

**Maheshwari & Co.**  
Chartered Accountants

August 16, 2016

To,

The Board of Directors  
Zee Learn Limited  
Continental Building,  
135, Annie Besant Road,  
Worli, Mumbai – 400 018

The Board of Directors  
Tree House Education & Accessories Limited  
702-C, Morya House,  
Off New Link Road,  
Andheri (West), Mumbai – 400 053.

**Re: Recommendation of Fair Share Exchange Ratio for the purpose of proposed amalgamation of Tree House Education & Accessories Limited with Zee Learn Limited.**

Dear Sir / Madam,

We refer to the engagement letter dated 08/08/2016 with M/s Maheshwari and Co., Chartered Accountants, We have pleasure to attach our report on the Share Exchange Ratio for the Amalgamation of Tree House Education & Accessories Limited (THEAL) with Zee Learn Limited (ZLL) which will take effect from closing hours of March 31, 2017.

Thanking You,

Yours Truly,

For Maheshwari and Co.,

Chartered Accountants

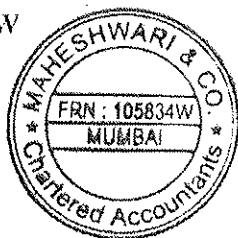
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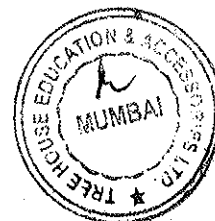
(K. K. Maloo)

Partner

M. No. 075872



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Enclosed – as above

## 1. INTRODUCTION

1.1 We have been requested by the Management of Zee Learn Limited and Tree House Education & Accessories Limited (hereinafter collectively referred to as the "Management"), to determine a fair share exchange ratio for the proposed amalgamation of Tree House Education & Accessories Limited with Zee Learn Limited which will take effect from closing hours of March 31, 2017.

### 1.2 About the Companies

#### ZEE LEARN LIMITED (CIN L80301MH2010PLC198405)

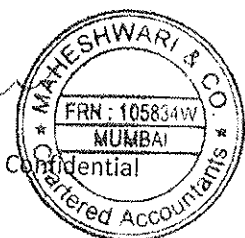
- Zee Learn Limited, incorporated in the State of Maharashtra on January 4, 2010, is one of the diversified premium education companies which delivers learning solutions and training through its multiple products viz. Kidzee, Mount Litera Zee Schools, Mount Litera World Preschool, Zee Institute of Media Arts (ZIMA), Zee Institute of Creative Arts (ZICA)..
- ZLL is one of India's leading company in education segment with chain of K-12 schools and preschools in its portfolio. ZLL also acts as a consultant to local entrepreneurs who wish to set up K-12 schools, under its brand name Mount Litera Zee School and it also helps in providing Educational management and Advisory services.
- ZLL runs Asia's No.1 chain of pre-schools under its brand name Kidzee with more than 1,500+ operational pre-schools in over 550 cities across India. Further, ZLL's Mount Litera Zee Schools is one of the leading chain of K-12 schools in the private-unaided category with over 89 schools in more than 75 cities.. ZLL also engaged into providing world-class vocational educational programs in Creative and Media Arts.
- The shares of ZLL are listed on The National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE') and the Global Depository Receipts were listed on the Luxembourg Stock Exchange.

#### TREE HOUSE EDUCATION & ACCESSORIES LIMITED (CIN - L80101MH2006PLC163028)

- Tree House Education and Accessories Limited, incorporated in the State of Maharashtra on July 10, 2006, is India-based self-operated pre-school chain. The company is engaged in providing pre-primary education and education support services. THEAL is also engaged in leasing of education infrastructure.

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- The company offers a range of courses pertaining to a disparate age-group of children belonging to various levels, such as nursery, junior kindergarten (KG), senior KG and day care, among others. The Company also organizes summer camps, teacher's training course (TTC) and activity/hobby classes. The Company has presence in around 88 cities in India.
- The shares of THEAL are listed on NSE, BSE and Metropolitan Stock Exchange of India Limited.

1.3 To determine the fair share exchange ratio, we have called upon ZLL and THEAL to furnish the necessary information as required by us and had discussions with the concerned officers of ZLL and THEAL and the following data and were obtained, for the purpose of working out the fair share exchange ratio.

- Audited Financial Statements of the Companies for FY 2015-16
- Annual Reports of the Companies for FY 2014-15.
- Financial Projections of THEAL comprising of Balance Sheet and Profit & Loss Account for FY 2016-17 and FY 2017-18.
- Consolidated Financial Projections of ZLL comprising of Balance Sheet and Profit & Loss Account for FY 2016-17 and FY 2017-18.
- Draft Scheme of Amalgamation u/s 391 to 394 and other applicable provisions of the Companies Act, 1956 and the relevant provisions of the Companies Act 2013.
- Interviews and discussions with the Management of the Companies to augment our knowledge of the operations of the Companies including taxation related and litigation matters.
- Other relevant details regarding the Companies such as their history, their promoters, past and present activities, other relevant information and data including information in the public domain.
- Such other information and explanations as we required and which have been provided by the management of the Companies.

1.4 Please refer our disclaimers with respect to the reliance placed on the above mentioned documents, information and explanations received from the companies.

#### DISCLAIMERS

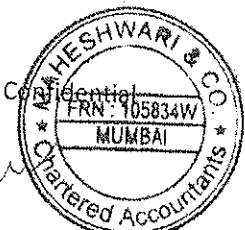
- Valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Therefore there is no indisputable single value. While we have provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of

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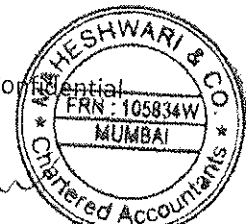


- our engagement, others may place a different value to the same. It is a known and acceptable fact that two valuers can determine significantly different values to the same subject.
- b. Our report is subject to the disclaimers and limitations detailed in the report. As such the report is to be read in totality and in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is prepared. The same is based on the historical performances of the companies, but such historical performances are not offered as assurances that the same or similar level of income or profit will be achieved in the future. Actual results achieved in the future may vary from the historical performance and the variation may be material. Consequently, we do not offer any assurances that the particular level of income or profit for the future years will be achieved.
  - c. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
  - d. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the companies and any other matter, which may have an impact on our opinion, on the relative value of the companies including any significant changes that have taken place or are likely to take place in the financial position of the companies. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
  - e. While conducting the valuation of the companies, we have relied on the audited financial statements of the company with respect to the historical data. Our valuation analysis is dependent upon all the information given to us being complete and accurate in all material aspects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the provided to us. It may be noted that valuation of a company is not an audit under the generally accepted auditing standards, nor a review or examination of any of the historical or prospective information used and therefore, we have not expressed any opinion on any financial data or other information referred to in this report.
  - f. No investigation of the Companies' claim to use of assets has been made for the purpose of this valuation and the Companies' claim to such rights has 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.

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Our report is not nor should it be construed as our opining or certifying the compliance with the provisions of any law including company and taxation laws or as regards any legal, accounting or taxation implications or issues.

- g. We have been informed by the companies that from the time the audited financial statements for the year ended on March 31, 2016 have been drawn, no significant changes have taken place in the financial position of the companies or in any other matter which may have an impact on our analysis of the share exchange ratio.
- h. Our report and the information contained herein is absolutely confidential. It is intended only for the sole use and information of the Board of Directors and the Management of both the companies in connection with the limited purpose of recommending the fair share exchange ratio for the proposed amalgamation of the two companies and should not be used for any purpose other than the purpose mentioned therein. Our report should not be copied or reproduced without obtaining our prior written approval.
- i. Any person/ party intending to provide finance / invest in the shares / business of any of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

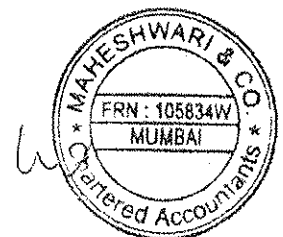
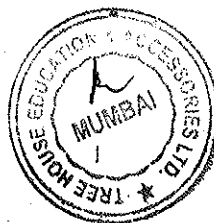
## 2 METHODS OF VALUATION

In the case of amalgamation, the share exchange ratio is determined by the value of shares of one company in terms of the value of shares of the other company. Hence one needs to first determine the value of each of these companies for which one needs to understand the characteristic of each of the companies and make a best reasonable judgment on the method of valuation so as to determine the value of each of the companies. Each method proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance to a given situation. Thus, the methods to be adopted for a particular valuation exercise must be judiciously chosen.

The methods commonly adopted for valuation are as under:

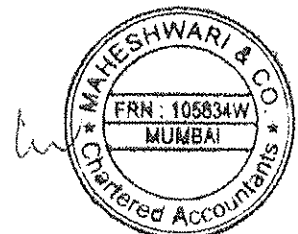
- a. Net Assets Value Method (NAV)
- b. Market Price of the shares in case of listed company.
- c. Income method-Comparable Companies Multiple Method (CCM)
- d. Fair Value Method (FVM)

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- 2.2 The **Net Assets value method** represents the Net Worth of the business with reference attached liabilities on the valuation date. Generally, a historical asset is considered in arriving at a value. However, where the nature of assets is such that assets can be liquidated without affecting other operations of the company, market value of the assets can be considered for the valuation under this method. It can be presumed that the company will continue as a going concern and no intention or need currently exists to liquidate the company and realize its assets.
- 2.3 The **Market Price** of a company, if it is listed on a stock exchange, is considered as a method of valuation. It reflects the price which a buyer is willing to pay for the shares, at a point in time. It is therefore influenced by various factors including but not limited to the stock market, the financial scenario, the global scenario, risks and opportunities of the business etc. In some cases, market prices can be taken for a period based on multiple factors and are averaged out or are assigned weights, depending on the past trends of market prices, trading volumes, and other relevant factors. In case of companies not frequently traded, the market price may be very different from the intrinsic value of the share. It is important to note that market price itself cannot be considered as the fair value per share and its relevance on the fair value per share may be different based on factors as mentioned above.
- 2.4 The **Comparable Companies Multiple Method** is a method to determine the value of a company by examining and comparing certain key ratios and the valuation multiples of public listed companies, in the peer group, with that of the company. Peers may be grouped based on any number of such as industry focus, company size, growth etc. Generally, the multiples are derived by the ratio of Enterprise value (EV) to Earnings Before Interest, Tax and Depreciation and Amortization (EBITDA) or Enterprise value (EV) to Earnings Before Interest and Tax (EBIT) or Enterprise value (EV) to Net Operating Profit After Tax (NOPAD) of the peer group companies.
- 2.5 The **Fair Value Method** is a method adopted when valuations from different methods have a wide range, in which case an average value is considered based on various factors, on the basis of which weights are attached to each and every value arrived at from different methods.

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### 3 BASIS OF VALUATION AND DETERMINATION OF THE SHARE EXCHANGE RATIO

#### 3.2 NAV Method

We observed that operational business of THEAL for last quarter ending June 30, 2016 has considerably dropped. In this valuation exercise, as both the companies are engaged in service sector i.e. imparting educational services in the country and taking into consideration the fact that Income Asset ratio of THEAL has dropped, the NAV method doesn't fully capture the value of business. Hence this method has limited relevance for the valuation exercise of these companies. Therefore, we have ignored the NAV method for valuing the companies.

#### 3.3 Market Price Method

Since both the companies are listed and being regularly and freely traded, Market Price of the shares of both the companies is considered to be an appropriate method in this case. Equity shares of THEAL and ZLL are listed on BSE and NSE and there are regular transactions in their equity shares with reasonable volumes. Thus at arriving the equity value as per this method, the share price of THEAL and ZLL over a reasonable time span is considered for determining the value of THEAL and ZLL under the "Market Price" Approach.

#### 3.4 Income Method (Comparable Companies Multiple Method)

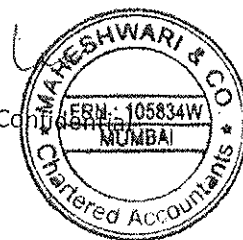
- Under this approach, we have considered the Comparable Companies Multiple (CCM) Method of valuation. It arrives at the value of the company by using multiples derived from valuations of comparable companies in the same industry, as manifest through stock market valuations of listed companies. Valuation herein is based on the hypothesis that market valuations, taking place between educated buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be selected carefully and adjusted for differences between the circumstances. The Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiples of comparable listed companies are used.
- To the value so arrived, necessary adjustments are made for value of investments, capital expenditure to be incurred, contingent liabilities, loan funds, cash and cash equivalents, value of surplus assets, inflow on account of ESOP's etc after making adjustment of tax, if any.
- The value thus arrived above is divided by the outstanding/dilutive number of equity shares to determine the value per share.

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#### 4 CONCLUSION AND SHARE EXCHANGE RATIO

- The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. As different values are arrived at under different methods, in order to arrive to recommend a ratio of exchange it is necessary to bring up a single value for the shares of each company. Valuation exercise is carried out herein to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. Therefore, it is necessary to give appropriate weightage to the values arrived at under each method.
- Considering the fact that, after the amalgamation, the business of the Companies is intended to be continued on a "going concern" basis, to arrive at relative value of the Companies, we have considered it appropriate to give equal weightages to the value determined under the "Income" approach and "Market" approach.
- The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the methodology explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the Companies, considering the information available to us, management representations and perceptions, key underlying assumptions and limitations.

Based on the above discussion, we recommend that the fair share exchange ratio for the proposed amalgamation of Tree House Education & Accessories Limited with Zee Learn Limited should be *10 (Ten) equity shares of ZLL of INR 1 each fully paid up for every 10 (Ten) equity shares of THEAL of INR 10 each fully paid up.*

For Maheshwari and Co.,

Chartered Accountants

FRN No. 105834W



(K. K. Maloo)

Partner

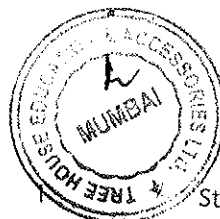
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Place: Mumbai

Date: August 16, 2016

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