



TO
THE COMMITTEE OF INDEPENDENT DIRECTORS OF BOARD
INTEC CAPITAL LTD
701 MANJUSHA - 57 NEHRU PLACE
NEW DELHI-110019

Dear Sirs,

RE: Independent Opinion and Recommendation on Open Offer Price of Intec capital Limited (ICL ("Target Company") in connection with Open Offer made by Intec Worldwide Private Limited ("Acquirer I"), Pantec Devices Private Limited ("Acquirer II"), Pantec Consultants Private limited ("Acquirer III"), India Business Excellence Fund-II ("Acquirer IV") and India Business Excellence Fund-IIA ("Acquirer V" and together with Acquirer I, Acquirer II, Acquirer III and Acquirer IV referred to as the "Acquirers") ("Open Offer") for acquisition up to 4,775,225 fully paid-up equity shares of face value of Rs. 10 each at an offer price of Rs. 109.45 each representing 26% of total voting share capital of the Company from the public shareholders of Intec Capital Limited ("Target Company").

We M/s *Vijay Mukesh & Company* refer our Engagement Letter dated 27th September 2013 confirming our appointment by the Committee of Independent Directors of the Company, pursuant to regulation 26(6) of SEBI (SAST) Regulations, 2011 as their Independent External Professional Advisor for the purposes and objectives mentioned in this Report.

- The Report issued by us pursuant to Regulation 26 (6) of the SEBI (SAST) 2011 can be used by the committee of Independent Directors of the Target Company to provide reasoned recommendation for Open Offer and can be uploaded in the Company Website and can be mentioned in the Open Offer documents wherever required in terms of SEBI (SAST) Regulations, 2011.

Back ground of the company

ICL is a non-banking finance company. The company provides finance to small and medium enterprises for various purposes including financing of plant / machinery, printing & packaging machines, medical equipment, middle level engineering Goods Industrial generators, networking / Lan solution including several other non-consumable items of customer need Including computer and peripheral.

The Company is registered with RBI under Registration Number B-14.00731 as NBFC.

ICL Registered Office is located at 701 Manjusha, 57 Nehru place, New Delhi-110019

The Equity Shares of the Company are listed on BSE Limited ("BSE") and Delhi Stock Exchange ("DSE").



We understand that:

1. An Open Offer has been triggered as a result of direct acquisition of shares by the Acquirers in accordance with Regulation 3 (2) read with Regulation 13 (2) and Regulation 15(1) of the SEBI Substantial Acquisitions and Takeovers ("SAST") Regulations, 2011.
2. Open offer for acquisition up to 4,775,225 fully paid-up equity shares of face value of Rs. 10 each at an offer price of Rs. 109.45 each representing 26% of Voting Share Capital of the Target Company has been made to public shareholders of Intec Capital Limited ("Target Company") by Intec Worldwide Private Limited ("Acquirer I"), Pantec Devices Private Limited ("Acquirer II"), Pantec Consultants Private limited ("Acquirer III"), India Business Excellence Fund-II ("Acquirer IV") and India Business Excellence Fund-IIA ("Acquirer V" and together with Acquirer I, Acquirer II, Acquirer III and Acquirer IV referred to as the "Acquirers") ("Open Offer").
3. The Date of Public Announcement ("PA") for the Open Offer to the Equity Shareholders of the Company was 13th August 2013.
4. The date of Detailed Public Statement ("DPS") for the Open Offer to the Equity Shareholders of the Company was 21st August 2013.
5. The offer price of Rs. 109.45 (Rupees One Hundred Nine and Paise Forty Five) payable per Equity Share has been calculated by Manager to open Offer in accordance with Regulation 8(1) and Regulation 8(2) read with Regulation 8(6) of the SEBI (SAST) Regulations, 2011 ("Offer Price"). Assuming full acceptance, the total consideration payable by the Acquirers will be Rs. 522,648,376.25 (Rupees Five Hundred Twenty Two Million Six Hundred Forty Eight Thousand Three Hundred Seventy Six and Paise Twenty Five).

Scope and Purposes of this report

The objective of our engagement is to arrive at fair, reasonable and Independent Valuation of Equity Shares of the Target Company on the basis of various valuation methodologies as mentioned blow in this report and to give its report to the Committee of Independent Directors.

We have carried out a valuation of the equity shares of Intec Capital Limited based on financial statements for Financial Year 2012-13 and prior years with a view to recommend a fair value of shares. As far as current financial year's financials has concern, at the time of engagement letter, only Jun'13 quarter financials were available and same, alone, cannot be used as a true indicator of the profitability of the Company in current financial year and hence same were not considered for valuation purpose.

Our report is however subject to the limitation of the detail provided to us as mentioned in the report.



Source of Information

The following information has been received from the management of the companies

- a) Audited financial statement of ICL for the year's ended march 31, 2009, 2010,2011,2012,2013.
- b) Un-audited quarterly results for the first quarter ended 30th June 2013
- c) Shareholding pattern ICL as at March 31, 2013 and as 30th June 2013.
- d) Public Announcement made on the behalf of the acquirer on 13th August, 2013.
- e) Detailed Public Statement made to the shareholders of the company dated 21st August, 2013.
- f) Open Offer documents submitted to SEBI on 13th August, 2013 in compliance with, Regulation 3(2), read with Regulation 13(2) and Regulation 15(1) of the SEBI (SAST) Regulations, 2011 and subsequent amendments thereto;
- g) We have also obtained necessary explanation and Information, which we believed were relevant to the present exercise from the executive and representative of the companies. It may be mentioned that the companies have been provided opportunity to review the draft report (including our valuation analysis and recommendation) for the current job as part of our standard practice to make sure that factual inaccuracies are avoided in our report.

Others

We owe responsibility to only the Committee of Independent Directors of Intec Capital Limited which has retained us and nobody else.

Approach – Fair Basis of Making Open offer

We, for the purposes of Valuation have also followed the opinion of the Institute of chartered Accountants of India as the principle for the valuation purposes.

There are various commonly used methods for the purposes of valuation of shares

Some of them have been referred by us are as follows:

- 1 Price Earning Capacity Value Approach
- 2 Net Asset Value Method (Book Value Method)
- 3 Relative valuation Method

1 Price earning capacity value approach

For calculating the possible value approach under this method we have taken into consideration the past 5 year profit of the company. this method we have taken into consideration the past by the company for past 5 year which is long enough to circumspect the variation in profitability of the company .consideration of 5 year profits itself gives effect to the growth rate at which the profit have been growing every year . In addition weighted average numbers of share have been taken into consideration while making this calculation.



2 Net Asset Value Method (Book Value Method)

Under this method we have computed Adjusted Net worth of the company by deducting liabilities (debts) from the summation of net current assets, net fixed assets and funds investment valued on market value and after that adjusted net worth divided by outstanding number of shares to arrive net asset value of shares.

3 Relative Valuation

Under this method the financial of various companies operating as Non banking Financial companies have been referred, the average price earning ratio of these companies have been taken into account while calculating the value per share of ICL under this method the company has been relatively compared with other companies having same operational line and the average PE ratio of the industry has been used to calculate the possible price per share for the proposed allotment.

The use of relative valuation is widespread but it suffers from a number of limitations:

- (a) Relative valuation is as good as the valuation of the comparable companies and suffers from volatility of the market For example , in case the market is overvaluing companies the relative valuation will also lead
- (b) To over statement of value.
- (c) Identifying comparable companies with similar growth rates business composition , stage and riskiness of business is a difficult task and finding a perfect match is almost impossible adjusting the multiples for company specific information is subjective and thus , debatable.
- (d) Difference in accounting policies related to revenue recognition, depreciation etc though adjustable to certain extent can result in a distorted valuation.
- (e) Relative valuation is generally based on past data and result in the under valuation of company with a significant potential or benefiting circumstances like market expansion.
- (f) Therefore this method has been used only for the purposes of comparison with the other method and it advised not to rely on the value derived by this method only.

Some regularly accepted method have not been followed by us one of these is as follows

Future maintainable profit method

The future maintainable profit method has not been used for calculation of the price since this method suffers from its inherent weaknesses under the following circumstances

- (a) In cases where there is paucity of the information about profits that would serve as a basis of valuing shares , such as:
- (b) Where a company has been trading at a loss and there are no prospects of earning any profits in the near future.
- (c) In the case of company where is no reliable evidence of future profits due to violent fluctuation in business, or Disruption in business.

Other circumstances such as unstable economic environment in India/ other parts of world, economic slowdown in USA and other European countries and unstable political environment which makes difficult to predict such sustainable profits for future.



The relative valuation being a misleading calculation cannot be in itself relied upon to arrive at a reasonable price of share.

On the basis of the above discussion as well as the calculation the following values are arrived at:

- (a) As per price Earning capacity method = Rs 77.89 per fully paid equity share. (The Valuation is attached at Annexure-1)
- (b) As per Net Asset Value method = Rs 90.44 per fully paid equity share. (The Valuation is attached at Annexure-1)
- (c) As per Relative Valuation Method = Rs 80.48 per fully paid equity share. (The Valuation is attached at Annexure-1)

Valuation Recommendation and Conclusion

On the basis of forgoing and further based on valuation methods used as detailed above and after taking into account all relevant factors it can be seen from the prices arrived that the best price of shares is Rs. 90.44 per fully paid equity share as per Net Asset Value Method (Book Value Method). However, there will always be several other factors such as i.e. present and prospective competition, yield on comparable securities, market sentiments which are not evident from the face of Audited Balance Sheets but which will strongly influence the worth of share.

We therefore recommend Rs.90.44 per fully paid equity share calculated by taking into account the net asset value of the company since it seems more practical considering all the factors.

Hence, the actual open offer price of Rs. 109.45 (Rupees One Hundred Nine and Forty Five Paise only) per Equity Share in terms of Regulation 8(1) and Regulation 8(2) read with Regulation 8(6) and 2(10(i)) of the SEBI (SAST) Regulations, 2011 is fair and reasonable.

Date : 04/10/2013

Place: New Delhi

End: Exhibit for valuation of shares



For Vijay Mukesh & Company
Chartered accountants

Sunil Jain
CA Sunil Jain (Partner)

Profit Earning Capacity Value

Calculation of Weighted Average Profits

Year	Profits After tax	Weights	Weighted Profits
2009	18,711,767.76	1.00	18,711,767.76
2010	35,399,540.61	2.00	70,799,081.22
2011	47,581,734.21	3.00	142,745,202.64
2012	94,679,165.21	4.00	378,716,660.85
2013	131,226,923.19	5.00	656,134,615.95
Total		15.00	1,267,107,328.41
Average Profits (Weighted Average)			84,473,821.89

Calculation of Weighted Average No. of Shares

Year	Total No. of Shares D/s	Weights	Weighted No. of Shares
2009	6,673,067.00	5.00	33,365,335.00
2010	8,101,639.00	4.00	32,406,556.00
2011	11,442,428.00	3.00	34,327,284.00
2012	12,792,428.00	2.00	25,584,856.00
2013	134,586,300.00	1.00	134,586,300.00
Total		15.00	260,270,331.00
Weighted Average No. of Shares			17,351,355.40

Average profits before tax (on the basis of simple average):

84,473,821.89

Deduct: Provision for Taxation

(current rate)

Average profits after tax

84,473,821.89

No. of equity shares

(Weighted Average)

EPS

17,351,355.40

4.87

Profit Earning Capacity Value at

16% capitalisation factor

(i.e. by multiplying EPS)

77.89



2. As per Relative Valuation Method

Annexure - (II)

NBFDs Rs cr	2012-13 Financials		Valuation				Total Shares (in crs.)	
	Profit	Net Worth	Market Cap	Price	BVPS	2012-13 PE		2012-13 P/B
Shriram TransFI	1,361	7,195	15,785	696	317	11.60	2.19	22.69
M&M Financial	883	4,455	11,048	194	78	12.52	2.48	56.88
SundaramFI	410	2,087	4,605	415	188	11.23	2.21	11.11
Cholamandalam	307	1,965	3,883	271	137	12.67	1.98	14.31
SREI Infra	95	2,648	1,346	27	53	14.17	0.51	50.31
Magma Fincorp	123	1,335	1,566	82	70	12.76	1.17	19.00
L&T Finance	311	4,281	12,695	74	25	40.78	2.97	171.68
Average						16.53	1.93	

Price as per Industrial PE

80.48 As per PAT

3. As per NAV Method

Annexure - (III)

A. Assets :

Market value of the fund's Investments 3,413,448.00
 Net Current Assets 5,589,768,025.04
 Net Fixed Assets 18,528,804.04

5,611,710,277.08

B. Debts :

Outside Liabilities 4,390,026,807.82
 Deferred Tax Liabilities 4,517,857.19

4,394,544,665.01

C. Adjusted Networth

1,217,165,612.07 C=(A-B)

D. Number of Outstanding Shares:

134,586,300.00

Net Asset Value (NAV):

90.44 C/D

