Fair Equity Share Swap Ratio Report

in relation to the

'Proposed Scheme of Amalgamation & Arrangement'

February 2020

HATHWAY CABLE AND DATACOM LIMITED

Tel: +91 22 33321600
Fax: +91 22 2439 3700
www.bdo.in

BDO Valuation Advisory LLP
The Ruby, Level 9, North East Wing
Senapati Bapat Marg, Dadar (W)
Mumbai 400028, India

Ref. No.: LM/Feb174/2020

February 17, 2020

To,

The Board of Directors
Network18 Media & Investments Limited
First Floor, Empire Complex
414, Senapati Bapat Marg, Lower Parel
Mumbai - 400013, Maharashtra

The Board of Directors
Hathway Cable and Datacom Limited
Rahejas, 4th Floor
Corner of Main Avenue & V. P. Road
Santacruz (W), Mumbai - 400054

Dear Sir(s)/ Madam(s),

Sub: Fair Equity Share Swap Ratio Report in relation to the Proposed Scheme of Amalgamation & Arrangement

We, BDO Valuation Advisory LLP (**'BDO India' or 'We' or 'Us'**), have been appointed vide letter dated January 08, 2020 to recommend the fair equity share swap ratio for the proposed amalgamation.

We are pleased to present herewith our report on the same.

Regards,
For BDO Valuation Advisory LLP
IBBI No.: IBBI/RV-E/02/2019/103

Lata R Gujar More
IBBI No. IBBI/RV/06/2018/10488
Partner

BDO VALUATION ADVISORY LLP.

HATHWAY CABLE AND DATACOM LIMITED

1. Brief Background of the Scheme of Amalgamation & Arrangement

1.1. Network18 Media & Investments Limited (**'Network18' or 'the Company'**), DEN Networks Limited (**'DEN'**), Hathway Cable and Datacom Limited (**'Hathway'**), TV18 Broadcast Limited (**'TV18'**), Media18 Distribution Services Limited (**'Cable Co'** or **'Media 18'**), Web18 Digital Services Limited (**'ISP Co'** or **'Web18'**), Digital18 Media Limited (**'Digital Co'** or **'Digital18'**) and their respective shareholders and creditors are entering into a scheme of arrangement (the **'Scheme'**) that interalia provides for the amalgamation of DEN, Hathway and TV18 Broadcast into Network18 (**'Proposed Amalgamation'**).

1.2. The 'Appointed Date' for the Proposed Amalgamation has been determined as February 1, 2020.

1.3. The Scheme will comply with the provisions of section 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013, along with the applicable provisions of Securities and Exchange Board of India (**'SEBI'**), if any.

1.4. Further, post the Proposed Amalgamation and with effect from the Appointed Date, Network18 shall transfer its:

- Cable business undertaking including all cable investments to the Media18;
- ISP business undertaking including all ISP investments to the Web18; and
- Digital business undertaking including investments to the Digital18.

2. Terms of Engagement

2.1. In this regard, we have been appointed to determine and recommend the fair equity share swap ratio for the proposed amalgamation of Hathway into Network18 (collectively referred to as **'the Companies'**).

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3. Brief Background of the Companies

3.1. Network18 is a media and entertainment company listed on National Stock Exchange of India ('**NSE**') and BSE Limited ('**BSE**'). Network18 has presence in several media and entertainment businesses directly and through its subsidiaries like general news channels in Hindi, English and other regional languages, business news channels in Hindi, English and Gujarati, general entertainment channels in Hindi, English and other regional languages, factual entertainment channels, business of printing and publishing magazines, digital business, content creation and production business and digital commerce business.

3.2. The issued, subscribed and paid-up equity share capital of Network18 as at December 31, 2019 stood at INR 523.5 Cr, comprising of 1,04,69,48,519 equity shares of face value INR 5.0 each.

3.3. The summarized shareholding pattern of Network18 as on the December 31, 2019 is as follows:

Shareholder Category	No. of Equity Shares	% Holding
I. Promoter and Promoter Group	78,52,11,389	75.0%
II. Public	26,17,37,130	25.0%
Total	**1,04,69,48,519**	**100.0%**

Source: BSE

3.4. Hathway, incorporated on August 07, 1959 is listed on NSE and BSE. Hathway is engaged in the business of (i) wired broadband services; (ii) cable television services; and (iii) distribution of over the top services.

3.5. The issued, subscribed and paid-up equity share capital of Hathway as at December 31, 2019 stood at INR 354.0 Cr, comprising of 1,77,01,04,500 equity shares of face value INR 2.0 each.

3.6. The summarized shareholding pattern of Hathway as on December 31, 2019 is as follows:

Shareholder Category	No. of Equity Shares	% Holding
I. Promoter and Promoter Group	1,66,55,62,230	94.1%
II. Public	10,45,42,270	5.9%
Total	**1,77,01,04,500**	**100.0%**

Source: BSE

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4. Exclusions and Limitations

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

4.2. This report, its contents, and the analysis herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the report date and (iii) are based on the unaudited financial statements of the Companies as at December 31, 2019. The management of the Companies have represented that the business activities of the Companies have been carried out in the normal and ordinary course between December 31, 2019 and the Report date and that no material changes have occurred in their respective operations and financial position between December 31, 2019 and the Report date.

4.3. This report and the information contained herein are intended for providing select information and only in connection with the purpose mentioned above or for sharing with shareholders, Regional Directors, Registrar of Companies, National Company Law Tribunal, and office of other regulatory or statutory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the companies or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.

4.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence or legal title search of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.

4.5. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

4.6. Any matters related to legal title and ownership are outside the purview and scope of this valuation exercise. Further, no legal advice regarding the title and ownership of the subject property has been obtained while conducting this valuation exercise. Valuation may be significantly influenced by adverse legal, title or ownership, encumbrance issues.

4.7. This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our report.

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4.8. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.

4.9. During the course of our work, we have relied upon the certain opinion documents made available by the management and representatives of the Companies. Though we have reviewed it, we have not independently verified the same. As these opinions/assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate.

4.10. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.

4.11. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.

4.12. Further, this report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.

4.13. We have considered relevant valuation approaches based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.

4.14. Our scope is limited to the purposes stated hereinabove. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Arrangement with the provisions of any law including the Companies Act 2013, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from the Proposed Arrangement.

4.15. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.

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

4.17. Further this Report does not in any manner address the prices at which the equity shares of the Companies will trade following the announcement of the Scheme and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting to be held in connection with the Proposed Arrangement.

4.18. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any party in relation to the issue of this report.

4.19. BDO India owes responsibility to only the Boards of Directors of Network18 and Hathway with reference to terms of engagement letter and nobody else. 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 Network18 and Hathway. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the companies involved, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this report shall not exceed the fees paid to such Valuer in respect of the fees charged by it for these services.

4.20. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by Network18 and Hathway (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.

4.21. A draft of this report was shared with the Companies, prior to finalization of report, (excluding the recommended fair equity share swap ratio) as part of our standard practice to make sure that factual inaccuracy/omission are avoided in the report.

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5. Sources of Information

5.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management representatives of the Company:

- Detailed business profile and information of current business operations of Hathway and Network18 & its subsidiaries and associates;
- Audited financial statements of Hathway and Network18 & its subsidiaries and associates for the financial years (**'FY'**) ended March 31, 2018 and March 31, 2019;
- Limited review financial statements of Hathway and Network18 for nine months period ended December 31, 2019 which are submitted to stock exchange(s);
- Latest shareholding pattern as at December 31, 2019 of Hathway and Network18.
- Relevant data, representation and information provided to us by the representatives of Hathway and Network18 either in written or oral form or in form of soft copy;
- Information provided by leading database sources (proprietary databases subscribed by us or our network firm), market research reports and other published data (including the Stock Exchanges);
- Draft Scheme of Amalgamation & Arrangement; and
- Management Representation Letter addressed to BDO India.

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6. Procedures Adopted

6.1. In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial information;
- Obtained data available in public domain;
- Undertook industry analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation;
- Detailed analysis of Comparable Companies for each business;
- Discussion (physical/over call) with the management to understand the business and fundamental factors that could affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance;
- Selection of valuation methodology/(ies) as per internationally accepted valuation methodologies;
- Determined the fair equity share swap ratio based on the selected methodology.

For the purpose of arriving at the valuation of the Companies/businesses we have considered the valuation base as 'Fair Value' and the premise of value is 'Going Concern Value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this report.

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7. Valuation Approaches

7.1. It is pertinent to note that the valuation of any company or its assets is inherently imprecise 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 numerous 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, and prospects, financial and otherwise, of the companies/businesses, and other factors which generally influence the valuation of the companies, its businesses and assets.

7.2. 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, analysis of businesses, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

7.3. It may be noted that BDO Valuation Advisory LLP is enrolled with IOV Registered Valuers Foundation, which has recommended to follow IVS for undertaking valuation. We have given due cognizance to the same in carrying out the valuation exercise.

7.4. We have considered the International Valuation Standards issued by International Valuation Standards Council (**'IVS'**).

7.5. The Report Date is valuation date (**'Valuation Date'**). For valuation exercise, market parameters have been considered up to and including February 14, 2020.

7.6. There are three generally accepted approaches to valuation:

(a) "Cost" Approach

(b) "Income" Approach

(c) "Market" Approach

Within these three basic approaches, several methods may be used to estimate the value. An overview of these approaches is as follows:

Cost Approach

Summation Method

The summation method, also referred to as the underlying asset method, is typically used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings.

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HATHWAY CABLE AND DATACOM LIMITED

This valuation approach is mainly used in case where the assets base dominates earnings capability. A scheme of amalgamation would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. The operating assets have therefore been considered at book values. In a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation, with the values arrived at on the net asset basis being of limited relevance. Therefore, we have not considered Cost approach for valuation since the cost approach does not reflect the intrinsic value of the business in a "going concern scenario".

Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow Method

Under the Discounted Cash Flow (**'DCF'**) method, the value of the undertaking is based on expected 'cash flows for future, discounted at a rate, which reflects the expected returns and the risks associated with the cash flows as against its accounting profits. The value of the undertaking is determined as the present value of its future free cash flows.

Free cash flows are discounted for the explicit forecast period and the perpetuity value thereafter. Free cash flows represent the cash available for distribution to both, the owners and creditors of the business.

Discount rate is the Weighted Average Cost of Capital (**'WACC'**), based on an optimal vis-à-vis actual capital structure. It is appropriate rate of discount to calculate the present value of future cash flows as it considers equity-debt risk and also debt-equity ratio of the firm.

The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "constant growth model" is applied, which implies an expected constant level of growth (for perpetuity) in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations.

The Business/Enterprise Value so derived, is further reduced by value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of business. The surplus assets / non-operating assets are also adjusted.

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In case of free cash flows to equity, the cash available for distribution to owners of the business is discounted at the Cost of Equity and the value so arrived is the Equity Value before surplus/ non-operating assets. The surplus assets / non-operating assets are further added to arrive at the Equity Value.

DCF Method under the Income Approach has not been considered as these Companies are listed on Stock Exchanges and information related to the future profit and loss account, balance sheet and cash flows is price sensitive and not made available to us.

Market Approach

Under the Market approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market approach generally reflects the investors' perception about the true worth of the company.

i. 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.

Equity shares of the Companies are traded on BSE & NSE. In the present case, the share price of the Companies on the NSE has been considered, as the trading volumes are higher at NSE as compared to BSE. The Pricing Formula provided in Regulations 164 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') has been considered for arriving at the value per equity share of the Companies under the market price Method. This method has been adopted even though shares of both the Companies are infrequently traded since we could not adopt the other methods of valuation for reasons set out in the notes under the tables at 10.1.

The market price is considered as higher of following:

(a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding February 15, 2020; or

(b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding February 15, 2020.

ii. Comparable Companies Multiple Method

Under the Comparable Companies Multiple (**'CCM'**) method, the value is determined on the basis of multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

To the value of the business so arrived, adjustments need to be made for the value of contingent assets/liabilities, surplus Asset and dues payable to preference shareholders, if any, in order to arrive at the value for equity shareholders.

iii. <u>Comparable Transactions Multiple Method</u>

Under the Comparable Transactions Multiple (**'CTM'**) method, the value of a company can be estimated by analyzing the prices paid by purchasers of similar companies under similar circumstances. This is a valuation method where one will be comparing recent market transactions in order to gauge current valuation of target company. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

We have not used CCM or CTM methods for this valuation as:

(1) (a) there are few listed comparable companies in India, valuation multiple of which could have been considered for CCM method. However, either there have been notable impact on the market prices of these companies due to non-business reasons or they are dominated by regional content, unlike the Companies; and (b) we did not find comparable transactions in India, in recent past, for which adequate information was available in public domain.

(2) we did not consider it appropriate to use international comparable companies/transaction multiples due to lack of identical comparable companies/transactions having variance on account size, geography, nature of business, nature of transactions, corporate structure, industry/company specific issues etc.

(3) trailing 12 months revenues of some of the companies were not at normative level due to industry specific issues.

(4) EBITDA of some of the companies is negative/not normative due to company/industry specific issues.

HATHWAY CABLE AND DATACOM LIMITED MUMBAI

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8. Basis of Fair Equity Share Swap Ratio

8.1. The basis of the fair equity share swap ratio for the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove and to arrive at a final value for the shares of each company. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute values of the Companies, but at their relative values to facilitate the determination of the fair equity share swap ratio.

8.2. We have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the fair equity share swap ratio for the Proposed Amalgamation, rounding off have been done in the values.

9. Major factors that were considered during the valuation

9.1. The equity shares of the Companies are listed;

9.2. Share price of the Companies; and

9.3. Key operating/ financial parameters of the Companies.

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10. Conclusion

10.1. We have used the Market Price Method as discussed above and arrived at the recommended fair equity share swap ratio for the proposed amalgamation of Hathway into Network18 as follows:

Valuation Approach	Valuation Method	Hathway Value Per Share (INR)	Hathway Weights	Network18 Value Per Share (INR)	Network18 Weights
Income Approach	DCF Method[1]	NA	NA	NA	NA
Market Approach	MP Method	21.9	100%	28.1	100%
Market Approach	CCM Method[2]	NA	NA	NA	NA
Cost Approach	NAV Method[3]	NA	NA	NA	NA
Value Per Share		**21.9**		**28.1**	
Swap Ratio (Rounded Off)		100		78	

NA= Not Adopted/Not Applicable

1. *Discounted Cash Flow Method under the Income Approach has not been considered as the Companies are listed on the Stock Exchanges and information related to future profit and loss account, balance sheet and cash flows is price sensitive and not made available to us.*

2. *We have not used CCM or CTM methods for this valuation as:*

   (1) (a) there are few listed comparable companies in India, valuation multiple of which could have been considered for CCM method. However, either there have been notable impact on the market prices of these companies due to non-business reasons or they are dominated by regional content, unlike the Companies; and (b) we did not find comparable transactions in India, in recent past, for which adequate information was available in public domain; and

   (2) we did not consider it appropriate to use international comparable companies/transaction multiples due to lack of identical comparable companies/ transactions having variance on account size, geography, nature of business, nature of transactions, corporate structure, industry / company specific issues etc.

   (3) trailing 12 months revenues of both the companies were not at normative level due to industry specific issues; and

   (4) EBITDA of some of the companies is negative/not normative due to company/industry specific issues.

3. *NAV Method under 'Cost Approach' has not been considered since the net asset value does not reflect the intrinsic value of the business in a "going concern scenario"*

10.2. Therefore, the following is the recommended Fair Equity Share Swap Ratio:

- 78 equity shares of Network18 (of INR 5/- each fully paid up) for every 100 equity shares held in Hathway (of INR 2/- each fully paid up) for the proposed amalgamation.

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HATHWAY CABLE AND DATACOM LIMITED MUMBAI

Fair Equity Share Exchange Ratio Report

in relation to the

Proposed Scheme of Amalgamation & Arrangement

February 2020

MSKA
& Associates
Chartered Accountants

MSKA & Associates
Chartered Accountants
Floor 3, Enterprise Centre, Nehru Road
Near Domestic Airport, Vile Parle (E)
Mumbai - 400099

MSKA
& Associates
Chartered Accountants

To

February 17, 2020

The Board of Directors
Network18 Media & Investments Limited
First Floor, Empire Complex
414, Senapati Bapat Marg, Lower Parel
Mumbai - 400013, Maharashtra

The Board of Directors
Hathway Cable and Datacom Limited
Rahejas, 4th Floor
Corner of Main Avenue & V. P. Road
Santacruz (W), Mumbai - 400054

Dear Sir(s)/ Madam(s),

Sub: Fair Equity Share Exchange Ratio in relation to the Proposed Scheme of Amalgamation & Arrangement

We, MSKA & Associates, Chartered Accountants (**'MSKA' or 'We' or 'Us'**), have been appointed vide letter dated January 08, 2020 to recommend the fair equity share exchange ratio for the proposed amalgamation of Hathway Cable and Datacom Limited (**'Hathway'** or **'Amalgamating Company'**) into Network18 Media & Investments Limited (**'Network18' or 'the Company'**).

We are pleased to present herewith our report on the same.

Thanking you,

For MSKA & Associates
Chartered Accountants
Firm Reg. No. 105047W

MSKA & ASSOCIATES

Sunil Kumar Saini
Partner
Membership No: 503604
UDIN: 20503604AAAAAR2738

HATHWAY CABLE AND DATACOM LIMITED MUMBAI

MSKA

& Associates

Chartered Accountants

Table of Contents

MSKA & ASSOCIATES

HATHWAY CABLE AND DATACOM LIMITED

MSKA
& Associates
Chartered Accountants

1. Brief Background of the Scheme of Amalgamation & Arrangement

1.1. Network18, DEN Networks Limited (**'DEN'**), Hathway, TV18 Broadcast Limited (**'TV18 Broadcast'**), Media18 Distribution Services Limited (**'Cable Co'**), Web18 Digital Services Limited (**'ISP Co'**), Digital18 Media Limited (**'Digital Co'**) and their respective shareholders and creditors are entering into a scheme of arrangement (the **'Scheme'**) that interalia provides for the amalgamation of DEN, Hathway and TV18 Broadcast into Network18 (**'Proposed Amalgamation'**).

1.2. The 'Appointed Date' for the Proposed Amalgamation has been determined as February 1, 2020.

1.3. The Scheme will comply with the provisions of sections 230 to 232 of the Companies Act, 2013 and other relevant provisions of the Companies Act, 2013, along with the applicable provisions of Securities and Exchange Board of India (**'SEBI'**), if any.

1.4. Further, post the Proposed Amalgamation and with effect from the Appointed Date, Network18 shall transfer:

- Its cable business undertaking including all cable investments to the Cable Co;
- Its ISP business undertaking including all ISP investments to the ISP Co; and
- Its digital business undertaking including investments to the Digital Co

1.5. We have been appointed to determine and recommend the fair equity share exchange ratio for the proposed amalgamation of Hathway into Network18 (together referred to as **'the Companies'**).

MSKA & ASSOCIATES

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HATHWAY CABLE AND DATACOM LIMITED

2. Brief Background of the Companies

Network18

2.1. Network18, incorporated on February 16, 1996, is listed on National Stock Exchange of India (**'NSE'**) and BSE Limited (**'BSE'**). BSE and NSE are together referred to hereinafter as the **'Stock Exchanges'**. Network18 has presence in several media and entertainment businesses directly and through its subsidiaries like general news channels in Hindi, English and other regional languages, business news channels in Hindi, English and Gujarati, general entertainment channels in Hindi, English and other regional languages, factual entertainment channels, business of printing and publishing magazines, digital business, content creation and production business and digital commerce business.

2.2. The issued, subscribed and paid-up equity share capital of Network18 as at December 31, 2019 stood at INR 523.5 Cr, comprising of 1,04,69,48,519 equity shares of face value INR 5.0 each, and the summarized shareholding pattern as on December 31, 2019 is as follows:

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Hathway

2.3. Hathway, incorporated on August 07, 1959, is listed on the Stock Exchanges. Hathway is engaged in the business of (i) wired broadband services; (ii) cable television services; and (iii) distribution of over the top services.

2.4. The issued, subscribed and paid-up equity share capital of Hathway as at December 31, 2019 stood at INR 354.0 Cr, comprising of 1,77,01,04,500 equity shares of face value INR 2.0 each, and the summarized shareholding pattern as on December 31, 2019 is as follows:

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II. Public	10,45,42,270	5.9%
Total	**1,77,01,04,500**	**100.0%**

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3. Exclusions and Limitations

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

3.2. This report, its contents, and the analysis herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement, (ii) the report date and (iii) are based on the unaudited financial statements of the Companies as at December 31, 2019. The management of the Companies have represented that the business activities of the Companies have been carried out in the normal and ordinary course between December 31, 2019 and the Report date and that no material changes have occurred in their respective operations and financial position between December 31, 2019 and the Report date.

3.3. This report and the information contained herein are intended for providing select information and only in connection with the purpose mentioned above or for sharing with shareholders, Regional Directors, Registrar of Companies, National Company Law Tribunal, Merchant Bankers (for the purpose of fairness opinion), SEBI, Stock Exchanges and office of other regulatory or statutory authorities. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued without our written consent. In the event, the companies or their management or their representatives intend to extend the use of this report beyond the purpose mentioned earlier in the report, with or without our consent, we will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report.

3.4. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information that was provided and used by us during the course of our work. The assignment did not involve us to conduct the financial or technical feasibility study. We have not done any independent technical valuation or appraisal or due diligence or legal title search of the assets or liabilities of the Companies or any of its subsidiaries or associated companies and have considered them at the value as disclosed by the Companies in their regulatory filings or in submissions, oral or written, made to us.

3.5. In rendering this report, we have not provided legal, regulatory, tax, accounting or actuarial advice and accordingly we do not assume any responsibility or liability in respect thereof.

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3.6. Any matters related to legal title and ownership are outside the purview and scope of this valuation exercise. Further, no legal advice regarding the title and ownership of the subject property has been obtained while conducting this valuation exercise. Valuation may be significantly influenced by adverse legal, title or ownership, encumbrance issues.

3.7. This report is based on the information received from the sources mentioned herein and discussions with the representatives of the Companies. We have assumed that no information has been withheld that could have influenced the purpose of our report.

3.8. We have assumed and relied upon the truth, accuracy and completeness of the information, data and financial terms provided to us or used by us, we have assumed that the same are not misleading and do not assume or accept any liability or responsibility for any independent verification of such information or any independent technical valuation or appraisal of any of the assets, operations or liabilities of the companies. Nothing has come to our knowledge to indicate that the material provided to us was mis-stated or incorrect or would not afford reasonable grounds upon which to base our report.

3.9. During the course of our work, we have relied upon the certain opinion documents made available by the management and representatives of the Companies. Though we have reviewed it, we have not independently verified the same. As these opinions/assumptions require the exercise of judgment and are subject to uncertainties, there can be no assurance that these assumptions are accurate.

3.10. For the present valuation exercise, we have also relied upon information available in the public domain; however, the accuracy and timeliness of the same has not been independently verified by us.

3.11. In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of our report or by virtue of fact that the details provided to us are incorrect or inaccurate.

3.12. Further, this report is necessarily based on financial, economic, monetary, market and other conditions as in effect on, and the information made available to us or used by us up to, the date hereof. Subsequent developments in the aforementioned conditions may affect this report and the assumptions made in preparing this report and we shall not be obliged to update, revise or reaffirm this report if the information provided to us changes.

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3.13. We have considered relevant valuation approaches based on our analysis. Any transaction price may however be significantly different and would depend on the negotiating ability and motivations of the respective buyers and sellers in the transaction.

3.14. Our scope is limited to the purposes stated hereinabove. The Report should not be construed as, our opinion or certifying the compliance of the Proposed Arrangement with the provisions of any law including the Companies Act 2013, taxation related laws, capital market related laws, any accounting, taxation or legal implications or issues arising from the Proposed Arrangement.

3.15. Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is therefore no indisputable single value. While we have provided an assessment of the value based on an analysis of information available to us and within the scope of our engagement, others may place a different value on this business.

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

3.17. Further this Report does not in any manner address the prices at which the equity shares of the Companies will trade following the announcement of the Scheme and we express no opinion or recommendation as to how the shareholders of the Companies should vote at any shareholders' meeting to be held in connection with the Proposed Arrangement.

3.18. Whilst all reasonable care has been taken to ensure that the factual statements in the report are accurate, neither us, nor any of our partners, officers or employees shall in any way be liable or responsible either directly or indirectly for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of the completeness, authenticity or accuracy of such factual statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We are not liable to any party in relation to the issue of this report.

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3.19. MSKA owes responsibility to only the Boards of Directors of Network18 and Hathway with reference to terms of engagement letter and nobody else. 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 Network18 and Hathway. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the companies involved, their directors, employees or agents. In no circumstances shall the liability of a Valuer, its partners, its directors or employees, relating to the services provided in connection with the engagement set out in this report shall not exceed the fees paid to such Valuer in respect of the fees charged by it for these services.

3.20. The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by Network18 and Hathway (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.

3.21. A draft of this report was shared with the Companies, prior to finalization of report, (excluding the recommended fair equity share exchange ratio) as part of our standard practice to make sure that factual inaccuracy/omission are avoided in the report.

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4. Sources of Information

4.1. For the purpose of undertaking this valuation exercise, we have relied on the following sources of information provided by the management representatives of Hathway and Network18:

- Detailed business profile and information of current business operations of Hathway and Network18 & its subsidiaries and associates;
- Audited financial statements of Hathway and Network18 & its subsidiaries and associates for the financial years ('FY') ended March 31, 2018 and March 31, 2019;
- Limited review financial statements of Hathway and Network18 for nine months period ended December 31, 2019 which are submitted to stock exchange(s);
- Latest shareholding pattern as at December 31, 2019 of Hathway and Network18.
- Relevant data, representation and information provided to us by the representatives of Hathway and Network18 either in written or oral form or in form of soft copy;
- Information provided by leading database sources (proprietary databases subscribed by us or our network firm), market research reports and other published data (including the Stock Exchanges);
- Draft Scheme of Amalgamation & Arrangement; and
- Management Representation Letter addressed to MSKA.

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5. Procedures Adopted

5.1. In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- Requested and received financial information;
- Obtained data available in public domain;
- Undertook industry analysis such as researching publicly available market data including economic factors and industry trends that may impact the valuation;
- Detailed analysis of Comparable Companies for each business;
- Discussion (physical/over call) with the management to understand the business and fundamental factors that could affect its earning-generating capability including strengths, weaknesses, opportunity and threats analysis and historical financial performance;
- Selection of valuation methodology/(ies) based on analysis of available information and data considering ICAI Valuation Standards (2018);
- Determined the fair equity share exchange ratio based on the selected methodology.

For the purpose of arriving at the valuation of the Companies/businesses we have considered the valuation base as 'Fair Value' and the premise of value is 'Going Concern Value'. Any change in the valuation base, or the premise could have significant impact on our valuation exercise, and therefore, this report.

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6. Valuation Approaches

6.1. It is pertinent to note that the valuation of any company or its assets is inherently imprecise 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 numerous 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, and prospects, financial and otherwise, of the companies/businesses, and other factors which generally influence the valuation of the companies, its businesses and assets.

6.2. 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, analysis of businesses, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

6.3. The Report Date is valuation date ('**Valuation Date**'). For valuation exercise, market parameters have been considered up to and including February 14, 2020.

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6.4. There are three internationally accepted approach/approaches as per Valuation Standards 2018 issued by ICAI to valuation:

(a) "Market" Approach

(b) "Cost" Approach

(c) "Income" Approach

Market Approach

Under the Market Approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies. The Market Approach generally reflects the investors' perception about the true worth of the company.

Market Price ('MP') 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.

Equity shares of the Companies are traded on BSE & NSE. In the present case, the share price of the Companies on the NSE has been considered, as the trading volumes are higher at NSE as compared to BSE. The formula provided in Regulation 164 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('**ICDR**') has been used for arriving at the value per equity share of the Companies under the market price Method. This method has been adopted even though shares of two Companies are infrequently traded since we could not adopt the other methods of valuation for reasons set out in the notes under the tables at 8.1.

The market price is considered as higher of following:

(a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding February 15, 2020; and

(b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding February 15, 2020.

Comparable Companies Multiples ('CCM') Method

This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. The value is determined on the basis of multiples derived from valuations of comparable companies, as manifest in the stock market valuations of listed companies. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

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Comparable Transactions Multiples ('CTM') Method

The valuation is undertaken on the basis of multiples derived from valuations of similar transactions in the industry in the near history. Relevant multiples have to be chosen carefully and adjusted for differences between the circumstances. This valuation approach is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

We have not used CCM or CTM methods for this valuation as:

(1) (a) there are few listed comparable companies in India, valuation multiple of which could have been considered for CCM method. However, either there have been notable impact on the market prices of these companies due to non-business reasons or they are dominated by regional content, unlike the Companies; and (b) we did not find comparable transactions in India, in recent past, for which adequate information was available in public domain.

(2) we did not consider it appropriate to use international comparable companies/transaction multiples due to lack of identical comparable companies/ transactions having variance on account size, geography, nature of business, nature of transactions, corporate structure, industry / company specific issues etc.

(3) trailing 12 months revenues of some of the Companies were not at normative level due to industry specific issues.

(4) EBITDA of some of the Companies is negative/not normative due to company/industry specific issues.

Cost Approach

The Cost Approach is a valuation approach that reflects the amount that would be required currently to replace the service capacity of an asset.

Net Asset Value ('NAV') Method

The NAV method under cost approach, consider the assets and liabilities, including intangible assets and contingent liabilities. The net assets, after reducing the dues to the preference shareholders, if any, represent the value of the company or firm.

This valuation approach is mainly used in case where the assets base dominates earnings capability. A scheme of amalgamation would normally be proceeded with, on the assumption that the companies amalgamate as going concerns and an actual realization of the operating assets is not contemplated. In a going concern scenario, the relative earning power, as reflected under the Income and Market approaches, is of greater importance to the basis of amalgamation, with the values arrived at on the net asset basis being of limited relevance.

Therefore, NAV Method under 'Cost Approach' has not been considered since the net asset value does not reflect the intrinsic value of the business in a "going concern scenario".

Income Approach

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow (DCF) Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows.

Discounted Cash Flow ('DCF') Method

Under the DCF method, the business is valued by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The Free Cash Flows to Firm ('**FCFF**') represent the cash available for distribution to the owners as well as lenders of the business and the Free Cash Flows to Equity ('**FCFE**') represent the cash available for distribution to the owners of the business. The free cash flows to firm are discounted by the Weighted Average Cost of Capital ('**WACC**') and the free cash flows to equity are discounted by the Cost of Equity ('**Ke**'). The WACC or Ke, based on an optimal vis-à-vis actual capital structure, is an appropriate rate of discount to calculate the present value of the future cash flows as it considers risk of the firm.

The perpetuity (terminal) value is calculated based on the business's potential for further growth beyond the explicit forecast period. The "Constant Growth Model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.

The discounting factor (rate of discounting the future cash flows) reflects not only the time value of money, but also the risk associated with the business's future operations. The Business/Enterprise Value (aggregate of the present value of explicit period and terminal period cash flows) so derived, is further reduced by the value of debt, if any, (net of cash and cash equivalents) to arrive at value to the owners of the business.

DCF Method under the Income Approach has not been considered as these Companies are listed on Stock Exchanges and information related to the future profit and loss account, balance sheet and cash flows is price sensitive and not made available to us.

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7. Basis of Fair Equity Share Exchange Ratio

7.1. The basis of the fair equity share exchange ratio for the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove and to arrive at a final value for the shares of each company. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute values of the Companies, but at their relative values to facilitate the determination of the fair equity share exchange ratio.

7.2. We have independently applied methods discussed above, as considered appropriate, and arrived at their assessment of value per share of the Companies. To arrive at the consensus on the fair equity share exchange ratio for the Proposed Amalgamation, rounding off have been done in the values.

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8. Conclusion

8.1. We have used Market Price Method as discussed above, for determination of fair equity share exchange ratio for the proposed amalgamation of Hathway into Network18 as follows:

Valuation Approach	Valuation Method	Hathway		Network18	
		Value Per Share (INR)	Weights	Value Per Share (INR)	Weights
Income Approach	DCF Method[1]	NA	NA	NA	NA
Market Approach	MP Method	21.9	100%	28.1	100%
Market Approach	CCM Method[2]	NA	NA	NA	NA
Cost Approach	NAV Method[3]	NA	NA	NA	NA
Value Per Share		**21.9**		**28.1**	
Exchange Ratio (no. of shares) (Rounded Off)		100		78	

NA= Not Adopted/Not Applicable

1. *Discounted Cash Flow Method under the Income Approach has not been considered as all the Companies are listed on the Stock Exchanges and information related to future profit and loss account, balance sheet and cash flows is price sensitive and not made available to us.*

2. *We have not used CCM or CTM methods for this valuation as:*
   (1) (a) there are few listed comparable companies in India, valuation multiple of which could have been considered for CCM method. However, either there have been notable impact on the market prices of these companies due to non-business reasons or they are dominated by regional content, unlike the Companies; and (b) we did not find comparable transactions in India, in recent past, for which adequate information was available in public domain; and
   (2) we did not consider it appropriate to use international comparable companies/transaction multiples due to lack of identical comparable companies/ transactions having variance on account size, geography, nature of business, nature of transactions, corporate structure, industry / company specific issues etc.
   (3) trailing 12 months revenues of some of the Companies were not at normative level due to industry specific issues; and
   (4) EBITDA of some of the Companies is negative/not normative due to company/industry specific issues.

3. *NAV Method under 'Cost Approach' has not been considered since the net asset value does not reflect the intrinsic value of the business in a "going concern scenario"*

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8.2. Therefore, following is the fair equity share exchange ratio:

- 78 equity shares of Network18 (of INR 5/- each fully paid up) for every 100 equity shares held in Hathway (of INR 2/- each fully paid up) for the proposed amalgamation.

Respectfully submitted,

For MSKA & Associates
Chartered Accountants
Firm Reg. No. 105047W

Sunil Kumar Saini
Partner
Membership No: 503604
UDIN: 20503604AAAAAR2738
Date: February 17, 2020