

Walker Chandiook & Co LLP

STRICTLY PRIVATE & CONFIDENTIAL

Quess Corp Limited

Quess House,
3/3/2 Bellandur Gate, Sarjapur Road,
Bengaluru 560 103,
Karnataka, India

And

Manipal Integrated Services Private Limited

Golden Enclave,
Tower B1, H A L Old Airport Road,
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Sub: Recommendation of the share entitlement ratio for the Proposed Demerger of the Identified Business of Manipal Integrated Services Private Limited into Quess Corp Limited

Dear Sirs,

We refer to our engagement letter, wherein Quess Corp Limited (hereinafter referred to as "QCL") and Manipal Integrated Services Private Limited (hereinafter referred to as "MIS") (hereinafter jointly referred to as the "Companies") have requested Walker Chandiook & Co LLP (hereinafter referred to as "WCC" or the "Valuer") to carry out valuation of QCL and Identified Business of MIS for the purpose of estimating the share entitlement ratio for the proposed demerger of the Identified Business of MIS into QCL (hereinafter referred to as the "Proposed Demerger") based on the valuation of the Business/Companies and pursuant to the provisions of Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 and corresponding provisions of the Companies Act, 2013, and the discussions that we have had with, and information that we have received from the management of the Companies (the "Management") from time to time in the above matter.

SCOPE AND PURPOSE OF THIS REPORT

QCL was incorporated in 2007 as an integrated business service provider. It is headquartered in Bengaluru. It is engaged in the business of providing business related services through four segments namely, Global Technology Solutions, People & Services, Integrated Facility Management and Industrial Asset Management. Global Technology solutions segment provides Information technology (IT) staffing and IT product solutions and services. The People & Services segment offers general staffing, recruitment and executive search and recruitment process outsourcing services, as well as payroll and background verification services. The Integrated Facility Management segment provides



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facility management services which comprise electro-mechanical, pest control services, as well as food and hospitality services to corporates, hospitals, and schools. The Industrial Asset Management segment offers industrial operations and maintenance services and related asset record maintenance services across various industries, such as power, energy, oil and gas, chemicals, and ferrous and non-ferrous metal industries. QCL is listed on both; the Bombay Stock Exchange of India and the National Stock Exchange.

MIS was founded in the year 2004 and is based out of Bengaluru. The business segments of MIS include hostels for university student living, facility management services, catering services and security services. Facility management segment provides housekeeping, healthcare support services, engineering services and pest control services to Corporates and Educational institutes. Catering segment provides services to corporates, healthcare and educational sectors. Security segment provides services to Education and healthcare sectors.

The Identified Business of MIS would include the entire activities, operations, business division and undertaking of MIS and its subsidiaries as well as investments of MIS, in each case, pertaining to the (i) Facilities Management Business and (ii) Catering Business. The Subsidiaries forming part of the Identified Business includes Golden Star Facilities & Services (P) Ltd and Masterstaffing Solution (P) Ltd.

The Management of QCL and MIS are contemplating demerger of Identified Business of MIS into QCL pursuant to the Scheme of Arrangement (the "Scheme") under the relevant provisions of the Companies Act, 2013. In this regard, the Companies have approached WCC to recommend a fair share entitlement ratio for the Proposed Demerger based on the valuation of the Companies as on an agreed upon date (the "Valuation Date").

The following is the proposed modus operandi for the Proposed Demerger:

- Demerger of the Identified Business of MIS into QCL.
- Cancellation of Investment made by QCL in Compulsorily Convertible Preference Shares ("CCPS") of MIS for no consideration and reduction of Preference Share Capital of MIS to the extent of the face value of such CCPS.
- Having considered the cancellation of CCPS, QCL would issue to the shareholders of MIS such number of equity shares of the face value of INR 10 each fully paid up based on the share entitlement ratio.

In this connection, WCC has been requested by the Companies to submit a report recommending a fair share entitlement ratio in the event of the Proposed Demerger for the consideration of the Board of Directors of the Companies. This report will be placed before the Board of QCL and MIS and to the extent mandatorily required under applicable laws of India, maybe produced before judicial, regulatory or government authorities, in connection with the Proposed Demerger.

The scope of our services is to conduct valuation of QCL as well as the Identified Business of MIS for recommending a fair share entitlement ratio for the Proposed Demerger in accordance with generally accepted professional standards.



This report is our deliverable in respect of our recommendation of fair share entitlement ratio for the purpose of the Proposed Demerger.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers 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.

SOURCES OF INFORMATION

In connection with this exercise, we have used information available in the public domain as well as following information from either the official website of the Companies or as provided by the Management:

- Management certified financial statements of Identified Business of MIS for the years 31 March 2016 and Year to Date ('YTD') financials for 31 August 2016;
- Projected financials statements of the Identified Business of MIS as provided by the Management;
- Market price of equity shares of Ques Corp Limited quoted on the stock exchanges;
- Draft Scheme of Arrangement;
- Discussions with the Management in connection with the business operations of the Companies and their key operating subsidiaries, past trends, future plans and prospects, etc.;
- Other relevant information and documents for the purpose of this engagement.

QSL and MIS have been provided with the opportunity to review the draft report (excluding the recommended ratio) for this engagement to make sure that factual inaccuracies are avoided in our final report.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This report, its contents and the results herein are specific to and based on (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this report (iii) the five month financial statements ending 31 August 2016 of the Identified and (iv) Financial Projections and other information provided by the Management . We have been informed that the financial position of the Identified Business of MIS as on the Appointed Date of the Proposed Demerger would not be materially different from the financial statements as on 31 August 2016.



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A valuation analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of the date hereof. Events occurring after this date may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The ultimate analysis will have to be tempered by the exercise of judicious discretion by the Valuers and judgment taking into account the relevant factors. There will always be several factors, e.g. management capability, present and prospective competition, yield on comparable securities, market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.

The recommendation(s) rendered in this Report only represent our recommendation(s) based upon information furnished by the Companies (or its representatives) and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors). We have no obligation to update this Report.

In the course of the analysis, we were provided with both written and verbal information, including market, financial and operating data.

We must emphasize that the Financial Projections are prepared by the Management and provided to us for the purpose of our analysis. The fact that we have considered the Financial Projections in this exercise should not be construed or taken as our being associated with or a party to such projections. Realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis, therefore, will not, and cannot be directed to provide any assurance about the achievability of the Financial Projections. Since the Financial Projections relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences may be material.

In accordance with the terms of the engagement, we have assumed and relied upon, without independently verifying, (i) the accuracy of the information that was publicly available and formed a substantial basis for this report and (ii) the accuracy of information sourced from data bases. In accordance with our engagement letter and in accordance with the customary approach adopted in valuation exercises, we have not audited, reviewed or otherwise investigated the historical financial information available in the public domain. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the historical financial statements.

Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Management that they have not omitted any relevant and material factors about the Companies/ the Identified Business and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusions are based on the assumptions and information given by/on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/ results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Report. Nothing has come to our attention to indicate that the information provided was materially mis-stated/



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incorrect or would not afford reasonable grounds upon which to base the report. Also, we assume no responsibility for technical information (if any) furnished by the Companies

The report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this valuation report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in the audited/unaudited balance sheet of the Companies.

This report does not look into the business / commercial reasons behind the Proposed Demerger nor the likely benefits arising out of the same. Similarly, it does not address the relative merits of the Proposed Demerger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

We are not advisors with respect to legal tax and regulatory matters for the Transaction. No investigation / enquiry of the Companies' claim to title of assets has been made for the purpose of this report and the Companies' claim to such rights have been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.

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

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Companies, their directors, employees or agents. In no circumstances shall the liability of the Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this report shall exceed the amount paid to the Valuer in respect of the fees charged by it for these services.

We do not accept any liability to any third party in relation to the issue of the Report and our Report is conditional upon an express indemnity from the Companies in our favour holding us harmless from and against any cost, damage, expense and other consequences in connection with the provision of this Report. It is clarified that this Report is not a fairness opinion under any of the stock exchange/ listing regulations. This Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for his purpose.

This Report is subject to the laws of India. WCC would not be referred to as an 'expert' in any regulatory filings under the US Securities Act of 1933 or under any of the securities laws/ regulations of any other state or jurisdiction in the United States/ United Kingdom.



Neither the valuation 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, without our prior written consent. In addition, this report does not in any manner address the prices at which QCL's shares will trade following the announcement of the Proposed Demerger and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting(s) to be held in connection with the Proposed Merger.

DETAILS OF SHARE CAPITAL AND SHAREHOLDING PATTERN OF THE COMPANIES

Quess Corp Limited (QCL)

The current equity share capital of QCL is INR 125.95 Million consisting of 125,953,353 equity shares of face value of INR 10 each. For the purpose of determining the share entitlement ratio, we have considered the equity share capital of QCL as on 30 September 2016.

The shareholding pattern as at 30 September 2016 is as follows:

Sr No	Particulars	No. of shares	Shareholding
1	Ajit Abraham Isaac	18,585,960	14.8%
2	Net Resources Investments Pvt Ltd	15,365,824	12.2%
3	Thomas Cook (India) Limited	78,823,496	62.6%
4	Public	13,178,073	10.5%
	TOTAL	125,953,353	100.0%

Manipal Integrated Services Private Limited

The current equity share capital of MIS is INR 118.96 Million consisting of 11,896,319 equity shares of face value of INR 10 each. Further, MIS has fully vested 235,750 employee stock options. For the purpose of determining the fair share entitlement ratio, we have considered the fully diluted equity shares of MIS as on 31 August 2016.

The shareholding pattern as at 31 August- 2016 is as follows:

Sr. No	Particulars	No of shares	Shareholding
1	Manipal Education and Medical Group India Private Limited	10,721,295	88.37%
2	Mr. TV Mohandas Pai	822,222	6.78%
3	Others	352,802	2.91%
4	Fully vested Employee Stock Options	235,750	1.94%
	Total	12,132,069	100.0%



APPROACH - BASIS OF PROPOSED DEMERGER of IDENTIFIED BUSINESS INTO QCL

The Scheme contemplates the Proposed Demerger pursuant to the provisions of Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 and corresponding provisions of the Companies Act, 2013. Arriving at the fair share entitlement ratio for the Proposed Demerger of the Identified Business into QSL would require determining the relative values of the concerned businesses and shares of the Companies. These values are to be determined independently but on a relative basis, and without considering the effect of the Proposed Demerger.

The Proposed Demerger envisages the demerger of Identified Business which essentially constitutes the facility management business and catering business of MIS and its identified subsidiaries into QCL. Further, as per the Scheme, the investment to be made by QCL in the CCPS of MIS for the purpose of securing an interest in the Identified Business, development of the same and to facilitate the Proposed Demerger, would be cancelled for no consideration. Determination of a fair share entitlement ratio for the Proposed Demerger would require valuation of equity shares of QCL and Identified Business of MIS.

We have used the carved out financials of Identified business of MIS and the projections provided by the Management to derive the value of the Identified Business.

There are several commonly used and accepted methods for deriving value of a company/undertaking, which have been considered in the present case, to the extent relevant and applicable, including:

1. Net Asset Value method
2. Market Price method
3. Discounted Cash Flows method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.



Net Asset Value (NAV) Method

The asset based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis. The Net Asset Value 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. This valuation approach is therefore mainly used in case where the firm is to be liquidated or in case where the assets base dominates earnings capability. A scheme of demerger / amalgamation would normally be proceeded with, on the assumption that the companies / businesses demerge / amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets are therefore considered at their book values. In such a going concern scenario, the relative earning power is of importance to the basis of demerger / amalgamation, with the values arrived at on the net asset basis being of limited relevance.

Considering the nature of business of QCL and the Identified Business of MIS, which does not require significant asset base as well as the fact that the transaction is taking place on a going concern basis and NAV ignores the future return expected from both the Companies, we have not considered this method for value of both QCL and Identified Business.

Market Price Method

The market price of an equity share as quoted on a stock exchange is normally considered as the 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. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard. This method would also cover any other transactions in the shares of the company including primary / preferential issues / open offer in the shares of the company as envisaged in the overall scheme of arrangement and reported to the stock exchanges / available in the public domain.

In the present case, the equity shares of QCL are listed on BSE and NSE and there are regular transactions on the bourses in their equity shares. Accordingly in the present case, the volume weighted average share price over reasonable periods for the shares of QCL, as deemed appropriate for the purpose of our valuation analysis, have been considered for determining the equity value of the shares of the Companies under the market price methodology. However, as the Identified Business of MIS, is an unlisted undertaking, the market price method is not applicable for the same.

Discounted Cash Flows (DCF) Method

Under the DCF method the projected free cash flows to firm/ the equity shareholders are discounted at the weighted average cost of capital/ cost of equity. The sum of the discounted value of such free cash flows is the value of the firm / equity.

Using the DCF analysis involves determining the following:



Estimating future free cash flows to equity:

Free cash flows to equity are the cash flows expected to be generated by the company that are available to the shareholders of the company.

Appropriate discount rate to be applied to cash flows i.e. the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the capital provider. The cost of equity reflects the opportunity cost that shareholders expect to earn on other investments of equivalent risk.

For the purpose of DCF valuation, the free cash flow to equity forecast is based on Financial Projections as provided by the Management. While carrying out this engagement, we have relied extensively on the Financial Projections of the Identified Business made available to us by the management of the Companies. We did not carry out any validation procedures or due diligence with respect to the information provided/ extracted or carry out any verification of the assets or comment on the achievability of the assumptions underlying the Financial Projections, save for satisfying ourselves to the extent possible that they are consistent with other information provided to us in the course of this engagement.

To arrive at the total value available to the equity shareholders, value arrived above under DCF method is adjusted, as appropriate, for cash and cash equivalent, non-operating assets and other matters. We have used the DCF method for valuation of Identified Business of MIS.

BASIS OF FAIR SHARE ENTITLEMENT RATIO

The fair basis for the Proposed Demerger would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. The Valuer has carried out valuation of the shares of QCL and the Identified Business and based on their evaluation and judgement of the businesses of the Companies arrived at the fair share entitlement ratio for the Proposed Demerger.

In the ultimate analysis, valuation will have to be arrived at by the exercise of judicious discretion by the Valuer and judgments taking into account all the relevant factors. There will always be several factors, e.g. quality of the management, present and prospective competition, yield on comparable securities and market sentiment, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions.

The fair share entitlement ratio of equity shares of QCL and Identified Business has been arrived at on the basis of a relative valuation of QCL and Identified Business based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to information base, key underlying assumptions and limitations.

As per the Scheme of Arrangement, for the Proposed Demerger, the investment to be made in MIS by QCL for the purpose of securing an interest in the Identified Business, development of the same and to facilitate the Proposed Demerger would stand cancelled for no consideration. The share entitlement ratio for the Proposed Demerger has therefore been determined having considered cancellation of the CCPS.



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In view of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, in our opinion the share entitlement ratio for the Proposed Demerger is as follows:

- **165 (One Hundred and Sixty Five)** equity shares of QCL of face value of Rs 10 each fully paid up for every **280 (Two Hundred and Eighty)** equity shares of the face value of Rs 10 each fully paid up held in MIS.

Yours faithfully,

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm Registration No. 001076N/N500013



Shashishekhar Chaugule

Partner

Membership No. 212151

Date: 28 November 2016



Share Entitlement Ratio for the Proposed Demerger of: Identified Business of Manipal Integrated Services Private Limited into Qess Corp Limited

Annexure 1

Fair Value of Equity of Balance value of Identified Business of Manipal Integrated Services Private Limited ("MIS") (a)	Per share value	Weights
Discounted Cash Flow Method	345.8	100%
Fair Value of Equity per share of balance value of Identified Business of MIS after considering CCPS cancellation (in INR)		345.8

(a) Refer Annexure 2

Fair Value of Equity of Qess Corp Limited ("QCL") (b)	Per share value	Weights
Market Price Method	586.8	100%
Fair Value of Equity per share of QCL (in INR)		586.8

(b) Refer Annexure 3

Share Entitlement Ratio in the event of Proposed Demerger would be
165 (One Hundred and Sixty Five) equity shares of QCL of face value of Rs 10 each fully paid up
for
every 280 (Two Hundred and Eighty) equity shares of the face value of Rs 10 each fully paid up
held in MIS.



Share Entitlement Ratio for the Proposed Demerger of: Identified Business of Manipal Integrated Services Private Limited into Qness Corp Limited

Valuation of Identified Business of Manipal Integrated Services Private Limited ("MIS")

Annexure 2

Discounted Cash Flow Method	
Particulars	Amount (INR Million)
Sum of Present Value of Net Free Cash Flows to Equity for projected period	2,111.0
Present Value of Net Free Cash Flows to Equity for perpetuity	4,498.7
Gross Enterprise Value	6,609.7
Add: Cash and other adjustments #	(214.2)
Equity Value of Identified Business of MIS	6,395.5
Investment amount in CCPS made by QCL in MIS that will be cancelled by MIS	2,200.0
Fair Value of Balance portion of Identified Business after considering CCPS cancellation	4,195.5
No. of Equity Shares including vested stock options (Face Value INR 10 each)	12,132,069
Per share balance value of Identified Business (in INR)	345.8

#Based on management certified Balance Sheet as on 31 August 2016 and projections provided by the Management



Share Entitlement Ratio for the Proposed Demerger of:
Identified Business of Manipal Integrated Services Private Limited into Quess Corp Limited

Valuation of Quess Corp Limited ("QCL")

Annexure 3

Market Price Method	
Particulars	Amount
Volume weighted average market price on the National Stock Exchange for a period of 60 Trading Days up to 25 November 2016 (in INR)	586.8
No. of Equity Shares	125,953,353
Equity Value of Quess Corp Limited in INR Million	73,909.4

