

Walker Chandiook & Co LLP

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To,
The Board of Directors,
Mastek Limited,
#106, SDF IV, Seepz,
Andheri (East)
Mumbai 400 096

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13 September 2014

Dear Sirs,

Re: Recommendation of fair equity share entitlement ratio for the proposed Demerger of Insurance Products & Services Business of Mastek Limited into Minefields Computers Private Limited and subsequent Valuation of Offshore Insurance Operations of Minefields Computers Private Limited for the proposed Slump Sale of Offshore Insurance Operations

This has reference to our engagement letters and the discussions that we have had with the executives, representatives and management of Mastek Limited ("Mastek") from time to time in relation to the above matter.

SCOPE AND PURPOSE OF THIS REPORT

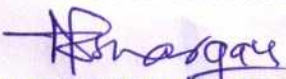
Mastek Limited

Mastek is a publicly listed company established in 1982, and is a leading global technology and intellectual property-led IT company, providing enterprise solutions to insurance, government, healthcare and financial services companies worldwide.

Mastek's shares are listed on the Bombay Stock Exchange and the National Stock Exchange.

Mastek has two distinct business verticals. The first pertains to the Software Products business ("Insurance Products & Services Business") focused on Property & Casualty Insurance ("P&C") and Life and Annuity Insurance ("L&A") businesses and primarily serving the North American markets, with some customers in other jurisdictions like India, Malaysia, Thailand and UK. The second vertical pertains to the Vertical Solutions business, which provides software solutions to various clients. This business is largely focussed on the UK market.

For MASTEK LIMITED


BHAGWANT BHARGAWA
COMPANY SECRETARY

Chartered Accountants

Offices in Bengaluru, Chandigarh, Chennai, Gurgaon, Hyderabad, Kolkata, Mumbai, New Delhi, Noida and Pune



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Walker Chandiook & Co LLP is registered with limited liability with identification number AAC-2085 and its registered office at L-41 Connaught Circus, New Delhi, 110001, India

Minefields Computers Private Limited ("MCPL")

MCPL is a private limited company incorporated under the Companies Act, 1956 and having its registered office at Mumbai.

Majesco Software and Solutions India Private Limited ("MSSIPL")

MSSIPL is a private limited company which is proposed to be incorporated under the Companies Act, 2013 with its registered office in Gujarat.

Scheme of Arrangement

We have been given to understand that as part of a business restructuring exercise through a scheme of arrangement ("Proposed Scheme") under the provisions of Sections 391 and 394, read with Sections 100 to 103, of the Companies Act, 1956, Mastek is considering the following:

- A demerger of the Insurance Products & Services Business to MCPL (the proposed "Demerger") on a going concern basis, with equity shares of MCPL being issued to the equity shareholders of Mastek;
- Subsequent slump sale of the offshore insurance operations, which is part of the Insurance Products & Services Business of Mastek transferred to MCPL ("Offshore Insurance Operations"), as a going concern to MSSIPL by MCPL (the proposed "Slump Sale"); together called "the Transactions".

We understand that the appointed date for the proposed Demerger is 1 April 2014 ("First Appointed Date"); we have accordingly been indicated by Mastek to consider the valuation date for calculation of the fair equity share entitlement ratio for the proposed Demerger as at close of business hours of 31 March 2014 ("Demerger Valuation Date").

We also understand that the appointed date for the proposed Slump Sale is 1 November 2014 ("Second Appointed Date"); we have accordingly considered the latest quarter ended, 30 June 2014, as the valuation date for the proposed Slump Sale ("Slump Sale Valuation Date").

In this connection, Walker Chandiook & Co LLP has been requested by Mastek to submit a report recommending the following for the consideration of the Board of Mastek:

- the fair equity share entitlement ratio in the event of the proposed Demerger of Mastek's Insurance Products & Services Business into MCPL
- the fair valuation of the Offshore Insurance Operations for the proposed Slump Sale by MCPL to MSSIPL



As requested, this report recommends, what in our opinion, is a fair and equitable share entitlement ratio of equity shares of MCPL to the equity shareholders of Mastek in the event of the proposed Demerger of the Insurance Products & Services Business into MCPL.

We have further carried out a fair valuation of the Offshore Insurance Operations in connection with the proposed Slump Sale of the Offshore Insurance Operations by MCPL to MSSIPL.

This report, and the information contained herein, is absolutely confidential. This report will be placed before the Audit Committee and the Board of Mastek and to the extent mandatorily required under applicable laws of India, maybe produced before judicial, regulatory or government authorities, in connection with the proposed Transactions. We are not responsible 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 Mastek/ MCPL/ MSSIPL or their holding companies / subsidiaries / associates / joint ventures shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is hereby notified that reproduction, copying or otherwise quoting of this report or any part thereof, other than for the aforementioned purpose, is not permitted.

SOURCES OF INFORMATION

The information and documents, which have been furnished to us by Mastek, are as under:

1. Unaudited and provisional extracted statement of assets and liabilities of the Offshore Insurance Operations as on 30 June 2014.
2. Unaudited and provisional extracted profit and loss account of the Offshore Insurance Operations for year ended 31 March 2014, and quarter ended 30 June 2014
3. Forecasted extracted profit and loss account of the Offshore Insurance Operations for year ended 31 March 2015
4. Forecasted extracted statement of assets and liabilities of the Offshore Insurance Operations as on 1 November 2014
5. Draft Scheme of Arrangement
6. Other relevant details regarding Mastek, Insurance Products & Services Business, Offshore Insurance Operations, MCPL, MSSIPL, and the proposed Transactions.
7. International databases and other relevant information and data, including information in the public domain

We have also obtained necessary explanations and information, which we believed were relevant to the present exercise, from the executives, representatives and management of Mastek.



It may be mentioned that Mastek has been provided opportunity to review the draft report (excluding our valuation analysis and recommendation) for the current exercise as part of our standard practice to make sure that factual inaccuracies are avoided in our report.

SCOPE LIMITATIONS

Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

Our work does not constitute an audit, due diligence or certification of the historical financial statements including the projected working results of Mastek/ Insurance Products & Services Business/ Offshore Insurance Operations/ MCPL/ MSS IPL referred to in this report. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this report. Valuation analysis and result are specific to the purpose of valuation and the valuation date is as agreed per terms of the engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

Valuation analysis and results are also specific to the date of this report. A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that Mastek has drawn our attention to all the matters, which they are aware of concerning the financial position of Mastek/ Insurance Products & Services Business/ Offshore Insurance Operations/ MCPL/ MSS IPL and any other matter, which may have an impact on our opinion, on the fair equity share entitlement ratio for the proposed Demerger and fair valuation for the proposed Slump Sale, including any significant changes that have taken place or are likely to take place in the financial position of Mastek/ Insurance Products & Services Business/ Offshore Insurance Operations/ MCPL/ MSS IPL, subsequent to the proposed First and Second Appointed Date for the proposed Transactions. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

In the course of the valuation, we were provided with both written and verbal information, including financial and operating data. We have evaluated the information provided to us by Mastek through broad inquiry and analysis (but have not carried out a due diligence or audit or review of Mastek/ Insurance Products & Services Business/ Offshore Insurance Operations/ MCPL/ MSS IPL for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). Also, we have been given to understand by the management of Mastek that it has not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility for any errors in the above information furnished by Mastek and their impact on the present exercise.



We express no opinion on the achievability of the forecast relating to Mastek/ Insurance Products & Services Business/ Offshore Insurance Operations/ MCPL/ MSS IPL given to us by Mastek. The future plans of Mastek/ Insurance Products & Services Business/ Offshore Insurance Operations/ MCPL/ MSS IPL are the responsibility of their respective managements. The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both - the most likely set of future business events and circumstances and the respective management's course of action related to them. It is usually the case that some events and circumstances do not occur as expected or are not anticipated. Therefore, actual results during the forecast period may differ from the forecast and such differences may be material.

Our report is not, nor should it be construed as, our opining or certifying the compliance of the proposed Demerger and proposed Slump Sale with the provisions of any law including companies, taxation and capital market related laws or as regards any legal, accounting or taxation implications or issues arising from such proposed Transactions.

We have not conducted or provided an analysis or prepared a model for any fixed assets valuation and have wholly relied on information provided by Mastek in that regard.

The fee for the report is not contingent upon the results reported.

This report does not address the relative merits of the Transactions as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. Any decision by the Client regarding whether or not to proceed with the Transactions shall rest solely with the Client. We owe responsibility to only the directors of Mastek that have retained us and nobody else. We do not accept any liability to any third party in relation to the issue of this valuation report.

Neither the report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed Demerger and Slump Sale. In addition, we express no opinion or recommendation as to how the shareholders of Mastek/ Insurance Products & Services Business/ Offshore Insurance Operations/ MCPL/ MSS IPL should vote at any shareholders meeting(s) to be held in connection with the Transactions.

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BACKGROUND

Mastek Limited

Mastek is a publicly listed company established in 1982, and is a leading global technology and intellectual property-led IT company, providing enterprise solutions to insurance, government, healthcare and financial services companies worldwide. The IT solutions and services provided by Mastek include custom application development, application management outsourcing, consulting, legacy modernization and migration, and system integration. Mastek is headquartered in Mumbai, India and operates across the US, UK, India and Asia-Pacific. Mastek has received ISO 9001 certification for quality management, and its delivery processes have been assessed at SEI-CMM Level 5 and P-CMM Level. Mastek's shares are listed on the Bombay Stock Exchange and the National Stock Exchange.

Mastek has two distinct business verticals:

Insurance Products and Services – This business vertical includes both overseas and India focused Property & Casualty Insurance Business ('P&C') and Life and Annuity Insurance ('L&A') business. The vertical is a high value business which is primarily focussed on the North American markets, with some customers in other jurisdictions like India, Malaysia, Thailand and UK.

Vertical Solutions Business – This business vertical provides software solutions to various clients. This business is largely focussed on the UK market.

The issued, subscribed and paid up equity share capital of Mastek as at 31 March 2014 is as under:

Issued, Subscribed and Paid-up Capital	No. of shares
Equity shares of Rs. 5 each	2,21,60,680

The equity shares of Mastek are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. We are informed that as of this report date, the number of issued shares of Mastek is 22,296,262.

Minefields Computers Private Limited ("MCPL")

MCPL is a private limited company incorporated under the Companies Act, 1956 and having its registered office in Mumbai.

The issued, subscribed and paid up equity share capital of MCPL as at 31 March 2014 is as under:

Issued, Subscribed and Paid-up Capital	No. of shares
Equity shares of Rs. 10 each	10,000



As per the Proposed Scheme, the above shares will get cancelled post the Demerger and new shares with the face value of Rs. 5 each shall be issued.

Majesco Software and Solutions India Private Limited ("MSSIPL")

Majesco Software and Solutions India Private Limited is a private limited company which is proposed to be incorporated under the Companies Act, 2013 with its registered office in Gujarat.

Insurance Products & Services Business:

Insurance Products & Services Business pertains to the Software Products business of Mastek, focused on Property & Casualty Insurance ('P&C') and Life and Annuity Insurance ('L&A') businesses and primarily serving the North American markets, with some customers in other jurisdictions like India, Malaysia, Thailand and UK.

Offshore Insurance Operations:

This is a subset of the Insurance Products & Services Business, pertaining to the global delivery business, and focusing mainly on the North American markets.

APPROACH - FAIR EQUITY SHARE ENTITLEMENT RATIO FOR PROPOSED DEMERGER

As per the Proposed Scheme, in consideration of the transfer and vesting of the Insurance Products & Services Business of Mastek into MCPL, MCPL shall issue & allot equity shares to the equity shareholders of Mastek based on the share entitlement ratio.

We understand from the management of Mastek that in the event of demerger of the Insurance Products & Services Business of Mastek into MCPL, the ratio of allotment of equity shares to the shareholders of Mastek is determined on the basis of desired capital structure of MCPL (post-demerger). The management of Mastek has further indicated that the shareholding of MCPL pursuant to the proposed Demerger of the Insurance Products & Services Business of Mastek into MCPL would be, effectively, same as the shareholding of Mastek (pre-demerger) as the new shares of MCPL would be issued to the shareholders of Mastek in proportion to their shareholding in Mastek (pre-demerger). Thus, we understand that the interest of the shareholders in the Insurance Products & Services Business of Mastek will effectively remain unchanged and therefore from that perspective would not be prejudicially affected.

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RECOMMENDATION OF FAIR EQUITY SHARE ENTITLEMENT RATIO FOR THE PROPOSED DEMERGER

On the basis of the foregoing, as proposed by the management of Mastek, a share entitlement ratio in the event of Demerger of the Insurance Products & Services Business of Mastek into MCPL would be as follows:

1 (one) fully paid equity share of Rs. 5 (Rupees Five) each of MCPL for every 1 (one) fully paid equity share of Rs. 5 (Rupees Five) each held in Mastek.

APPROACH - FAIR VALUATION FOR PROPOSED SLUMP SALE

The Proposed Scheme contemplates the Slump Sale of the Offshore Insurance Operations by MCPL to MSS IPL.

The standard of value used in our analysis is fair value which is often defined as the price, in terms of cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale in the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act. Valuation of an enterprise or its equity shares is not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be even prepared to pay goodwill. This exercise may be carried out using generally accepted methodologies, the relative emphasis of each often varying with the factors such as

- Specific nature of the business
- Whether the entity is listed on a stock exchange
- Industry to which the company belongs
- Past track record of the business and the ease with which the growth rate in cash flows to perpetuity can be estimated
- Extent to which industry and comparable company information is available

The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concerns, certain valuation techniques have evolved over time and are commonly in vogue. The aforesaid valuation techniques can be broadly categorised as follows:

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Asset Based

- Net Asset Value Method (NAV)

The value arrived at under this approach is based on the Audited or Unaudited / Provisional financial statements of the business and may be defined as Shareholders' Funds or Net Assets owned by the business. Under this method, the net assets as per the financial statements are adjusted for market value of surplus / non-operating assets, potential and contingent liabilities, if any. The Net Asset Value is generally used as the minimum break-up value for any business since this methodology ignores the future return the assets can produce and is calculated using historical accounting data that does not reflect how much the business is worth to someone who may buy or invest in the business as a going concern. As a result, we have not considered this method for valuation of the Offshore Insurance Operations.

Market Based

- Comparable Companies Multiples Method

Under this method, value of the shares of a company is arrived at by capitalising its future estimated earnings – Revenue, EBIDTA, EBIT or PAT- by an appropriate earnings multiple (either the Revenue, EBIDTA, EBIT or the PE Multiple). Generally value of a business is forward looking. Thus, what is more relevant is the future earnings potential of the business. In this context the projections of future working results and maintainable earnings at the end of the current year are used for the purposes of determining the value of the equity shares of the company. In determining the capitalisation factor i.e. Revenue, EBIDTA, EBIT or PE Multiple, one may consider share quotations in respect of companies engaged in the same business as the company whose shares are being valued. Dissimilarities with the comparable companies and the strengths, weaknesses and other factors peculiar to the company being valued would need to be adjusted.

We have performed a search for suitable comparable companies for the Offshore Insurance Operations to derive an appropriate capitalization rate/ multiple and have accordingly considered this method in our present fair valuation exercise.

- Precedent Transaction Multiple Approach

This method is similar to the Comparable Companies Multiples Method, with the exception that the companies used as guidelines are those that have been recently acquired. Under the Precedent Transaction Multiple Method, acquisitions or divestitures involving similar companies/ businesses are identified, and the multiples implied by their purchase prices are used to assess the subject company's/ business's value. There is no rule of thumb for the appropriate age of a reasonable



transaction; however it is important to be aware of the competitive market at the time of the transaction, synergies included in the transaction value negotiated and hence factor any changes in the marketplace environment or underlying synergies into the analysis. All other things being equal, the more recent the transaction, the more reliable the value arrived at using this technique.

We have not used this method for the valuation of the Offshore Insurance Operations due to lack of availability of recent transactions involving closely comparable companies/ businesses.

- **Market Price Method**

The market price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

In the present case, the Offshore Insurance Operations business is not listed on any stock exchange as on the Slump Sale Valuation Date and hence no independent quoted market price is available. In light of the above, we have not considered this method in our current fair valuation exercise.

Cash Flow Based

- **Discounted Cash flow Method (DCF)**

The DCF method uses the future free cash flows of the firm/ equity holders discounted by the cost of capital/ equity to arrive at the present value. In general, the DCF Method concentrates on cash generation potential of a business. Considering the Offshore Insurance Operations are a part of the total business of Mastek, independent projected financial information for the Offshore Insurance Operations was not available. We have therefore not considered this approach for the valuation of the Offshore Insurance Operations.

Comparable Companies Multiples Method of Valuation of the Offshore Insurance Operations

As explained earlier, under this method, we have identified broadly comparable Indian publicly listed companies providing IT consulting services in the insurance vertical, with a mix of onshoring and offshoring operations, and then derived the average 1 year forward Price to Earnings ("P/E") multiple for these comparable companies as on the Slump Sale Valuation Date. The 1 year forward P/E multiple has been considered to capture the expected PAT margin improvement of the Offshore Insurance Operations in the future. The average 1 year forward P/E multiple has then been adjusted downwards to account for comparability and marketability.



We have applied this adjusted 1 year forward P/E multiple to the Offshore Insurance Operations' 1 year forward (FY 2015) PAT to arrive at the Equity Value, as on the Slump Sale Valuation Date, of INR 219.9 Million.

RECOMMENDATION OF FAIR VALUE OF OFFSHORE INSURANCE OPERATIONS FOR THE PROPOSED SLUMP SALE

On the basis of the foregoing, we have estimated the fair value of the Offshore Insurance Operations as on the Slump Sale Valuation Date based on the Comparable Companies Market Multiple Method of valuation at INR 219.9 Million.

Walker Chandiook & Co LHA

Yours faithfully

For Walker Chandiook & Co LLP

Firm Registration No: 001076N/N500013



per **Adi P. Sethna**

Partner

Membership No: 108840

Place: Mumbai

Certified true Copy

