VALUATION REPORT

Determination of Share Exchange Ratio in connection with Scheme of Amalgamation of Saankhya Labs Private Limited ("Transferor Company 1") and Saankhya Strategic Electronics Private Limited ("Transferor Company 2") with Tejas Networks Limited ("Transferee Company") and their respective shareholders

PREPARED BY

SPA VALUATION ADVISORS PRIVATE LIMITED

Registration No.

IBBI/RV-E/05/2021/148

25 C- Block community center JanakPuri, New Delhi – 110058

September 29th, 2022

To
The Audit Committee
Tejas Networks Limited
5th Floor, Plot No 25, J P Software Park,
Electronic City, Phase 1, Hosur Road,
Bangaluru – 560 100

AND

To
The Audit Committee and the Board of Directors
Saankhya Labs Private Limited
3rd Level, Mezaninne Floor, No.3, Infantry Road, Vasanth Nagar,
Embassy icon Building Bengaluru – 560001

AND

To
The Board of Directors
Saankhya Strategic Electronics Private Limited
No.3, Embassy Icon, Ground Floor, Infantry Road
Bengaluru – 560001

We refer to the Letter of Engagement dated August 08th 2022 ('LOE') wherein SPA VALUATION ADVISORS PRIVATE LIMITED (or "Valuer") is appointed by Tejas Networks Limited, Saankhya Labs Private Limited and Saankhya Strategic Electronics Private Limited in relation to carry out the Share Exchange Ratio under the proposed Scheme of Amalgamation of Saankhya Labs Private Limited ("**SLPL**" or "**Transferor Company 1**") and Saankhya Strategic Electronics Private Limited ("**SSE**" or "**Transferor Company 2**") *(Collectively referred as "**Transferor Companies**")* with Tejas Networks Limited ("**TNL**" or "**Transferee Company**") and their respective shareholders under the provisions of Section 230 - 232 of the Companies Act, 2013 ("**Scheme**") with appointed date (as defined hereinafter) as at September 28th 2022 (valuation exercise).

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Part I- INTRODUCTION

1.1. Terms of Reference

This Scheme is presented under the provisions of Sections 230 to 232 and other relevant provisions of the Companies Act, 2013 (hereinafter referred to as "Act") as applicable, read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016. SLPL, SSE, and TNL are hereinafter collectively referred to as "the Companies".

1.2.Source of Information and representations

For the purpose of carrying out the valuation, we have relied on the following information and documents made available to us by the management of the Companies. The management of the Companies assisted by their respective finance and accounts personnel has furnished the required financial and other relevant information, explanations and data for this exercise.

- Draft Scheme of Amalgamation
- Audited financials of SLPL and SSE for the year ended March 31, 2022 and 3 months period ended June 30, 2022
- Annual Report of TNL for FY 2021-2022 and limited review report for the 3 months period ended June 30, 2022.
- Consolidated Future Projections of SLPL till the year ended March 31, 2030
- Shareholding pattern of the SLPL and SSE as on September 28th, 2022
- Other Information as provided by the management of the Companies
- Other Information as available on public domain

Part II- ABOUT THE COMPANY

2.1 Background of the Company

- **Transferor Company 1** 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.
- **Transferor Company 2** 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.
- **Transferee Company** 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 Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE).

2.2 Capital Structure:

❖ **Transferor Company 1:**

The share capital structure of the Transferor Company 1 as on September 28th 2022 is as follows:

Particulars	Amount in INR
A) Authorized share capital	
1,07,28,000 Equity Shares of INR 10 each	10,72,80,000
36,85,700 Series C Preference shares of INR 100 each	36,85,70,000
Total	**47,58,50,000**
B) **Issued and subscribed and fully paid up share capital**	
97,07,821 Equity Shares of INR 10 each	**9,70,78,210**
C) Recoverable from SLPL ESOP Trust - 10,06,120 equity shares of INR 10 each	(1,00,61,200)
Total Equity Share Capital (B+C)	**8,70,17,010**

As on the date of approval of the Board of the Transferor Company 1 to this Scheme, Transferee Company holds 62,51,496 equity shares, aggregating to 64.40% of the total paid-up capital (including shares held by SLPL ESOP Trust) of the Transferor Company 1.

❖ **Transferor Company 2:**

The share capital structure of the Transferor Company 2 as on September 28th 2022 is as follows:

Particulars	Amount in INR
Authorized share capital	
1,00,000 equity shares of INR 10 each	10,00,000
Total	**10,00,000**
Issued and subscribed and fully paid up share capital	
1,00,000 equity shares of INR 10 each	10,00,000
Total	**10,00,000**

The Transferor Company 2 is a wholly owned subsidiary of the Transferor Company 1 and consequently no equity shares will be issued by the Transferee Company upon its amalgamation.

❖ **Transferee Company:**

The share capital structure of the Transferee Company as on September 28th 2022 is as follows:

Particulars	Amount in INR
A) Authorized share capital	
26,00,00,000 equity shares of INR 10 each	260,00,00,000
Total	**260,00,00,000**
Issued and subscribed and paid up share capital	
B) 15,21,09,862equity shares of INR 10 each, fully paid up	**152,10,98,620**
C) Forfeited shares	3,27,27,930
Total Equity Share capital (B+C)	**155,38,26,550**

The Transferee Company has 1,55,03,876 outstanding warrants (each carrying a right to subscribe to 1 (one) equity share of the Transferee Company). Further, the Transferee Company has outstanding and ungranted RSU pool which were approved by its shareholders. Further, the Transferee Company also has outstanding issued restricted stock units / employee stock options. The exercise of such warrants and/ or restricted stock units / employee stock options, may result in an increase in the issued and paid-up share capital of the Transferee Company.

PART III RATIONALE FOR THE SCHEME

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

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(g) adaptation of best practices and in enhancing mechanisation/ 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 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.

Appointed Date

The appointed date of the proposed scheme of Amalgamation is opening hours of July 01, 2022 or such other date as may be agreed by the Board of the Parties

PART IV Generally Accepted Methods of Valuation for Equity Shares and Methods adopted:

1) Market Approach

   a) Market Price Method

   b) Comparable Companies Quoted Multiples Method

2) Income Approach (Discounted Cash Flows Method)

3) Asset Approach (Net Asset Value Method)

MARKET APPROACH

A) Market Price Method: Under this method, the market price of an equity share of the company as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the trading. The market value reflects the investors' perception about the true worth of the company.

The Pricing formula provided in Regulations 164 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') read with SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) (AMENDMENT) REGULATIONS, 2022 in case of frequently traded shares to be considered as below.

Pricing of frequently traded shares

164. (1) If the equity shares of the issuer have been listed on a recognised stock exchange for a period of 90 Trading Days or more as on the relevant date, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

a) the 90 Trading Days volume weighted average price of the related equity shares quoted on the recognised stock exchange preceding the relevant date; or

b) the 10 Trading Days volume weighted average prices of the related equity shares quoted on a recognised stock exchange preceding the relevant date.

B) Comparable Companies Quoted Multiples Method (CCM): CCM measures the value of an asset through an analysis of recent sales of comparable asset compared to the asset 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 because it uses direct comparisons to similar enterprises and the analysis is based upon actual market transactions. However, comparable 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 requires judgment.

INCOME APPROACH

Discounted Cash Flows Method

The earnings value method involves determination of the future earnings of the Company from its normal operations.

Discounted Cash Flow Method (DCF method) seeks to capture the discounted present value of the free cash flows generated by the business as a going concern. The DCF approach requires two basic estimates; the free cash generated by the business and the cost of capital. In developing the cash flow forecast, two additional factors need to be considered:

Length of the forecast; and

Determination of the perpetuity value of the business at the end of the forecast period.

The DCF focuses on the Free Cash Flows (FCFs) that the company can generate over a period of time. The underlying assumption of this method of valuation is that the value of a business can be measured by the present worth of the net cash benefit (being cash inflows less cash outflows) to be received over the period of forecast and beyond. The DCF has its foundation in the Present Value rule, where the value of any asset is the Present Value of its expected future cash flows.

The steps followed in applying this approach include projecting the expected cash flows of the business over a selected period of estimation and converting these cash flows to present value through discounting. The discounting process uses the Weighted Average Cost of Capital (WACC). Finally, the present value of the cash flows over the period of estimation and the present value of the terminal value, i.e., the value of the business at the end of the estimation period, are summed up to arrive at the total present Business/ Enterprise Value.

Free Cash Flows

Free Cash Flows (FCF) are arrived at as follows:

Earnings before Interest on Term Loan, Taxes, Depreciation and Amortization	A
Less: Taxation	B
Adjusted Cash Flows	C = A – B
Less: Increase in Working Capital	D
Less: Capital Expenditure	E
Free Cash Flows for the year	F = C – D – E

The FCFs are then discounted using the discounting factor to arrive at their Net Present Value (NPV).

The Discounting Factor

The discount rate applied to estimate the present value of explicit forecast period cash flows. One of the advantages of the DCF approach is that it permits the various elements that make up the discount factor to be considered separately, and thus, the effect of the variations in the assumptions can be modeled more easily.

The components of the **weighted average cost of capital** are:

Cost of Equity

The cost of equity is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows and is calculated using the Capital Asset Pricing Model (CAPM).

Cost of Debt

The cost of debt is the average interest rate on Long term debt (after tax) on the borrowings of the business being valued.

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Terminal Value

At the end of the explicit forecast period, a terminal value is calculated to arrive at the value of the business at the end of the estimation period. The important assumption in calculating the terminal value is that there would be no material change in trends or economic outlook beyond the explicit forecast period.

This terminal value is then discounted to its present value (value at the time of valuation) using the discounting factor for the last year of the forecast horizon.

The net present value takes into account the cost of debt, cost of equity and target capital structure. It also takes into account the risks to which the enterprise is exposed. The discount rate is based on the overall risk perception of the company.

COST APPROACH

Net Assets Value Method (NAV)

The Net Asset Value represents the value of the shares with reference to the value of the assets owned by the Company and liabilities on the valuation date. Generally historical cost (latest audited financial statements) of the assets/ liabilities is considered in arriving at the value per share. However in certain cases, the current / intrinsic values of assets/ liabilities may be considered in place of the historical values and due adjustments in the values thereof may be carried out in respect of fair value of investments, replacement cost of Plant & Machinery and fair value of Land & Building.

Valuation Summary and Share Exchange Ratio:

S.No.	Name	Tejas Networks Limited (Transferee Company)			Saankhya Labs Private Limited (Transferor Company 1)		
	Methods	**Per Share Value**	**Weight (Wgt)**	**Value x Wgt**	**Per Share Value**	**Weight (Wgt)**	**Value x Wgt**
1	Income Approach (Discounted Cash Flow Method)	NA			707.69	100%	707.69
2	Market Approach (Market Price Method)	634.39	100%	634.39	NA		
3	Market Approach (Comparable Companies Method)	NA			NA		
4	Cost Approach (Net Asset Value Method)	NA			NA		
Weighted Average Fair Value Per Share (In INR) as on September 28, 2022		**634.39**			**707.69**		
Share Exchange Ratio		**1.12**					

NA = Not Applicable/Not Adopted

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.

Notes:

1) Income Approach –Discounted Cash Flow Method

- As Transferee Company's shares are listed on stock exchanges, the information related to its future performances is price sensitive and not made available to us. Hence, this method has not been applied.
- As Transferor Company 1 & Transferor Company 2 are the unlisted companies and Transferor Company 2 is the wholly owned subsidiary of Transferor Company 1, we have been provided with the consolidated future projections of Transferor Company 1 and this method has been applied.

2) Market Approach – Market Price Method and Comparable Companies Method

- As Transferee Company's shares are listed on BSE & NSE and the shares are frequently traded, we have computed the price as per the SEBI prescribed pricing formula as higher of VWAP of last 90 trading days vs last 10 trading days preceding the date of board meeting.
- Basis of Current nature of the business of Transferor Company 1, there are no exact comparable companies available which are directly and only into the same business apart from a single company which is TNL (Transferee Company) itself and hence, due to the non-availability of relevant peer set, we have not used the comparable companies method to value Transferor Company 1.
- Due to unavailability of similar peer companies with similar size of operations and similar recent transactions on this scale in this industry, this approach has not been considered for valuation of Transferee company.

3) **Cost Approach - Net Assets Value Method (NAV)**

- This Approach has not been considered since the net asset value does not reflect the intrinsic value of the business in a "going concern scenario".

PART V: CONCLUSION

Based on the above, we recommend the following exchange ratio to the shareholders of the Transferor Company 1 in respect to the proposed Scheme of Amalgamation:

For every 100 equity shares of face value of Rs. 10/- (Rupees Ten only) each held as fully paid-up in the Transferor Company 1 shall be issued 112 Equity shares of face value of Rs. 10/- (Rupees Ten only) each as fully paid-up in the Transferee Company.

For SPA Valuation Advisors Private Limited

SPA Valuation Advisors Private Limited New Delhi

Neena Agarwal

Registered Valuer
Registration No. - IBBI/RV/05/2019/11667

CAVEATS AND LIMITATIONS

The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation and may not be used out of the context presented herein.

1. Public information, estimates, industry and statistical information contained in this report have 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.

2. The company and its representatives warranted to us that the information supplied to us was complete and accurate to the best of their knowledge and that the financial information properly reflects the business conditions and operating results for the respective periods in accordance with generally accepted accounting principles. Information supplied to us has been accepted as correct without any further verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance on this information.

3. Financial information of the subject company is included solely to assist in the development of a value conclusion presented in this report and should not be used to obtain credit or for other purpose. Because of the limited purpose of the information presented, it may be incomplete and contain departures from generally accepted accounting principles. We have not audited, reviewed or compiled this information and express no assurance on it.

4. We do not provide assurance on the achievability of the results forecasted by the client because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.

5. The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness would continue to be maintained, and that the

character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.

6. 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 Valuer (except the Affiliates of the Companies, regulators). This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein.

7. The report and conclusion of value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The conclusion of value represents the considered opinion of Valuer, based on information furnished to them by the client.
8. Neither all nor any part of the contents of this report (especially the conclusion of value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail or any other means of communication without our prior written consent and approval.

9. This valuation reflects facts and conditions existing or reasonable foreseeable at the valuation date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

10. The analyst, by reason of this valuation, is not required to give further consultation, testimony, or be in attendance in court with reference to the subject matter of this report unless prior intimation have been made.

11. Our engagement for this valuation consulting work does not include any procedures designed to discover any defalcations or other irregularities, should any exist.

12. We are not an environmental consultant or auditor and takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report, wishing to know whether such liabilities exist, or the scope and their effect on the value of the property, is encouraged to obtain a professional environmental assessment. We does not conduct or provide environmental assessments and has not performed one for the subject property.

13. We haven't determined independently whether the client is subject to any present or future liability relating to environmental matters nor the scope of any such liabilities. Our valuation takes no such liabilities into account, except as they have been reported to us by the client or by an environmental consultant working for the client.

14. We don't accept any liability to any party in relation to the issuance of this Valuation Report. No change of any item in this valuation/conclusion report shall be made by anyone other than us, and we shall have no responsibility for any such unauthorized change. To the fullest extent permitted by law, SPA is harmless against all actions, proceedings and claims brought or threatened and all loss, damage and expense (including all legal expenses) relating thereto where such action, proceeding or claim has arisen out of or results from or is connected with the failure of the financial and prospective information provided to us, or any of its professional legal advisers to comply with the terms of this letter.

15. This report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should take for this purpose.

16. It is assumed that there is full compliance with all applicable central, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the report.

17. The prospective financial information approved by management has been used in our work, we have not examined or compiled the prospective financial information and therefore, do not express an audit opinion or any other form of assurance on the prospective financial information

or the related assumptions. Events and circumstances frequently do not occur as expected and there will usually be differences between prospective financial information and actual results, and those differences may be material.

18. We have conducted interviews with the current management of the client concerning the past, present, and prospective operating results of the company. Except as noted, we have relied on the representations of the owners and management concerning the value and useful condition of all equipment, real estate, investments used in the business, and any other assets or liabilities, except as specifically stated to the contrary in this report.

19. We have made no investigation of title to property, and assume that the owner's claim to the property is valid. We have not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets. However we make no representation as to accuracy or completeness of such information and have performed no procedures to corroborate the information.

SPA Valuation Advisors Private Limited
New Delhi