are making an informed decision.

- It is hereby notified that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the Scheme of Reduction as aforesaid can be done only with our prior permission in writing.
- We acknowledge that this report will be shared to the extent as may be required with the relevant High Court, Stock Exchanges, advisors of the Company in relation to the Scheme, as well as the statutory authorities.

It may further be noted that in no circumstances shall the liability of **Quintessence Enterprises Private Limited (QEPL)**, its directors or employees related to the service provided in connection with this opinion, exceed the amount paid to us as our fees for this opinion.

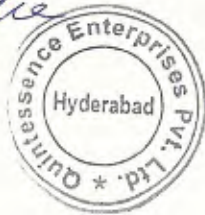
We highly appreciate the co-operation and support received by us from your representatives during preparation of the said Fairness Opinion Report

Thanking you,

Yours faithfully,

For and on behalf of
Quintessence Enterprises Private Limited

Lavanya Chandra
Lavanya Chandra
Executive Director



Hyderabad.