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Submitted to

QUADRANT TELEVENTURES LIMITED

FAIRNESS OPINION REPORT

ON VALUATION OF QUADRANT TELEVENTURES LIMITED (QTL) FOR REDUCTION OF SHARE CAPITAL

BY

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July 27th, 2013

Board of Directors | Date: **July 27th, 2013**

QUADRANT TELEVENTURES LIMITED

RE: Fairness Opinion on valuation of QTL for the purpose of reduction of share capital.

PURPOSE

We have been engaged to give fairness opinion on the valuation of shares of QTL done by M/s R D Sarfare & Co., Chartered Accountants (RDS). This report should be read in conjunction with Share Valuation report as on July 02, 2013, prepared by RDS.

We understand that QTL had proposed a reduction of equity share capital for writing off substantial part of accumulated losses. This Fairness opinion report is required as per clause 24 (h) of listing agreement and in terms of SEBI circular no. CIR/CFD/DIL/5/2013 dated 04th February, 2013.

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BACKGROUND

Quadrant Televentures Ltd. (QTL)

Name Of the Company	Quadrant Televentures Ltd. (hereinafter referred to as "QTL")
Activities	Telecommunication Services
Listing Status	Listed at BSE

We understand that, At QUADRANT TELEVENTURES LTD (formerly known as HFCL Infotel Ltd), all their energies are focused on realizing the vision - 'To be the most admired telecommunication and infotainment service brand through innovation and excellence'. They understand the importance of delivering quality products and services to nurture long lasting relationships with their customers. It is their endeavor to create significant value for all the stakeholders associated with the company. They truly believe in fundamentals of accountability and transparency and will continue to strive for the highest corporate standards thereby ensuring value creation for all.

The company is planning further investment in a phased manner to cover the Punjab telecom circle completely. In line with the strategy followed by fixed-line service providers across the globe Infotel QTL is aiming at providing Triple play service - Voice, Data & Video.

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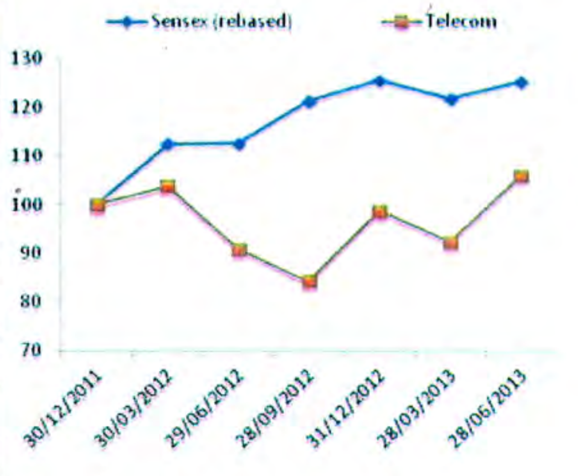
INDUSTRY SCENARIO

TELECOMMUNICATION SERVICES:

Key Sector Data	
Market Cap (Rs Crore)	195114
Market Cap (USD Million)	32519
P/E	218
P/BV	1.9
Debt/Equity	1.4
ROA (%)	0.3
ROE (%)	0.8
EV/Sales	2.5
EV/EBITDA	8.9



TRAI reduces national roaming tariff ceilings.

The number of telephone subscribers in India decreased to 892.02 million at the end of February 2013 from 893.15 million at the end of January 2013. The monthly growth rate dropped by 0.13%. The share of urban subscribers has declined to 61.08% from 61.87% whereas share of rural subscribers has increased to 38.92% in the month of February 2013. With this, the overall teledensity in India decreased to 72.90 at the end of February 2013 from 73.07 of last month.

Subscription in the urban areas decreased from 552.55 million in January, 2013 to 544.86 million as of end of February, 2013. Subscription in rural areas increased from 340.60 million to 347.16 million during the same period. The monthly growth rate of urban and rural subscription stood at 1.39% and 1.93% respectively. The overall urban teledensity has decreased from 148.46 to 146.15 and rural teledensity increased from 40.07 to 40.81.

Wireless segment

Total wireless subscriber base decreased from 862.62 million in January 2013 to 861.66 million as of end of Feb 2013 which has resulted in 0.11% negative growth rate. The fall in the wireless subscribers base which has been witnessed since July 2012 primarily due to disconnection of inactive mobile subscribers by the telecom service providers, has become gradually less.

Wireless subscription in urban areas decreased from 528.88 million in January2013to 521.29 million at the end of February 2013. The wireless subscription in rural areas increased from 333.74 millionto340.38 million during the same period. The urban wireless Teledensity has

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decreased from142.10 to 139.83and rural Teledensity has increased from 39.26 to 40.01

Wire line segment

Wire line subscriber base declined from 30.52 million at the end of January 2013to 30.36 Million at the end of February2013. Net reduction in wire line subscriber base was 0.16 million. The share of urban subscribers has increased from 77.54% to 77.65% where as share of rural subscribers has declined from 22.57% to 22.35%. The overall wire line Teledensity has marginally decreased from 2.50 in January 2013 to 2.48 in February 2013, with urban and rural Teledensity being 6.32 and 0.80 respectively. BSNL and MTNL, the two PSU operators hold 79.20% of the Wire line market share.

TRAI reduces national roaming tariff ceilings.

TRAI has reduced ceilings for national roaming calls and SMS and instituted a new regime for providing flexibility to telecom service provider to customize tariffs for national roamer through STVS and Combo Vouchers. TRAI has also mandated two types of free national roaming plans to be provided by all telecom service providers. These changes will come into effect from 1st July 2013.

With increased subscribers and usage, the costs associated with national roaming have declined, but not vanished. There are still real costs incurred in providing the national roaming facility. Mandating a fully free roaming regime is simply not practicable at this juncture. Compelling a transition to a fully free national roaming regime would result in telecom service providers not being able to recover their costs from roamers. In turn, telecom service providers would pass these costs on to all consumers (predominantly non-roamers) through higher tariffs.

The ceiling tariffs prescribed by Trai in 2007 were Rs 1.40 per minute for outgoing local calls and Rs 2.40 per minute for outgoing STD calls while on national roaming. These ceilings have been reduced to Rs 1 per minute and Rs 1.50 per minute, respectively, Similarly, the ceiling tariffs for incoming calls while on national roaming have been reduced from Rs 1.75 per minute to 75 paise per minute. Tariffs for outgoing SMS while on national roaming which were earlier under forbearance have now been capped: outgoing SMS-local at Rs 1.00 per SMS and SS-STD at Rs 1.50 per SMS. Income SMS will remain free of charge.

Vodafone India slashes 2G data rates by 80% in three Circles

Vodafone India has cut 2G data rates by 80%, from 10p/10kb to 2p/10kb. These rates are currently applicable in Karnataka, UP West and Madhya Pradesh and Chhattisgarh circles and will be rolled out nationally in a phased manner.

And Government has allocated spectrum to Vodafone in all 14 service areas, where the telecom major won in November 2012 auction for Rs 1,127.94 crore.

GSM Subscriber base up by 0.47%

According to Cellular Operators Association of India report the GSM subscriber base increased by 3.11 million in May 2013, which constitute a growth of 0.47% from previous month. Total number of GSM subscriber as of May 2013 stood at 667.56 million.

Industry update

The Indian Telecom Sector continues to be in turmoil on account of regulatory uncertainty and rising costs despite the consolidation in the Industry. The year gone was marked by several regulatory and fiscal interventions which had significant impact on the telecom sector in India. The TRAI imposed restrictions on special tariff vouchers and combo packs, curbing pricing flexibility. This was followed by a 2% hike in service tax, which rendered telecom services costlier. In the second quarter, TRAI mandated all operators to seek prior confirmation from customers before activation of VAS services. In the second half, the new FTA (first time activations) process came into effect, which mandated stringent verification norms at the time of customer acquisition. This had an industry-wide impact leading to a sharp slowdown in new customer additions with continuing churn of old customers. This further led to two quarters of customer base reduction. Further, Post the Feb 2012 judgment of the Supreme Court cancelling 122 telecom licenses, few impacted operators started winding up operations in the respective circles. As a result, few customers have now either reverted to the other operators or reduced the multiple SIM phenomenon. Moreover, the frontline players posted lackluster performance barring Idea Cellular performance for the quarter ended March 2013 over the previous quarter.

The Standalone Aggregate revenues from the 8 telecom service providers grew by 8% to Rs 23246 crore for the quarter ended March 2013 over corresponding previous quarter. However, the Operating Profit Margins (OPM) fell by sharp 680 bps to 20.3% and after this Operating profit fell by 19% to Rs 4727 crore. But after the sharp 106% jump in other income to Rs 1100 crore, Profit before Interest Depreciation and Tax fall come down to 8% to Rs 5827 crore. With the 8% increase in interest cost to Rs 1475 crore and after the flat depreciation at Rs 3524 crore Profit before tax was down by 44% to Rs 828 crore. After the sharp rise provision taxation by 78% to Rs 704 crore, the net profit was down by 88% to Rs 124 crore.

Margins Crash			
Telecom Services Standalone Aggregates			
	1303(03)	1203(03)	Var (%)
Sales	23246	21456	8
OPM (%)	20.3	27.2	
OP Before OI	4727	5827	-19
Other Income	1100	535	106
PBIDT	5827	6362	-8
Interest	1475	1367	8
PBDT	4352	4995	-13
Depreciation	3524	3528	0
Profit Before Tax	828	1467	-44

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Tax	704	396	78
Net Profit	124	1071	-88
Source: Capitaline Databases			

The Industry leader Bharti Airtel Aggregate total customer base increased by 8% to 271.2 million (with Mobile@259.8 million) as on March 2013 with Net addition of 8.95 million customers in the quarter ended March 2013. However, The Company Consolidated net revenues grew by subdued 1% to Rs 20460.40 crore sequentially primarily driven by Sales growth in Mobile Services in India and South Asia despite the decline from Mobile Services from Africa, whereas Profit after Tax grew by 78% QoQ to Rs 506.30 crore for the same period.

Another frontline Player Idea Cellular with 121 million quality subscriber's base posted robust quarter and beat the street estimates. The Company Consolidated net sales grew by 8% Rs 6026.96 crore sequentially for the quarter ended March 2013. The high revenue growth is led by sharp expansion of Voice Minutes by 8.5% to 143.4 billion, on sequential quarterly basis, indicating consumer demand for mobile telephony is robust. Also, The VLR growth is back with company clocking 8.3 million incremental quarterly growth & delivering over 40% of industry incremental VLR in first 11 months of FY13 (as per TRAI Feb'13 report). However, the ARPM (Average Realised Rate per Minute) was nearly flat at 41.2 paise over previous quarter. While the challenges on Voice ARPM continue but it has improved Non Voice Revenue to 15.2% (14.6% in Q3FY13) led by data growth. Further, The Company PAT grew by 35% to Rs 308.18 crore over the previous quarter.

Reliance Communications Consolidated revenues growth was flat at Rs 5130 crore sequentially for the quarter ended March 2013. However, Profit after Tax grew by 169% to Rs 307 crore over the previous quarter. It has further hiked tariffs by 20% across India and cut promotional & concessional offers by as much as 65%. The tariffs for all commitment plans have been hiked by 20-30% which is being used by a large part of customer base. The move is aimed at bringing greater RPMs and profitability. Also, Revenue per Minute (RPM) stood at a healthy 44 paisa and successfully achieved RPM stability for the last 12 consecutive quarters amidst intense competition and over supply of minutes in market place.

Notably, Reliance Jio Infocomm and RCOM signed a definitive agreement for approx Rs 1200 crore as one time indefeasible right to use (IRU) fees for sharing RCOM's nationwide inter-city fiber optic network infrastructure. Under the terms of the agreement, Reliance Jio Infocomm will utilize multiple fiber pairs across RCOM's 120000 kilometers inter-city fiber optic network to provide a robust and future-proof backbone for rolling out its state-of-the-art 4G services. This followed by the signing another comprehensive agreement for sharing of towers infrastructure of RCOM for an aggregate value of over Rs 12000 crore (over USD 2 billion) during the Lifetime of the Agreement. As per the Agreement, Reliance Jio Infocom to utilize up to 45000 sites from RCOM's existing nationwide network for accelerated roll-out of its 4G services. The deal expected to benefit the RCOM with its strained balance sheet (net debt ~Rs 388 billion as on 31st March 2013) will find another source revenues by leasing its underutilized tower infrastructure business.

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Recently, TRAI reduces national roaming tariff ceilings, permits customized tariffs through Special Tariff Vouchers for national roamers and mandates free national roaming plans. The ceiling tariffs prescribed by TRAI in the year 2007 were Rs 1.40 per minute for outgoing local calls and Rs 2.40 per minute for outgoing STD calls while on national roaming. Theses ceilings have been reduced to Rs 1.00 per minute and Rs 1.50 per minute respectively. Similarly, the ceilings tariffs for incoming calls while on national roaming have been reduced from Rs 1.75 per minute to Rs 0.75 per minute. Tatiffs for outgoing SMS while on national roaming which were earlier under forbearance have now been capped: outgoing SMS local at Rs 1.00 per SMS and outgoing SMS-STD at Rs 1.50 per SMS. Incoming SMS will remain free of charge. These charges will come into effect from 01st July 2013.

Outlook:

The telecom market expected to be competitive despite the recent exit of few small players from the market. The falling Subscribers base with regulatory and fiscal interventions are continue to impact the sector performance. However, despite the lower pace of the addition of new customers to the subscribers the growth drivers for the Telecom Service Providers are expected to be Value Added Services (VAS), increased usage of data and further tariff hikes going forward.

The RPM's have stabilized for the most of the frontline players. However, few frontline players have gone with the hike in tariffs and cut in the discount rates which at to be reflected in the revenues. The debt-ridden telecom players have no option but to increase tariffs after the aggressive bidding for the 3G spectrum and cancellation of licenses by the Government. Further, the sharp depreciation of rupee (6%) from April 2013 over green back will further strain the Telecom Service Providers balance sheet in coming quarter.

All subscribers will benefit from the reduced ceilings: competitive pricing below the new ceiling levels is expected. The provision for STVs and Combo Vouchers as well as special tariff plans for roaming tariff will allow the service providers to cater to the specific roaming needs of different customer segments. The new regime provides reduced ceilings and free roaming facilities for roamers without impacting customers who do not use the roaming facility.

INFORMATION RELIED UPON

- Business profile of QTL provided by QTL.
- Audited financial statements for the year ended on 31st March 2011, 31st March 2012 and 31st March 2013 of QTL
- Business valuation report of QTL as prepared by RDS
- Information and explanations given by management of QTL

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Disclaimer: The Final Report has been prepared for the internal and exclusive use of the Board of Directors of QTL (the "Board of Directors") in support of the decisions to be taken by it. Therefore, the Final Report may not be disclosed, in whole or in part, to any third party or used for any purpose whatsoever other than those indicated in the Engagement and in the Final Report itself, provided that the Final Report may be transmitted to the experts appointed in compliance with the law and may be disclosed publicly where required by law. Any other use, in whole or in part, of the Final Report will have to be previously agreed and authorised in writing by SPA Capital Advisors Limited (SPA). In preparing the Final Report, SPA has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and the financial data provided by QTL. SPA has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information. Publicly available information deemed relevant for the purpose of the analyses contained in the Final Report has also been used. Therefore the Final Report is based on: (i) our interpretation of the information which QTL, as well as their representatives and advisers, have supplied to us to date; (ii) our understanding of the terms upon which QTL intends to consummate the Transaction (iii) the assumption that the Transaction will be consummated in accordance with the expected terms and within the expected time periods. In the execution of the Engagement, SPA has elaborated its own analyses based on the methodologies illustrated below, reaching the conclusions contained in the final paragraph of this Final Report.

The conclusions described in the Final Report have been prepared with the sole purpose of determining valuation of assets and business of QTL, for the purpose of reduction of share capital therefore; the values contained in this Final Report have no relevance for purposes other than that stated. The Final Report and the Opinion

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concern exclusively for the purpose of reduction of share capital and do not constitute an opinion by SPA as to the absolute value of the shares of QTL.

The conclusions contained in this Final Report are based on the whole of the valuations contained herein and therefore no part of the Final Report may be used apart from the document in its entirety.

The Final Report and the Opinion are necessarily based on economic, market and other conditions as on the date of valuation i.e. 02nd July, 2013, and the written and oral information made available to us until 23rd July, 2013. It is understood that subsequent developments may affect the conclusions of the Final Report and of the Opinion and that, in addition, SPA has no obligation to update, revise, or reaffirm the Opinion.

In addition, SPA is expressing no opinion as to the price at which any securities of QTL will trade on the stock market at any time. Other factors after the date hereof may affect the value of the businesses of QTL either before or after completion of the event. No opinion is expressed by SPA whether any alternative transaction might have been more beneficial to QTL. It is understood that SPA or certain SPA affiliates, in the ordinary course of their activities, may actively trade, for their own account or for the account of customers, the equity and debt securities of QTL or companies directly or indirectly controlled by, affiliated with QTL or in which QTL holds securities, and, accordingly, may at any time hold long or short positions in such securities. It also remains understood that SPA or certain SPA affiliates may currently have and may in the future have commercial banking, investment banking, trust and other relationships and/or engagements with, Counterparties which may have interests with respect to QTL, or companies directly or indirectly, controlled by, affiliated with QTL or in which QTL holds securities. Finally, it remains understood that SPA or certain SPA affiliates may have fiduciary or other relationships and engagements whereby SPA or certain SPA affiliates may exercise voting power over

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securities of various persons, which securities may from time to time include securities of QTL, or companies directly or indirectly controlled by, affiliated with QTL, or in which QTL holds securities, or other parties with an interest in the Transaction.

APPROACH TO VALUATION

Income Approach

The *Income Approach* measures the value of an asset by calculating the present value of its future economic benefits. When used to determine *Business value*, the *Income Approach* develops an indication of value by discounting forecasted cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds plus the expected rate of inflation and the risks associated with the particular investment. The discount rate applied to these expected cash flows is generally based upon rates of return available from alternative investments of similar type and quality. Another discounting method calculates the company's *Weighted Average Cost of Capital ("WACC")* from its cost of debt and cost of equity. Forecasts typically cover three to five years, but the reliability of forecasts for valuation purposes in early stage enterprises depends upon many factors, such as the company's vulnerability to advances in technology, actions by competitors, changes in end-user requirements, and the availability of financing. Selecting the forecast period required our judgment.

The *Income Approach* works best when development stage companies have progressed to Stage five. Typically, companies in prior stages have limited operating histories and cash flow forecasts. Using the *Income Approach* when a company has not achieved profitability or positive cash flow, and therefore has negative flows/losses during some or all of the forecast years, results in an *equity Value* that consists mostly

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(if not entirely) of the *Terminal Value ("TV"* is the estimate of the *Company's* future value at the end of the forecast period).

Market Approach

The *Market Approach* measures the value of an asset through an analysis of recent sales of comparable property compared to the property being valued. When applied to the valuation of an equity interest, consideration is given to the financial condition and operating performance of the subject company compared to either publicly traded companies with similar lines of business or recent corporate acquisitions (*"Guideline Companies"*). Typically, the companies selected for comparison are subject to economic, political, competitive, and technological factors that correspond with those confronting the *Company*.

The *Market Approach* is conceptually preferable to the other two approaches both because it uses direct comparisons to similar enterprises and because the analysis is based upon actual market transactions. However, comparables that fit perfectly rarely exist. Privately held companies are compared to publicly traded ones that are typically further along in their stage of development, have superior access to capital, and have common stock that is readily marketable. Often historical results of public companies are being compared to projected results for the private company being valued. In order to reflect these differences, data from the *Guideline Companies* must be appropriately adjusted. Selecting the market multiple to apply to the *Company* required our judgment.

Asset Approach

The *Asset Approach* measures the value of an asset by the cost to reconstruct or replace it with another of like utility. When applied to the valuation of equity interests in businesses, value is based on the net aggregate *fair market value* of the entity's underlying assets. This approach basically entails a restatement of the balance sheet of the enterprise in which the *fair market value* of its assets and liabilities are substituted for their book values. This approach is frequently used to value holding companies or capital-intensive firms. It is typically not an appropriate valuation approach for growing operating companies which provide goods or services and which have significant intangible value.

SUMMARY OF VALUATION PERFORMED BY RDS

QTL

As company has accumulated losses over the past 10 years and this has resulted in the erosion of the net worth of the company, Asset approach and Income approach is not feasible to value it.

QTL is listed on BSE, and its valuation is derived by RDS under Market Approach through Market Price Method based on volume weighted average market price of the company for the period of six months commencing from October 01, 2012 and ending on March 31, 2013.

OUR OPINION

In our opinion keeping in mind the purpose of the valuation and availability of information selection of method is justified, and value derived of Rs. 3.88 per share is fair.

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CONCLUSION

Subject to the assumptions presented herein, in our opinion the values derived by RDS and approach considered by them are fair considering circumstances and purpose of valuation.

For SPA Capital Advisors Limited.

(Sudhir Chandi)
Sr. Vice President

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New Delhi

(NitiN Somani)
Company Secretary