

N. M. RAJI & CO.
Chartered Accountants
Universal Insurance Building,
Pheroza Shah Mehta Road,
Mumbai-400 001. INDIA
Telephone: 2287 0068
2287 3463
Telefax : 91 (22) 2282 8646
E-mail : nmr.ho@nmraji.com

STRICTLY PRIVATE & CONFIDENTIAL

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 (W), 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(s),

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 carry out a fair valuation of equity shares of Zee Learn Limited (hereinafter referred to as "ZLL") and Tree House Education & Accessories Limited (hereinafter referred to as "THEAL") and to recommend a fair share exchange ratio for the proposed amalgamation of THEAL with ZLL (hereinafter collectively referred to as the "Companies").

1. PURPOSE OF VALUATION

- 1.1 As informed to us, the managements of the Companies are considering a proposal for the amalgamation of THEAL with ZLL (hereinafter referred to as "Amalgamation"), pursuant to the provisions of Sections 391 to 394 and other applicable provisions of the Companies Act, 1956, and the relevant provisions of the Companies Act, 2013, including rules and regulations made thereunder (hereinafter referred to as "Scheme"). Upon obtaining necessary approvals, THEAL would be amalgamated with ZLL, with effect from the Appointed Date, i.e. March 31, 2017 (close of business hours). As part of the scheme, equity shares of ZLL would be issued to the equity shareholders of THEAL.

CERTIFIED TRUE COPY



1.2 In this connection, we, M/s. N. M. Raji & Co., Chartered Accountants, have been appointed to carry out the relative valuation of equity shares of THEAL and ZLL and recommend the fair share exchange ratio.

2. BRIEF BACKGROUND OF THE COMPANIES

2.1 ZEE LEARN LIMITED

2.1.1 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) and Zee Institute of Creative Arts (ZICA).

2.1.2 ZLL is one of India's leading companies in the education segment, with a 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.

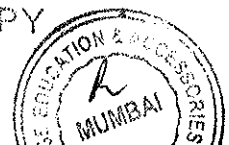
2.1.3 ZLL runs Asia's No. 1 chain of pre-schools under its brand name Kidzee, with more than 1500+ operational pre-schools across India. Further, ZLL's Mount Litera Zee School is one of the leading chain of K-12 schools in the private-unaided category, with over 89 schools in more than 75 cities. ZLL is also engaged in providing world-class vocational educational programs in creative and media arts.

2.1.4 The shares of ZLL are listed on The National Stock Exchange of India Limited ('NSE') and BSE Limited ('BSE') and its Global Depository Receipts are listed on the Luxembourg Stock Exchange.

2.2 TREE HOUSE EDUCATION & ACCESSORIES LIMITED

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

CERTIFIED TRUE COPY

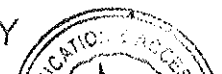


2.2.2 THEAL is a pan India operator with 475 Self Operated Pre-School and 81 Franchisee outlets and a total of 556 pre-school centres in 96 cities of India. They also manage 17 K-12 Schools. The company offers a range of courses pertaining to a disparate age-group of children belonging to various levels, 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.

2.2.3 The shares of THEAL are listed on the NSE, BSE and Metropolitan Stock Exchange of India Limited.

3. EXCLUSIONS AND LIMITATIONS

- 3.1 Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, not in parts, and in conjunction with the relevant documents referred to herein.
- 3.2 We have not carried out any investigation of the Companies' claims to the title of assets for the purpose of this valuation and their 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. As such we do not assume any responsibility for matters that are legal in nature.
- 3.3 Our work does not constitute an audit or certification of the historical financial statements / prospective results including the working results of the Companies referred to in this report. Accordingly, we are unable to and, therefore, do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report. It may not be valid for any other purpose, or as at any other date.
- 3.4 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 respective managements of the Companies have drawn our attention to all the matters, which they are aware of, having relevance to the financial position of the Companies and any other matter, which may have a bearing on our opinion on the fair value of the shares of the



Companies, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the Appointed Date for the proposed amalgamation. We have no responsibility to update this report for events and circumstances that may occur after the date of this report.

- 3.5 In the course of the valuation, we were provided with both written and verbal information. We have, however, evaluated the information provided to us by the Companies by making broad enquiries of the management representatives, carrying out analyses and reviews, not being in the nature of a due diligence or audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied in this report have been obtained from the sources considered to be reliable. However, we have not independently verified such information and make no representation as to the accuracy or completeness of such information obtained from or provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the respective Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 3.6 Our recommendation is based on the estimates of future financial performance, as projected by the respective managements of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, however that, such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may even be material. The fact that we have considered the projections in this exercise of valuation should not be construed as or mistaken for our being associated with, or being a party to such projections.
- 3.7 Our report does not purport to and therefore should not be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law, including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.

CERTIFIED TRUE COPY



- 3.8 This report has been prepared solely in connection with the proposed amalgamation, for the exclusive use of the Companies and for submission to any regulatory/statutory authority, as may be required under any law.
- 3.9 Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, should do so, only after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 3.10 It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.
- 3.11 Neither N. M. Raji & Co., nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation has been carried out. All such parties expressly disclaim any and all liability for, or based on, or relating to any such information contained in the valuation.

4. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management.

- (a) Audited Financials of the Companies for financial year (FY) 2015-2016;
- (b) Unaudited financials of the Companies for three months ended June 30, 2016;
- (c) Annual Reports of the Companies for the financial year 2014-15;
- (d) Financial Projections of THEAL, comprising of Balance Sheet and Statement of Profit & Loss for FY 2016-17 and FY 2017-18, as provided to us by the Management;
- (e) Consolidated Financial Projections of ZLL comprising of Balance Sheet and Statement of Profit & Loss for FY 2016-17 and FY 2017-18, as provided to us by the Management;
- (f) 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;

CERTIFIED TRUE COPY



- (g) 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; and
- (h) Such other information and explanations as we required and which have been provided by the management of the Companies.

5. VALUATION APPROACH

5.1 For the purpose of valuation for amalgamation, generally the following approaches are adopted:

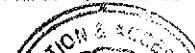
- (a) the "Underlying Asset" approach;
- (b) the "Income" approach; and
- (c) the "Market Price" approach.

5.2 On a quick review, we observed that the operational business of THEAL for the quarter ending 30th June, 2016, has significantly dropped and there is a huge drop in the asset income ratio of THEAL. Since both the Companies are engaged in the service sector i.e. providing educational service across the country, in view of the significant drop in asset-income ratio of THEAL, applying the "Underlying Asset" approach will not fully capture the value of the business. Hence the "underlying asset" approach has limited relevance for the current valuation exercise. Considering this, we have thought fit to ignore the "underlying asset" approach for the purposes of this valuation exercise.

6. INCOME APPROACH

6.1 Under the "Income Approach", we have considered the Comparable Companies Multiple (CCM) Method of valuation. The Comparable Companies Multiple Method arrives at the value of a company by using multiples derived from valuations of comparable companies, as evidenced by stock market valuations of listed companies. This method of valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. The relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Under this method, the Enterprise Value (EV) to Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) multiples of comparable listed companies are used.

CERTIFIED TRUE COPY



Since, both ZLL and THEAL operate in the same sector, i.e. of preschool education and are listed on the stock exchange, we have assumed the trailing multiple of the Companies for the purpose of arriving at the valuation.

- 6.2 To the value so arrived, adjustments are made for contingent liabilities, loan funds, cash and cash equivalents, value of investments, capital expenditure to be incurred, value of surplus assets and inflow on account of ESOPs, after making adjustment of tax, wherever applicable.
- 6.3 The value as arrived above is divided by the outstanding/dilutive number of equity shares to arrive at the fair value per share.

7. MARKET PRICE APPROACH

- 7.1 The market price of an equity share, as quoted on a stock exchange, is normally considered as the value of the equity shares of that company, where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.
- 7.2 As stated earlier, equity shares of THEAL and ZLL are listed on the BSE and NSE and there are regular transactions in their equity shares with reasonable volumes. In the circumstances, the share price of THEAL and ZLL, over an appropriate period, has been considered for determining the value of THEAL and ZLL under the "Market Price" Approach.

8. RECOMMENDATION OF FAIR EXCHANGE RATIO

- 8.1 The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange, it is necessary to arrive at a single 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 shares of each company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

CERTIFIED TRUE COPY

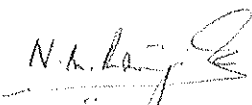


Considering the fact that, post the amalgamation, the business of the amalgamated Companies is intended to be continued on a "going concern" basis, in order to arrive at the relative value of the Companies, we have considered it appropriate to give equal weightages to the value determined under the "Income" approach and "Market" approach.

- 8.2 The share exchange ratio has been arrived at 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, having regard to the information base, management representations and perceptions, key underlying assumptions and limitations.
- 8.3 In the ultimate analysis, a valuation will have to involve the exercise of judicious discretion and judgment, taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments, etc., which are not / may not be evident from the face of the balance sheets, but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions.
- 8.4 In the light of the above and on a consideration of all the relevant factors and circumstances, as discussed and outlined hereinabove, fair ratio of exchange in the event of amalgamation of THEAL with ZLL would be:
- 10 (Ten) equity shares of ZLL of INR 1 each, fully paid up, for 10 (Ten) equity shares of THEAL of INR 10 each, fully paid up.**

Thanking you,

Yours faithfully,



N. M. Raji & Co.
Chartered Accountants
Firm Registration Number: 108296W

Place: Mumbai

CERTIFIED TRUE COPY

