

SHARE VALUATION REPORT

of

QUADRANT TELEVENTURES LIMITED

(Formerly HFCL Infotel limited)

Prepared by

R D SARFARE & CO,

Chartered Accountants

Mumbai

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A. BACKGROUND AND BUSINESS OVERVIEW

Quadrant Televentures Limited (formerly known as HFCL Infotel Limited) ('the Company') is a company incorporated under the Companies Act, 1956 ('the Act'). The Company is engaged in the business of providing Telephony Services including Landline, DSL (Internet), CDMA and GSM Mobile Telephony services and Leased Line services under the UASL (United Access Services License) granted by the Department of Telecommunications (DOT), Ministry of Communication & Information Technology, Government of India, New Delhi, for Punjab Telecom Circle comprising of the state of Punjab, Union Territory of Chandigarh and Panchkula Town of Haryana.

Telecom sector is a highly capital intensive industry which requires heavy initial capital outlays for setting up of an elaborate network of underground copper cable network apart from the telecom towers in its area of operations. The Company has set up an elaborate network over the past ten years all over the Punjab telecom circle including elaborate copper and cable network for providing landline and DSL (Internet) services involving huge capital outlays. In view of the huge capital outlays continuing costs and in view of the ever increasing competition, the Company has accumulated losses over the past 10 years of operations thereby resulting in the erosion of the Company's net worth. On account of the accumulated losses suffered by the Company, the Corporate Debt Restructuring Cell (CDR Cell) vide its letter No CDR (JCP) No.563/2009-10 dated August 13, 2009 had approved a Corporate Debt Restructuring Package (CDR Package) for the revival of the Company. One of the terms of the said CDR Package, requires the Company to implement the reduction of equity share capital by 90 per cent.

B. PURPOSE OF VALUATION

In the backdrop of the above, the board of directors of the Company had proposed a reduction of equity share capital for writing off substantial part of accumulated losses. In this connection, we have been asked to provide report on the valuation of equity shares of the Company for the purpose of the proposed reduction of capital as required under the SEBI Circular no. CIR/CFD/DIL/5/2013 dated February 04, 2013.

C. SOURCE OF INFORMATION

For the purpose of valuation of the Company, we have examined and considered the following information:

1. Copy of CDR Approval letter vide no. BY. CDR (JCP) No.563/2009-10 dated August 13, 2009.
2. Copy of Company's application to High Court in the matter of reduction of share capital.
3. Copy of Auditor's report and audited financial statement for the year ended March 31, 2013 provided to us by the management of the Company.
4. Other information available in public sources.



D. VALUATION APPROACH AND METHODOLOGY

In determining the valuation of shares of the Company, approach is important for arriving at a realistic estimate of the value of equity of the Company. We have considered asset based, earning based and market based approaches for determining the value of equity of the Company.

1. Asset Based Approach

1.1 Assets based approach includes Net Asset/Net worth method.

1.2 Net Asset method is mostly adopted in the case of companies which do not have a sustainable track record of profit.

1.3 Under Net Asset/Net worth method of valuation, the equity of the Company is valued based on the book value per share.

1.4 This Net worth can be computed by adding the value of share capital and accumulated profits/losses subtracting therefrom any liabilities to preference shareholders.

1.5 For this purpose, we have considered the audited financial statements of the Company for the year ended March 31, 2013. The value of equity of the Company as of March 31, 2013 is negative as determined below:

Sr.No.	Particulars	Value(Rs. in Lakhs)
1	Share Capital	83,710.57
2	Accumulated Reserves	(167,369.56)
	Total (1 + 2)	(83,658.99)
	Less: Value of Preference Shares	(22,484.54)
	Less: Arrear of dividend on CRPS	(1,278.76)
	Net worth attributable to Equity Shareholders	(107,422.29)

2. Earning Based Approach

Earning based approach is not possible because the Company has accumulated losses over the past 10 years. This Accumulated losses has resulted in the erosion of the net worth of the Company. Auditor in its audit report to the members of the Company for the year ended March 31, 2013 has also raise doubt that the Company will not be able to continue as a going concern.



3. Market Based Approach

3.1 Market based approach includes Market Price (MP) method.

3.2 We have computed the value under MP 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.

3.3 Volume weighted average market price means the product of the number of equity shares traded of the Company on BSE and the price of each equity share divided by the total number of equity shares of the Company traded on BSE.

3.1 The value of equity based on this approach is determined as Rs. 3.88 per share.

E. RECOMMENDATION OF VALUE

Our valuation was performed to recommend the value of the Company as at March 31, 2013 for the purpose stated as above. Based on the above, the value of equity shares of the Company as at valuation date is Rs. 3.88 (Rupees Three and Eighty Eight Paise only) per share.

F. ASSUMPTION AND LIMITING CONDITIONS

This valuation is subject to the following assumptions and limiting conditions:

- Public information contained in this report, if any, has been obtained from sources considered to be reliable. However, we independently did not verify such information and make no representation as to the accuracy or completeness of such information obtained from or provided by such sources.
- Nothing has come to our attention to cause us to believe that the facts and data set forth in this report are not correct.
- Possession of this report, or a copy thereof, does not carry with it the right of publication of all or part of it nor may it be used for any purpose by anyone other than those enumerated in this report without the written consent of the **R D Sarfare & Co, Chartered Accountants**. This report and the conclusion of value arrived at herein are for the exclusive use of the Company for the sole and specific purposes as noted herein.
- We are not required to give testimony in court or before any regulatory authority, or be in attendance during any hearings or depositions, with reference to the company being valued, unless previous arrangements have been made.



- We have not audited, reviewed or compiled this information and express no assurance on it.
- Neither **R D Sarfare & Co, Chartered Accountants** nor any professionals who worked on this engagement has any financial interest in the Company and/or asset(s). Additionally, our compensation is not contingent on conclusions in, or the use of, this report.
- We have made no investigation of title to assets of the Company, and assume that claim is valid. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances.
- We have no obligation to update this report after the date of issuance.

For, M/s. **R D SARFARE & Co**
Chartered Accountants
Firm Reg.No.133394W


Rajesh Sarfare
Proprietor
Membership No. 140399



Date: - July 02, 2013