

V.B. Desai Financial Services Limited

Category I Merchant Banker - SEBI Registration No. INM 000002731

September 29, 2022

The Board of Directors

Tejas Networks Ltd.

Plot no. 25, JP Software Park,
2nd, 3rd, 4th, 5th Floors,
Electronic City, Phase 1,
Hosur Road, Bangalore - 560100

Sub: Fairness Opinion on Valuation Report dated September 29, 2022 issued by SPA Valuation Advisors Private Limited recommending the share exchange ratio in the matter of proposed amalgamation of **Saankhya Labs Private Limited** ("SLPL" or "Transferor Company 1") and **Saankhya Strategic Electronics Private Limited** ("SSE" or "Transferor Company 2") ("hereinafter together referred to as "Transferor Companies") with **Tejas Networks Limited** ("TNL" or "Transferee Company"), pursuant to the Draft Scheme of Amalgamation ("Scheme").

Dear Sir,

We refer to the engagement letter dated August 12, 2022 wherein Tejas Networks Ltd. has engaged **V.B. Desai Financial Services Limited** (herein after referred to as "VBDFSL") to provide fairness opinion on the valuation report issued by SPA Valuation Advisors Pvt. Ltd., recommending the share exchange ratio in the matter of proposed amalgamation of SLPL & SSE with TNL as required under SEBI Circular No CFD/DIL3/CIR/2017/21 dated March 10, 2017 and amendment thereof read with SEBI Master Circular dated November 23, 2021. ("SEBI Circular").

• **Background of the Companies**

Saankhya Labs Private Limited ("SLPL")

SLPL is a company incorporated under the provisions of the Companies Act, 1956. The Transferor Company 1 is engaged in the business of wireless communication products for telecom, satcom and broadcast industries. Focus areas of the Transferor Company 1 include wireless semiconductor, telecom infrastructure, Software Defined Radio (SDR), and Cognitive Radio technologies. The Transferor Company 1 provides wireless products to telecom operators which include 5G Radio Access Network (RAN) and Network automation and management software. Broadcast radio heads and mobile receiver products of the Transferor Company 1 are designed for convergence of broadcast and telecom networks, and its satcom products include satellite IoT solutions for tracking railway locomotives and sea vessels. The Transferee Company holds 64.40% of the total outstanding equity share capital of the Transferor Company 1.



Saankhya Strategic Electronics Pvt. Ltd.

SSE is a company incorporated under the provisions of the Companies Act, 2013. The Transferor Company 2 was incorporated with the main objective to develop, maintain and service all types of communication systems, electronic products, semiconductor integrated circuits/ chips, micro controllers, digital signal processors, processing algorithms, embedded software and related hardware and software. The Transferor Company 2 is a wholly owned subsidiary of the Transferor Company 1.

Tejas Networks Limited ("TNL")

TNL is a company incorporated under the provisions of the Companies Act, 1956. The Transferee Company is an optical and data networking products company that designs, develops and manufactures high-performance and future-ready products for building high-speed communication networks that carry voice, data and video traffic from fixed line, mobile and broadband networks. The Transferee Company's products are differentiated by a programmable, software defined hardware architecture that provides flexibility, multigeneration support and a seamless software-enabled network transformation to its customers. The Transferee Company's customers include telecommunications service providers, internet service providers, web-scale internet companies, utility companies, defense companies and government entities. The equity shares of the Transferee Company are listed on the BSE Limited and the National Stock Exchange of India Limited.

• Rationale of Scheme of Proposed Amalgamation

The Transferor Companies are direct / indirect subsidiaries of the Transferee Company. It is proposed to integrate their businesses to achieve following benefits:

- a) enhancement of operational, organizational and financial efficiencies, and achieve economies of scale by pooling of resources;
- b) achieve synergies in revenue, costs, operations, and stronger base for future growth;
- c) an integrated and coordinated approach to business will allow for a more efficient allocation of capital and cash management;
- d) further expand and grow all business into the international markets;
- e) reduction in the multiplicity of legal and regulatory compliances currently required to be carried out by Transferor Companies and the Transferee Company;
- f) consolidation of administrative and managerial functions and elimination of multiple record-keeping, inter alia other expenditure and optimal utilization of resources
- g) adaptation of best practices and in enhancing mechanization/ automation of various processes through latest technologies.
- h) Streamlining of the corporate structure; and



- i) improved organizational capability and leadership, arising from the pooling of human capital that has diverse skills, talent, and vast experience to compete in an increasingly competitive industry.

The amalgamation is in the interest of all the companies, their respective shareholders, creditors and all other stakeholders and is not prejudicial to the interests of the concerned shareholders, creditors or the public at large.

- **Scope and Purpose of this Report**

We have been informed that the Board of Directors of TNL is proposing a Scheme of Amalgamation of SLPL and SSE into TNL, under section 230 to 232 and other applicable provisions of the Companies' Act, 2013 and rules and regulations framed thereunder.

With effect from the Appointed Date (as defined in Scheme) and upon this Scheme becoming effective, the Transferor Companies along with all its assets, liabilities, contracts, employees, licenses, records, approvals, etc. being integral parts of the Transferor Companies shall stand transferred to and vest in or shall be deemed to have been transferred to and vested in the Transferee Company, as a going concern, without any further act, instrument or deed, together with all its properties, assets, liabilities, rights, benefits and interest therein, subject to the provisions of this Scheme, in accordance with Sections 230 to 232 of the Act, the Income Tax Act and other Applicable Law if any, in accordance with the provisions contained herein.

Upon coming into effect of this Scheme and in consideration of the amalgamation of the Transferor Companies into and with the Transferee Company, the Transferee Company shall, without any further application, act or deed, issue and allot Transferee Company equity shares to the shareholders of the Transferor Company 1 whose names are recorded in the register of members as a member of the Transferor Company 1, including register and index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996, on the Effective Date (or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of the Transferee Company).

In this connection, to comply with the regulatory requirements of proposed Amalgamation, the management of TNL has appointed VBDFSL to provide fairness opinion on the valuation report dated September 29, 2022 issued by SPA Valuation Advisors Pvt. Ltd. recommending the share exchange ratio in the matter of on the proposed Scheme of Amalgamation. Our scope of work includes commenting only on the fairness of the valuer's exchange ratio recommendation in the report from the financial point of view and not on the economic rationale of the proposed Scheme of Amalgamation per se.

- This report is subject to the scope, assumption, exclusion, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with relevant documents referred to herein. This report is issued only for the purpose for facilitating the Proposed Scheme of Amalgamation. *This fairness opinion is restricted to meet the requirements as required under the SEBI Circular only and should not*



be used for any other purpose whatsoever or to meet the requirements of other laws, rules, regulations and statutes.

• **Sources of Information**

For arriving at the fairness opinion set forth below, we have relied upon sources of information received from Management and/ or available in public domains for the purpose of Proposed Scheme of Amalgamation:

- Draft Scheme of Amalgamation duly certified by management of TNL.
- Valuation Report dated September 29, 2022 issued by SPA Valuation Advisors Pvt. Ltd. recommending the equity share exchange ratio.
- Audited financial statements of SLPL and SSE as on June 30, 2022.
- Limited Review financial statements of TNL as on June 30, 2022
- Such other information, documents, data, reports, discussions, verbal & written explanations from SLPL, TNL as well as from advisors for amalgamation to TNL, public domain websites, as were considered relevant for the purpose of the fairness opinion.

• **Disclaimer, Exclusions and Limitations of Scope**

- Our opinion and analysis is limited to the extent of review of documents as provided to us by SLPL, TNL and Proposed Scheme of Amalgamation of Transferor Companies into TNL.
- We have relied upon the accuracy and completeness of all information provided to us without carrying out due diligence and independent verification or validation of such information to establish its accuracy and sufficiency. We have not conducted any independent valuation or appraisal of any assets and liabilities of TNL or SLPL. No responsibility is assumed for information furnished by the Company and such information is believed to be reliable.
- We have been informed that all information relevant for the purpose of issuing fairness Opinion has been disclosed to us and we are not aware of any material information that has been omitted or remains undisclosed.
- We have relied exclusively on valuation report prepared and issued by SPA Valuation Advisors Pvt. Ltd. without independent verification. We have not independently checked or verified the assumptions made in the valuation report.
- Our fairness opinion assumes that the title to assets and liabilities of all the companies as reflected in their respective balance sheets is intact.
- We have not conducted visit to locations of production and/or point of sales of the Company. The robustness of the analysis is highly dependent on reasonableness, commercial viability and achievability of assumptions underlying the forecast. We are



not required to and have not validated the reasonableness and commercial viability underlying the forecasts and assumptions

- o The realization of the projections is dependent on the continuing validity of assumptions. Our review cannot be directed to providing any assurance about the achievability of the final projections. Since projections relate to future, the actual results are likely to be different from projected results and differences may be material and it may have material impact on our conclusion. For the purpose of this report, we have assumed that the projections as envisaged by all the companies and reflected in valuation report will materialize as projected.
- o We have not conducted any evaluation of solvency or fair value of the Company under any laws relating to bankruptcy, insolvency or similar matters.
- o We do not express any opinion as to the price at which shares of TNL may trade at any time including subsequent to the date of this opinion or post Scheme of Amalgamation.
- o We do not express any opinion as to tax or other consequences that may arise from the Proposed Scheme of Amalgamation, nor does our opinion address any legal, tax regulatory or accounting matters as to which we understand that the respective companies have obtained necessary professional advice.
- o Complying with the regulatory requirements for the Proposed Scheme of Amalgamation including but not limited to SEBI Rules and Regulations, Stock Exchange Regulations, Companies Act 1956, Companies Act 2013 and other applicable laws and regulations is the exclusive responsibility of the Board of Directors of TNL.
- o This report is prepared primarily to comply with regulatory requirements of the Proposed Scheme of Amalgamation. The report does not look into business / commercial reasons behind the Proposed Scheme of Amalgamation nor the likely benefits arising out of the same which is the exclusive responsibility of Board of Directors of the respective companies. Similarly, our report does not address relative merits of the Proposed Scheme of Amalgamation as compared with any other alternative business transactions or other alternatives.
- o This fairness opinion at best is only an 'opinion'. This report does not express any views nor makes recommendation as to how the shareholders of companies should vote at any shareholders' meeting to be held in connection with the Proposed Scheme of Amalgamation. It is the prerogative of shareholders to either accept or reject our fairness opinion. The shareholders of companies may do so at their risk and responsibility after undertaking necessary due diligence and evaluation. The responsibility for any decision would remain with the decision maker i.e. shareholders.



- o Prior to issuance of this fairness opinion, the contents and factual accuracies of this Report was reviewed and approved by the management of the Company.
- o We assume no responsibility in updating or revising our opinion based on the circumstances or events accruing after the date hereof.
- o This fairness opinion shall have no value if for any reasons the proposed scheme of Amalgamation is terminated or called off.
- o The fee for the engagement is not contingent upon the results reported.
- o We owe responsibility only to the Board of Directors of TNL as per the terms of our engagement letter and nobody else. We do not accept any liability to any shareholder, employees, tax authorities or other third parties in relation to the issue of this report. Our liability if any, under any and all circumstances shall be limited to fees received by us for undertaking this assignment.

- **VALUATION REPORT**

We have reviewed the Valuation Report dated September 29, 2022 issued by SPA Valuation Advisors Pvt. Ltd. recommending the share exchange ratio for the proposed Scheme of Amalgamation.

Since the Transferor Company 2 is wholly owned subsidiary of the Transferor Company 1, which will amalgamate with the Transferee Company pursuant to this Scheme, no consideration will be issued for the amalgamation of the Transferor Company 2 with the Transferee Company.

After valuing TNL and SLPL individually, SPA Valuation Advisors Pvt. Ltd., have arrived at share exchange ratio of 1.12 i.e., 112 equity shares of TNL of Rs. 10 each fully paid up for every 100 equity shares of SLPL of Rs. 10 each fully paid up.

- **OPINION**

Based on the facts and circumstances of the case and according to information and explanation provided to us together with exclusions & limitations mentioned herein above, we state that in our opinion and to the best of our information and knowledge, share exchange ratio as recommended by SPA Valuation Advisors Pvt. Ltd., for the Proposed Scheme of Amalgamation seems fair and reasonable.

Thank You,

For **V B Desai Financial Services Limited**

Pradip Shroff
Managing Director

