



POLAMRAJU & ASSOCIATES

CHARTERED ACCOUNTANTS

REPORT

ON

FAIR VALUATION OF EQUITY SHARES OF FRONTIER INFORMATICS LIMITED

Prepared by:

Polamraju & Associates

Chartered Accountants

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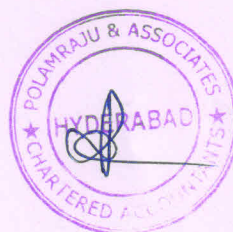
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28th November, 2014



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1. Introduction:

1.1. Terms of Reference:-

We have been appointed by management of Frontier Informatics Limited ("FRONTIER") to prepare a Valuation Report for valuation of Equity Shares of the Company for the proposed reduction of capital of the Company.

1.2. Scope:

Section 2 describes our scope in preparing this Report. Section 3 deals with Objective of the report. Section 4 deals with Company Profile. Section 5 deals with Rationale for Reduction. Section 6 & 7 deal with Valuation Methodology and Basis of Valuation and Assumptions and Section 8 gives the Valuation Process and Approach.

1.3. Appointment:

1.3.1. The Board of Directors of FRONTIER at their Meeting held on 14th November, 2014 passed necessary resolution to appoint Independent Chartered Accountants to determine valuation of shares for the proposed reduction of capital of FRONTIER.

1.3.2. In accordance with the same, the Company has appointed our firm M/s Polamraju & Associates, Chartered Accountants vide letter dated 15th November, 2014 to determine value of equity shares of the Company in the proposed reduction.

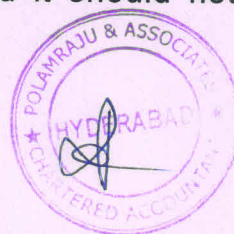
2. Scope:

2.1. Terms of Reference:

2.1.1. Our firm has been engaged by the management of FRONTIER to prepare and submit for consideration of the Board of Directors of FRONTIER the value of shares as at 15th day November, 2014 for the proposed reduction of capital of FRONTIER.

2.1.2 This report states, what in our opinion is a fair and equitable value per equity share for the proposed reduction of capital of the Company.

2.1.3 This report is subject to the scope limitations mentioned hereinafter. This report is to be read in totality and in conjunction with the relevant documents referred to in the report and it should not be read in parts.



2.2 Methodology:

2.2.1 We have relied solely on the information and data supplied by FRONTIER making no more than brief reviews, consisting of inquiries from personnel and certain review procedures. Consequently, the accuracy of the valuation will be based on the reasonableness and reliability of information and data supplied and our opinion will be subject to this factor.

2.2.2 We have prepared this Report on the basis of the documents and information received from the company.

2.3 Limitation of Liability:

2.3.1 We have prepared this report as per the appointment made by FRONTIER solely for the purpose of determining the valuation of equity shares for the proposed reduction. The report is to be used only by FRONTIER. It is not to be distributed to anyone other than FRONTIER or to be referred or quoted, in whole or in part without our prior written consent. We will not accept responsibility in relation to any party other than FRONTIER who has appointed us for the purpose of this exercise.

2.3.2 We do not accept any liability to any third party in relation to the issue of determination of value of equity shares for the proposed reduction.

2.3.3 As per our policy, neither the firm, partners or any employee undertakes responsibility arising in any way whatsoever, to any person other than FRONTIER in respect of the matters dealt with in this report including any errors or omissions therein, arising through negligence or otherwise, howsoever caused.

2.3.4 We do not make any recommendation as to whether FRONTIER should proceed with the proposed reduction of capital based on the value of equity shares for the proposed reduction.



2.4 Sources of Information:

We have relied upon the following sources of information:-

2.4.1. For our analysis, we have relied on published and secondary sources of data, some of which may not necessarily be accurate or current.

2.4.2. We have based our analysis on Audited Statements of Accounts and Annual Reports of

(a) Audited financials for the year ended 31st March 2014

(b) Memorandum and Articles of Association of the Company.

(c) Other Financial Information and also

(d) Unaudited Financial statements as of 30.09.2014 (subjected to Limited Review)

2.4.3 Other information and statement of facts submitted to us, orally or in writing by the company and discussions with the Directors and staff of the Company.

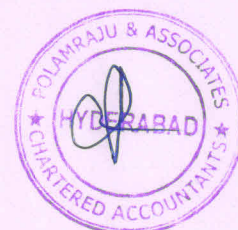
2.5 Disclaimer:

2.5.1 Nothing contained in this Report should be construed to be an express or implied representation as to the future. We have relied upon the information and data provided as above by the company without checking them for accuracy or reasonableness. No responsibility is assumed for the matters of legal nature.

2.5.2 The information presented in this report does not reflect the outcome of any due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and the valuation materially.

2.5.3 We have not considered any finding made by other external agencies in carrying out this work.

2.5.4 For our valuation, we have relied on published and Secondary Sources of data, some of which may not necessarily be accurate or current.



3. OBJECTIVE OF THE REPORT:

To arrive at the valuation of the equity shares of FRONTIER for the proposed reduction of capital, the said valuation is to be arrived at on the basis of the fair value of the shares of the Company. Accordingly, this Report has been prepared for the purpose of arriving at a fair value of the shares of the Company.

4. COMPANY PROFILE:

4.1 Frontier Informatics Limited (FRONTIER):

The Company was originally incorporated as FRONTIER INFORMATION TECHNOLOGIS PRIVATE LIMITED on 29.07.1986. The company was converted to public limited company vide fresh certificate issued by the Registrar of Companies dated 16.01.1995. Thereafter, in the year 2011, the name of the company was changed to FRONTIER INFORMATICS LIMITED; Registrar of companies, Andhra Pradesh, Hyderabad has issued fresh certificate of incorporation consequent to change of name on 14th October 2011.

4.2 The Shareholding pattern of Frontier Informatics Limited

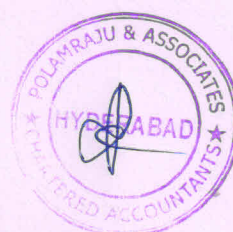
As on 30th September, 2014 is as follows

Sl.No.	PARTICULARS	% OF HOLDING
1.	Promoters and Promoters Group	4.68
2.	Public Intuitional Holders	0.14
3.	NRIs / OCBs	2.30
4.	Domestic Companies	7.82
5.	Other Public Shareholding	85.06
	TOTAL	100.00



4.3 We have perused the Audited Balance Sheet & Profit & Loss Account of the Company for the year ended 31st March 2014 and the data is reproduced as under:

Balance Sheet of Frontier Informatics Limited As At		
Particulars		31st March 2014
Shareholders' Funds:		
Equity Share Capital		133,104,000
Reserves & Surplus		(144,344,672)
Non - Current Liabilities:		
Long Term Provision		--
Current Liabilities:		
Short term borrowings		19,395,369
Trade Payables		765,067
Other Current Liabilities		1,733,796
Short Term Provisions		755,861
Total		11,409,423
Assets:		
Fixed Assets:		
Tangible Assets		1,248,180
Intangible Assets		1,342,853
Non Current Investments		--
Deferred Tax Assets (Net)		--
Long Term Loans & Advances		--
Current Assets:		
Current Investments		--
Inventories		--
Trade Receivables		3,268,790
Cash & Cash Equivalent		892,315
Short Term Loans & Advances		4,657,286
Other Current Assets		--
Total		11,409,423



Profit & Loss Account of Frontier Informatics Limited for the period ended

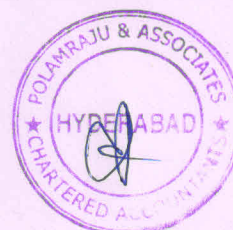
Particulars	31 st March 2014
REVENUE	
Sales/Income from Operation	430,353
Other Income	3,738
Accretion/Decretion in Stock	--
Total Revenue	434,091
Total Expenditure	1,977,004
Earnings Before Depreciation, Interest and Income Tax Expense(EBIDTA)	(1,542,913)
Interest & Finance charges	--
Depreciation and amortization	973,073
Expenses written-off	--
Profit Before exceptional & extraordinary items and Tax	(2,515,986)
Exceptional Items	--
Extraordinary items	--
Profit before tax	(2,515,986)
Provision for Tax	-
Deferred Tax	-
Profit After Tax	(2,515,986)

4.4 Further Adjustments :

On verification of the books and records, it is observed that the company has been carrying on an entry relating to Accounts Receivable in the name of a Sundry Debtor, namely M/s Mobiliti Inc, to the extent of Rs 29,51,417/- We were explained that the services were rendered to the said customer last during the financial year 2004.05.

Having considered the submissions made by the company, it is believed that the carrying cost of the said Sundry Debtor is over stated by 75% and it is therefore proposed that an amount of Rs 22,13,563/- shall be adjusted against the net worth of the company.

The conditions for the provision of above bad debt existed as on 31.03.2014 and are continued till date of our carrying out the valuation and therefore, in our considered view the adjustment is necessitated.



5. RATIONALE FOR REDUCTION:

The Company has been mainly operating in the spears of software Products Development and Training. The Company could not effectively market and commercially exploit various software products developed by it namely, KNETS, Hello AP.com, Libris, Web Enabled Master Health and other products. Consequently the comapny has been incurring losses continuously since 2001. The Company was not able to sustain its activities and consequently incurred heavy losses. This is resulting in lack of working capital, lack of business opportunities and therefore further losses. The accumulated losses of the Company which amounted to Rs.42,72,24,470/-- as on 31.03.2014 wiped off entire net worth of the Company, in fact resulting in negative net worth of Rs 1,10,40,672/-. The company is therefore unable to raise any finance either from the capital markets or financial institutions or from any Private Investors, whether in the form of equity or debt, to undertake business activities. The proposed Scheme will enable the company to clean its balance sheet and to avail further funds by way of equity to enable it to develop its business and thereby increase its net worth to enhance the stakeholder's value.

6. VALUATION METHODOLOGY:

There are several methods available for arriving at fair value of shares of a Company. Some of the recognized methods in vogue are as under:

- a) **Net Asset Value Method (NAV)**
- b) **Profit Earning Capacity Method (PECV)**
- c) **Market Price Method (MV)**

The methods available for valuation are discussed in brief as under;

a) **THE NET ASSET VALUE (NAV) METHOD:**

This method of valuation indicates the asset backing to the business. Though this method is inconsistent with the 'going concern' concept, it is definitely indicative of the minimum net worth of the business. For the purposes of arriving at NAV per share, the miscellaneous expenses carried forward, accumulated losses, total outside liabilities, revaluation reserves and capital reserves (except subsidy received in cash) shall be reduced from the value of the total assets and the net figure so arrived at shall be divided by the number of equity shares issued and paid-up.



Alternatively, intangible assets shall be reduced from the equity capital and reserves (excluding revaluation reserves) and the figure so arrived at shall be divided by the number of equity shares issued and paid-up.

b) THE PROFIT EARNING CAPACITY VALUE (PECV) METHOD:

This method of valuation presumes the continuity of business and uses the past and projected earnings to arrive at an estimate of future maintainable profits. For the purpose of the Profit Earning Capacity Value (PECV) of the shares, the commonly accepted approach is to capitalize average earnings, past and projected at an appropriate rate of capitalization, to arrive at a fair value per share. In the calculation of PECV, provision for taxation at the current statutory rate is normally considered because the crux of estimate in the PECV lies in assessment of the future maintainable profits of the business. It should not be overlooked that the valuation is for the future and that it is the future maintainable streams of earnings that is of greater significance in the process of valuation.

FAIR VALUE BASED ON AVERAGE OF NAV AND PECV PER SHARE:

The fair value of shares of a Company, as per the erstwhile Controller of Capital Issues (CCI) Guidelines could be determined on the basis of the average of the valuation arrived at by using the NAV and PECV methods discussed above.

c) MARKET PRICE METHOD:

Under this method, the fair value of the shares is arrived at on the basis of price quoted at recognized Stock Exchanges. This method is useful only for Companies whose shares are quoted on a Stock Exchange.

7. BASE VALUATION AND ASSUMPTION:

We have based our valuation exercise on the widely accepted valuation methods described above. For this purpose, we have reviewed the various documents, and have made certain assumptions and have relied upon the discussions we have had with, and the information, particulars and explanations that we received from the Company. We have based our valuation, primarily on the following factors: -

- 1] While calculating Net Asset Value (NAV), we have taken into consideration the financials of FRONTIER for the year ended 31st March 2014:
- 2] PECV of FRONTIER is not considered since the Company had suffered losses for last 3 years and the average EPS came out negative.



3] For calculating per share value, we have taken into consideration the Market Value based on Last 26 weeks, Relevant Date being 14th November, 2014. High, Low, Average Closing Prices of FRONTIER as per the BSE National Index as FRONTIER has considered proposal of reduction of capital at their Board Meeting held on 14th November, 2014.

7.1 Frontier Informatics Limited (FRONTIER):

- (i) The Net Assets Value of FRONTIER based on the financials for the year ended March 31, 2014 is negative of Rs (1.01).
- (ii) The Price Earning Capacity Value of FRONTIER is not considered - N.A.
- (iii) The Company is listed on Bombay Stock Exchange. The Average value of shares traded on Bombay Stock Exchange for Last 26 weeks (i.e. from 21st May, 2014 to 11th November, 2014) based on High, Low, Average Closing Prices of the Company is Rs 1.19. Further Average for latest two weeks comes to Rs 0.95.

Composite Valuation

Hence the value of the Shares under the two methods is as under:

Net Assets Value	(1.01)
Earning based Value	N.A.
Market Value	1.19

Weighted Average of the above two methods is Rs. 0.46/- per share of Rs. 10/- each.

The calculations have been explained in Appendix A below.

8. VALUATION PROCESS:

It is important to stress that the process of valuation cannot possibly be reduced to a uniform and inflexible exercise. Viscount Simon in Gold Coast Selection Trust Ltd.; Vs Humphery (1949) 17 ITR 19 observed the valuation is an art, not an exact science. Mathematical certainty cannot, therefore, be demanded nor indeed is it possible, in the ultimate analysis. Therefore, valuation will have to be tampered by the exercise of judicious discretion and judgment taking into account all relevant factors.

After all, the object of valuation process is to make a reasonable judgment of the fair value of the equity shares of the Company.



For determining the fair value of the Shares or for the purpose of determining the fair price to the Shareholders for the reduction of capital of the Company, we believe the method followed by us would provide for a fair value.

The average of the values as determined under both the methods has been considered as reasonable in view of the fact that the company's 'book value of the assets are more or less expected to depreciate or appreciate. The earnings based model has not been considered because of the continuous losses incurred by the company. Average of the two methods i.e. NAV value and Market Value has been deemed to be fair by us in this respect, hence the average of the prices determined under the above referred methods would in our opinion be fair values of the Company's shares.

8.1 FAIR VALUE AND CONCLUSION:

On a careful consideration of the peculiar facts and circumstances of the case and the reasons discussed hereinabove we are of the opinion that the Average of the above two methods is the most appropriate method to arrive at fair value of the shares of the Company.

8.2 FAIR VALUE OF EQUITY SHARES OF THE COMPANY

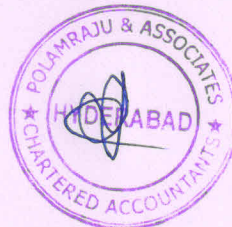
From the above calculations and analysis, the fair value of equity share of Rs 10/- each, for the proposed reduction of capital can be taken as Rs. 0.46/-.

We, Polamraju & Associates., Chartered Accountants, acknowledge the co-operation extended by FRONTIER by providing the appropriate information which enabled the preparation of this Report.

**For Polamraju & Associates
Chartered Accountants
Firm Regn No:012335s**



**Sriram Polamraju
Proprietor
M.No : 217769**



**28th November, 2014
Hyderabad**

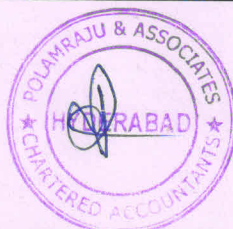
Appendix

FRONTIER INFORMATICS LIMITED

a) Net Asset Value of the Company

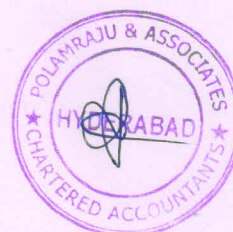
(1) Net Asset Valuation	
PARTICULARS	31st March, 2014
(A) Total Assets of Company	11,409,423
[inclusive of Fixed Assets, Investments, Net Current Assets, Misc. Expenditure, Profit and Loss account]	
(B) Deductions	
1] Secured Loan	--
2] Unsecured Loan & Other Liabilities	22,650,093
3] Deferred Tax Liability	--
4] Miscellaneous Expenditure [to the extent not w/off or	--
5] Other Adjustments	
Sundry Debtors written off as per para 4.4	2,213,563
Total Deductions	24,863,656
(C) Net Worth [A-B]	(13,454,233)
Total No. of Equity Shares	13,310,400
Net Assets Value per share (In Rs.)	(1.01)

Net Assets Valuation (Alternative Method)	
PARTICULARS	31st March, 2014
(A) Shareholders' Fund	
1] Equity Share Capital	133,104,000
2] Reserves & Surplus	(144,344,672)
3] Share Application Money (Warrants)	--
TOTAL	(11,240,672)
(B) Deductions	
Miscellaneous Expenditure [to the extent not w/off or	--
Other Adjustments	
Sundry Debtors written off as per para 4.4	2,213,563
Total Deductions	2,213,563
(C) Net Worth [A-B]	(13,454,235)
No. of Equity Shares	13,310,400
Net Assets value per share (In Rs.)	(1.01)

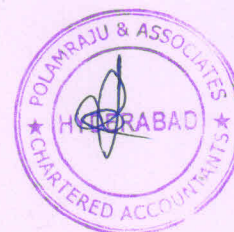


**Average Value of Shares Traded at
Bombay Stock Exchange (BSE) – Alternative-I**

Date	Close Price		Low	High	Avg
11-Nov-14	0.92				
10-Nov-14	0.93				
7-Nov-14	0.91				
		1	0.91	0.93	0.92
5-Nov-14	0.95				
31-Oct-14	1.00				
		2	0.95	1.00	0.98
30-Oct-14	1.04				
29-Oct-14	1.09				
28-Oct-14	1.14				
27-Oct-14	1.14				
23-Oct-14	1.20				
		3	1.04	1.20	1.12
22-Oct-14	1.15				
21-Oct-14	1.13				
20-Oct-14	1.08				
		4	1.08	1.15	1.12
13-Oct-14	1.08				
10-Oct-14	1.07				
		5	1.07	1.08	1.08
9-Oct-14	1.12				
		6	1.12	1.12	1.12
30-Sep-14	1.12				
29-Sep-14	1.17				
		7	1.12	1.17	1.15
22-Sep-14	1.15				
19-Sep-14	1.1				
		8	1.1	1.15	1.13
18-Sep-14	1.15				
17-Sep-14	1.21				
16-Sep-14	1.27				
15-Sep-14	1.33				
12-Sep-14	1.4				
		9	1.15	1.4	1.28
11-Sep-14	1.46				
8-Sep-14	1.53				
		10	1.46	1.53	1.50
4-Sep-14	1.61				
2-Sep-14	1.48				
1-Sep-14	1.35				
		11	1.35	1.61	1.48



27-Aug-14	1.35			
		12	1.35	1.35
21-Aug-14	1.35			
		13	1.35	1.35
12-Aug-14	1.5			
11-Aug-14	1.6			
8-Aug-14	1.5			
		14	1.5	1.55
6-Aug-14	1.4			
		15	1.4	1.4
31-Jul-14	1.34			
		16	1.34	1.34
23-Jul-14	1.28			
21-Jul-14	1.26			
		17	1.26	1.27
15-Jul-14	1.32			
11-Jul-14	1.38			
		18	1.32	1.35
9-Jul-14	1.32			
8-Jul-14	1.32			
7-Jul-14	1.38			
4-Jul-14	1.32			
		19	1.32	1.35
3-Jul-14	1.26			
2-Jul-14	1.32			
1-Jul-14	1.26			
30-Jun-14	1.21			
27-Jun-14	1.26			
		20	1.21	1.27
26-Jun-14	1.2			
25-Jun-14	1.15			
24-Jun-14	1.1			
23-Jun-14	1.05			
20-Jun-14	1			
		21	1	1.1
18-Jun-14	1.01			
17-Jun-14	0.97			
16-Jun-14	0.97			
13-Jun-14	0.93			
		22	0.93	0.97
12-Jun-14	0.97			
11-Jun-14	0.99			
10-Jun-14	0.95			
9-Jun-14	0.91			
6-Jun-14	0.87			
		23	0.87	0.93
5-Jun-14	0.85			
4-Jun-14	0.85			



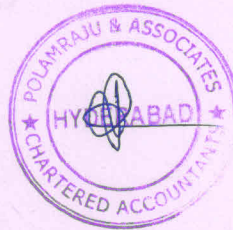
3-Jun-14	0.85			
2-Jun-14	0.89			
30-May-14	0.93			
		24	0.85	0.93 0.89
29-May-14	0.97			
28-May-14	1.02			
27-May-14	1.07			
		25	0.97	1.07 1.02
22-May-14	1.02			
21-May-14	0.98			
		26	0.98	1.02 1.00

26 Weeks Average 1.19
2 Weeks Average 0.95
Applicable Price 1.19

	(In Rs.)	Weight	Product
Net Asset Value	(1.01)	1.00	(1.01)
Earning Based Value	N.A.	N.A.	N.A.
Market Value	1.19	2.00	2.38
		3.00	1.37
Per Share Value (In			0.46
The Weighted Average of all the Methods			0.46

**For Polamraju & Associates
Chartered Accountants
Firm Regn No:012335s**





**Sriram Polamraju
Proprietor
M.No : 217769**

**28th November, 2014
Hyderabad**