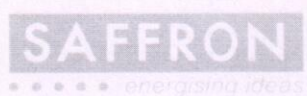


**Fairness Opinion Report on 'Valuation Report of Equity Capital' for Proposed
Scheme of Reduction of Capital of Frontier Informatics Limited**

Prepared by



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December 10, 2014

SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000011211

Notice to Reader

This report is done by Saffron Capital Advisors Private Limited ("Saffron") solely for the purpose of giving a fairness opinion on Valuation of Equity Capital for the proposed Scheme of "Reduction of Capital" of Frontier Informatics Limited. This report is not to be used, circulated, and quoted otherwise than for the purpose stated herein. This report is subject to the scope of limitations detailed hereinafter. As such the report is to be read in totality and not in parts. This report has been prepared solely for the purpose set out in this report and should not be reproduced (in part or otherwise) in any other document whatsoever without Saffron's written consent.

For the purpose of this assignment, Saffron has relied on the report on Valuation Report dated November 28, 2014 prepared by Polamraju & Associates, Chartered Accountants [represented by CA Sriram Polamraju (Firm Registration No. 012335s) having their office situated Gandhi Nagar, Hyderabad - 500 029] for the proposed Scheme of "Reduction of Capital" of Frontier Informatics Limited, information and explanation provided to it and Saffron has not tried to evaluate the accuracy thereof. Saffron's work does not constitute certification or due diligence of the past working results and Saffron has relied upon the information provided to it as set out in audited and working results of the aforesaid reports.

Saffron has not carried out any physical verification of the assets and liabilities of the companies and takes no responsibility on the identification of such assets and liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of Frontier Informatics Limited pursuant to Clause 24 of the Listing Agreement, to the Stock Exchanges and to the Registrar of Companies.

Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed capital reduction with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.



The information contained in this Report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The report has been prepared solely for the purpose of giving a fairness opinion on Valuation Report on Equity Capital for the proposed Scheme of Reduction of Capital of Frontier Informatics Limited and may not be applicable or referred to or quoted in any other context.

For **Saffron Capital Advisors Private Limited**



Authorised Signatory

Introduction and Scope of Assignment

1. Corporate Profile – Frontier Informatics Limited:

Frontier Informatics Limited ("Frontier"), a public limited company listed on BSE Limited, Mumbai. The main objects of the company are to carry design, develop, assemble, manufacture, use, install, purchase, sell, value add and resell, import, export, distribute, maintain and support computers, micro-processors, communication equipment and any other electronic, electrical, mechanical, electro-mechanical, optical, electro-magnetic equipment and any combination of these for information processing application.

Frontier 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. Subsequently, 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.

The founder Chairman and Managing Director of the Company, V.K.Premchand has over 40 years of IT experience in India and USA. He holds a Master's Degree in Computer Science from University of California, Berkeley, USA.

Frontier was involved in development of various software products during the years from 1995 to 2001.02. The company developed products by name MASTER HEALTH, LIBRIS, ATITHI, KNETS etc. The company had own facilities consisting of development centre with about 250 work stations and had about 200 employees on its rolls during the time when the products were in development phase.



The company could not market the products and failed to commercially exploit the products. Further due to working capital constraints the company started to make losses from years 2002.03 and has been totally out of operations for the past 5 years.

2. Capital Structure of Frontier Informatics Limited

The Authorised Share Capital of the Company, as on March 31, 2014 is Rs. 18,00,00,000 /- (Rupees Eighteen Crores Only) divided into 1,80,00,000 (One Crore Eighty Lakhs) Equity Shares of Rs.10/- (Rupees Ten Only) each and the Issued, Subscribed and Paid-up Capital of the Company is Rs. 13,31,04,000/- (Rupees Thirteen Crores Thirty One Lakhs Four Thousand Only) divided into 1,33,10,400 (One Crore Thirty Three Lakhs Ten Thousand and Four Hundred) fully paid up Equity Shares of Rs. 10/- (Rupees Ten Only) each.

3. The Board of Directors of Frontier Informatics Limited is proposing a scheme of arrangement for reconstruction / restructuring of Capital between Frontier Informatics Limited and its Shareholders. Valuation of Equity Capital has been decided based on the Valuation Report prepared by Polamraju & Associates, Chartered Accountants [represented by CA Sriram Polamraju (Firm Registration No. 012335s) having their office situated Gandhi Nagar, Hyderabad - 500 029].
4. We, Saffron Capital Advisors Private Limited, a SEBI registered Category-I Merchant Banker, has been engaged to give a fairness opinion on Report of Valuation of Equity Capital for the proposed Scheme of Reduction of Capital of Frontier Informatics Limited. The valuation mentioned herein reflects our independent opinion which is arrived at based on the information provided to us.



Exclusions and Limitations

- In this connection, Saffron has been requested to submit a report by giving a fairness opinion on Valuation report for valuation of Equity Capital for the proposed Scheme of Reduction of Capital of Frontier Informatics Limited.
- We have prepared the Fairness Opinion on the basis of the following information provided to us / collated by us from publicly available sources, like website of BSE:
 - a) Audit Report of Frontier Informatics Limited for the financial year ended on March 31, 2014.
 - b) Past financials, projected financials, working results and assumptions/explanations as set out in the valuation report of Polamraju & Associates, Chartered Accountants dated November 28, 2014, as provided to us by the Company.
- We have prepared our report based on the information provided to us by the Company.
- Our valuation exercise and conclusions reached by us are dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve us performing audit tests for the purpose of expressing an opinion on the fairness or accuracy of any financial or analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report.



- Our report will not be offered to any section of the public to subscribe for or purchase any securities in or assets or liabilities of any company or business valued by us.
- This report is prepared with a limited purpose/ scope as identified/ stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.



Key Extracts of Valuation Report of Polamraju & Associates, CA

M/s. Polamraju & Associates, Chartered Accountants has 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.

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: -

- While calculating Net Asset Value (NAV), we have taken into consideration the financials of FRONTIER for the year ended 31st March 2014.
- PECV of FRONTIER is not considered since the Company had suffered loss for last 3 years and the average EPS came out negative.
- For calculating per share value, we have taken into consideration the Market Value based on Last 26 weeks, Relevant Date being 13th November 2014. High, Low, Average Closing Prices of FRONTIER as per the BSE National Index as FRONTINR has considered proposal of reduction of capital at their Board Meeting held on 14th November, 2014.

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



Conclusion and Opinion on Valuation Report

Conclusion:

We have reviewed the methodology as mentioned above used by the Valuer for arriving at the fair valuation of the equity shares of the company and also reviewed the working and underlining assumptions adopted to arrive at the values under each of the above approaches.

We have been represented by the management of the company that the present reduction of capital has been proposed to write off the accumulated losses by reorganizing the capital of the company and from the security premium account, so as to give a true and fair view of the financial statement of the company. The shareholding pattern of Frontier, pre and post Reduction of capital shall remain the same.

Valuation of Equity Capital has been arrived at based on various methodologies explained herein earlier and various qualitative factors relevant to the company and the business dynamics and growth potentials of the business of the company, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

Based on the information, material data made available to us, including the Valuation Report and working thereto, to best of our knowledge and belief, the methodologies used and corresponding valuation of Equity Capital suggested by the Valuer (Polamraju & Associates, Chartered Accountants) under the proposed Scheme of Reduction of Capital is **Fair and Reasonable**.

