

30 August 2016  
SCSL/16-17/029

To,  
The Board of Directors  
Delta Corp Limited  
10, Kumar Place, 2408,  
General Thimayya Road,  
Pune 411 001, Maharashtra.

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Dear Members of the Board,

**Sub: Fairness opinion on the value and share swap ratio for the proposed amalgamation of Gauss Networks Private Limited into and with Delta Corp Limited as recommended by independent valuer.**

**Ref.: Our Offer Letter dated August 26, 2016.**

The Board of Directors of Delta Corp Limited (hereinafter referred to as "DCL" or the "Company") has appointed M/s Sharp & Tannan (the "Independent Valuer") in relation to valuation of Gauss Networks Private Limited (hereinafter referred to as "GNPL") and determination of share swap ratio for the purpose of GNPL's amalgamation (the "Transaction") into and with DCL ("Purpose") with effect from the Appointed Date of April 1, 2016.

The Company has requested us to provide "fairness opinion" on the proposed share swap ratio as recommended by the Independent Valuer. This Fairness Opinion report is our deliverable against the same.

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

#### SOURCES OF INFORMATION

The sources of information, which have been furnished to us by the Company, are as follows:



- Report dated August 30, 2016 issued by the Independent Valuer containing the valuation of GNPL and share swap ratio for proposed Transaction.
- A brief profile on GNPL's business and its operations.
- Provisional financials of GNPL for year ended March 31, 2016 and estimated financials for year ending March 31, 2017.
- Draft Scheme of Arrangement and Amalgamation.
- Current shareholding pattern of GNPL.
- Audited Financials of DCL for FY2015 and FY2016.

In addition to the above, we have also obtained other necessary explanations and information, which we believed were relevant to the present exercise, from the Management.

It may be mentioned that the Management of the Company have been provided the opportunity to review the draft report (without fairness opinion) for current engagement and confirm the same with GNPL management wherever required as a part of our standard practice to make sure that factual inaccuracies are avoided in the report.

#### **SCOPE LIMITATIONS, ASSUMPTIONS, EXCLUSIONS, LIMITATIONS AND DISCLAIMERS**

This Fairness Opinion Report, its contents and the results herein are (i) specific to the purpose mentioned in this Report; (ii) specific to the date of the Report and (iii) are based on the balance sheet of GNPL (consolidated) as at March 31, 2016. The Management has represented that the business activities of GNPL have been carried out in the normal and ordinary course between 31<sup>st</sup> March 2016 and date hereof and that no material adverse change has occurred in their respective operations and financial position between March 31, 2016 and date hereof.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of information (both written & verbal) made available to us by the Companies and (ii) the accuracy of the information that was publicly available, and formed substantial basis for this Report. We have not carried out a due diligence or audit of the Companies, nor have we independently investigated or otherwise verified the data provided by the Companies. 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. We do not express any opinion or offer any form of assurance that the explanations, financial information



or other information as prepared and provided by the Companies is accurate and complete. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that, in case of any doubt, they have checked the relevance or materiality of any specific information with respect to the present exercise with us. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

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 mis-statements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Management and their impact on the Report. However, nothing has come to our attention to indicate that the information provided was materially mis-stated/incorrect. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

During the course of work, we have relied upon the financial projections of GNPL (Consolidated) provided to us by the Management. The assumptions underlying the projections have not been reviewed or independently verified by us and accordingly there can be no assurance that these assumptions are accurate. We must emphasize that realizations of the free cash flow forecast used in the analysis will be dependent on the continuing validity of the assumptions on which they are based. The assumptions used in their preparation, as we have been explained, are based on the management's present expectation of both the most likely set of future business events and circumstances and the management's course of action related to them. Our analysis, therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since, the projections relate to the future, actual results may be different from the projected results because events and circumstances do not occur as expected, and differences may be material.

Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. There can therefore be no standard formulae to establish an undisputable



value, although certain formulae are helpful in assessing reasonableness. There is, therefore, no indisputable single share swap ratio.

While we have provided our fairness opinion on the share swap ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the share swap ratio. You acknowledge and agree that you have the final responsibility for the determination of the share swap ratio at which the proposed Amalgamation shall take place and factors other than this Report will need to be taken into account in determining the share swap ratio; these will include your own assessment of the proposed Amalgamation and may include the input of other professional advisors.

This report and its contents is prepared for the Company and to be used only for the specific engagement and regulatory reporting purposes and must not be copied, disclosed or circulated or referred to or quoted in any correspondence, registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or discussion with any person. The Report is confidential and it is given on the express undertaking that will not be communicated, in whole or in part, to any third party without our prior written consent. Neither this Report nor its contents may be used for any other purpose other than in connection with this proposed Transaction without our prior written consent.

Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and the opinions given are fair and reasonable, neither ourselves, nor any of our directors, partners, officers or employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We owe responsibility only to the Board of Directors of the Company and nobody else. We are not liable to any third party in relation to the issue of this report. In no event we shall be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the Companies, their management, directors, employees or agents.

A valuation of this nature is necessarily based on 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 the date hereof, 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. However,



we reserve the right to amend or replace the report at any time in the event of any material change in the facts presented to us.

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 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 balance sheet of the Companies. Our conclusion of value assumes that the assets & liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the date hereof.

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

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. In addition, this Report does not in any manner address the price at which equity shares will trade following approval of the Transaction and we express no opinion or recommendation as to how the shareholders or creditors of Companies should vote at their respective meeting(s) to be held in connection with the proposed Transaction.

The fee for this engagement is not contingent upon the results of this report.

## BACKGROUND OF THE COMPANY

### Gauss Networks Private Limited ("GNPL")

GNPL is a private limited company incorporated on August 29, 2013 and is headquartered in Gurgaon, India. Gaussian Networks Private Limited ("GNNPL") is a subsidiary of GNPL.

GNPL is primarily engaged in the business of owning and operating Adda52.com and Adda52Rummy.com, online poker and rummy websites respectively. Both the portals



offer daily cash-free “free roll” tables, real cash tables and cash tournaments. Both the gaming sites can be accessed both via desktop and the mobile web (WAP).

GNPL has developed and owns the products and its in-house technology and GNNPL is engaged in operating the portals. GNNPL currently employs a team of 49 engineers.

The issued, subscribed & paid up share capital of GNPL as on March 31, 2016 is INR 510,010 comprising of 40,248 equity shares of INR 10/- each and 10,753 compulsorily convertible preference shares of INR 10/- each (“CCPS”). The equity share capital of GNPL on a fully diluted basis is 51,001 equity shares of INR 10/- each.

The Management has represented that GNPL and GNNPL do not have any outstanding warrants /options, as at the date hereof. Subsequent to March 31, 2016 there is no change in the issued, subscribed and paid-up capital of GNPL.

#### **Delta Corp Limited (“DCL”)**

DCL is a gaming and entertainment company, with a dominant presence in Goa’s offshore casino market. DCL is the largest and only listed gaming company in India. The equity shares of DCL are listed on BSE Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”).

#### **INDEPENDENT VALUER’S RECOMMENDATION**

It has been proposed by the Independent Valuer that the fair value of GNPL is INR 2,238.71 million on a going concern and fully diluted basis.

Further, the Independent Valuer has been informed by the Management and based on the draft Scheme of Amalgamation provided to the Valuer, DCL would be acquiring the existing 10,753 compulsorily convertible preference shares and 2,501 equity shares from the existing shareholders of GNPL, as part of the agreed Transaction, in cash before the effective date of the Scheme of Amalgamation. The agreed consideration for the said acquisition is INR 472.98 million.



The Independent Valuer has been informed by the Management of DCL, that the consideration for the Amalgamation of GNPL would be discharged as under:

- o 1 (One) fully paid up 1% Redeemable Preference Shares of Rs. 21,667 (Twenty-One Thousand Six Hundred and Sixty-Seven) each of DCL shall be issued and allotted for every one fully paid up equity share of Rs.10 held in GNPL.
- o 1 (One) fully paid up Optionally Convertible Preference Shares of Rs. 21,667 (Twenty-One Thousand Six Hundred and Sixty-Seven) each of DCL shall be issued and allotted for every one fully paid up equity share of Rs.10 held in GNPL.
- o 6,000 (Six Thousand) fully paid up Optionally Convertible Preference Shares of Rs. 21,667 (Twenty-One Thousand Six Hundred and Sixty-Seven) each of DCL shall be issued and allotted to the Founders of GNPL.
- o The above Optionally Convertible Preference Shares will be converted into equity shares after 12 months from the effective date, at the price as may be determined based on Regulation 76(1)(a) or (b) of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended.

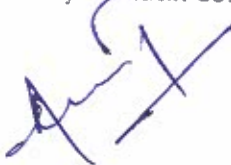
#### OUR COMMENT ON THE INDEPENDENT VALUER'S REPORT

The fairness opinion has been prepared based on the Independent Valuer's report and our exercise of the various qualitative factors relevant to DCL and GNPL, having regard to information base, Management representations, key underlying assumptions and limitations.

On consideration of all the relevant factors and circumstances, we believe that the Independent Valuer's proposed valuation and share swap ratio is fair.

Thanking you.

For Systematix Corporate Services Ltd.

  
Authorised Signatory

