

CERTIFIED TRUE COPY

**B S R & Associates LLP**

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TATA CONSULTANCY SERVICES LIMITED

SUPRAKASH MUMKADYAY  
Vice President & Company Secretary

Date: 16 October 2014

The Board of Directors  
Tata Consultancy Services Limited  
TCS House, Raveline Street,  
Fort, Mumbai – 400 001  
India

The Board of Directors  
CMC Limited  
CMC Centre, Old Mumbai Highway,  
Gachibowli, Hyderabad – 500 032  
India

**Sub: Recommendation of equity share exchange ratio for the proposed merger of CMC Limited with Tata Consultancy Services Limited**

Dear Sirs,

We refer to the engagement letter dated 10 October 2014 with B S R & Associates LLP (hereinafter referred to as "BSR" or "us" or "we"), wherein Tata Consultancy Services Limited ("TCS") and CMC Limited ("CMC") (collectively referred to as the "Clients", "Companies", "You", or "Businesses") has requested us to recommend an exchange ratio of equity shares in connection with the proposed amalgamation / merger of CMC with TCS ("Transaction").

**SCOPE AND PURPOSE OF THE SWAP LETTER**

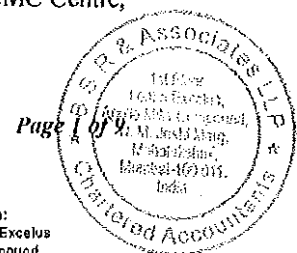
TCS is based in Mumbai and operates as a subsidiary of Tata Sons Limited. TCS provides information technology services, business solutions, and outsourcing services primarily in the Americas, Europe, and India. TCS is listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") and has its registered office at 9th Floor, Nirmal Building, Nariman Point, Mumbai 400 021. It reported consolidated net turnover of INR 228,981.8 million with a net profit (after adjustment for minority interest) of INR 55,676.8 million for the quarter ended 30 June 2014.

The shareholding pattern of TCS as at 30 June 2014 is as follows:

Category	% shareholding
Promoters and Promoter Group	73.90
Institutions – FII	16.54
Institutions – DII	5.09
Non Institutions	4.47
<b>Total</b>	<b>100.0</b>

Source: Bombay Stock Exchange

CMC Limited is a leading systems engineering and integration company in India, offering application design, development, testing services and asset-based solutions in niche segments through turnkey projects for mission critical systems. CMC is a subsidiary of TCS (51% equity holding by TCS). CMC is also listed on BSE and NSE and has its registered office CMC Centre,



B S R & Associates (a partnership firm with Registration No. BA69226) converted into B S R & Associates LLP (a Limited Liability Partnership with LLP Registration No. AAB-8182) with effect from October 14, 2013

Registered Office:  
1st Floor, Lodha Excelus  
Apollo Mills Compound  
N.M. Joshi Marg, Mahalaxmi  
Mumbai - 400 011

Old Mumbai Highway, Gachibowli, Hyderabad-500032. It reported consolidated net turnover of INR. 5,926.35 million with a net profit of INR 584.3 million for the quarter ended 30 June 2014.

The shareholding pattern of CMC as at 30 June 2014 is as follows:

Category	% shareholding
Promoters and Promoter Group	51.12
Institutions – FII	22.39
Institutions – DII	17.41
Non Institutions	9.08
Total	100.0

Source: Bombay Stock Exchange

We understand that management of TCS and CMC are considering a proposal to merge CMC with TCS by implementing a Scheme of Arrangement under the provisions of Sections 391-394 of the Companies Act, 1956 and other applicable provisions of the Companies Act 2013, ("Scheme of Amalgamation"). Under the Scheme of Amalgamation, as consideration for their equity shares in CMC, the shareholders of CMC will be issued equity shares of TCS.

TCS informed us that they have appointed DSP Merrill Lynch Limited ("DSPML") to provide fairness opinion on the recommended swap ratio for the purpose of the aforesaid merger. Similarly, CMC has appointed JP Morgan India Private Limited ("JPM") to provide fairness opinion on the recommended a swap ratio for the purpose of the aforesaid merger.

We have carried out a relative valuation of the equity shares of TCS and CMC with a view to arrive at the exchange ratio of the equity shares of TCS for the equity shares of CMC for the proposed merger.

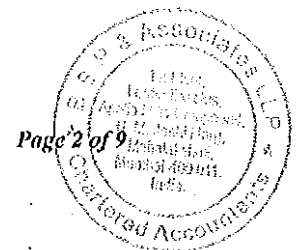
Swap Letter is our deliverable to the above engagement.

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

#### SOURCES OF INFORMATION

In connection with preparing this Swap Letter, we have received the consolidated management business plan ("Management Business Plan") for next 5 years of CMC. Apart from this, we have relied on the following information for our valuation analysis:

- Analyst reports consensus for TCS
- Consolidated Management Business Plan for 5 years (1 April 2014 through 31 March 2019) for CMC
- Audited consolidated financial statements of the Companies for the historical period from their publicly available annual reports
- Quarterly financial information as published by the Companies



- Projected financial results of TCS as estimated and published from time to time by investment advisors, share brokers and independent research analysts (the "Analysts")
- Interviews and discussions with the management of TCS and CMC ("the Management") to augment our knowledge of the operations of the Companies.
- Other relevant information made available to us by the Management at our request; and
- For our analysis, we have relied on published and secondary sources of data, whether or not made available by the Clients. We have not independently verified the accuracy or timeliness of the same.

We have also obtained explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Companies.

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

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The service does not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

This Swap Letter, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the date of this Swap Letter and (iii) are based on the balance sheet of the Companies as of 30 June 2014 for TCS and CMC. A valuation of this nature is necessarily based on (a) prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on and (b) the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this Swap Letter and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this Swap Letter.

The recommendation(s) rendered in this Swap Letter only represent our recommendation(s) based upon information furnished by the Companies and other sources and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation will however not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of the valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of the information that was publicly available and formed a substantial basis for this Swap Letter and (ii) the accuracy of information made available to us by the Companies. We have not carried out a due diligence or audit of the Companies for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided. We are not legal or regulatory advisors with respect to legal and regulatory matters for the Transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. 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 they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/on behalf of the Companies. The Management of the Companies have indicated to us that it has understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and its impact on the Swap Letter. Also, we assume no responsibility for technical information (if any) furnished by the Companies. However nothing has come to our attention to indicate that the information provided was materially mis-stated/ incorrect or would not afford reasonable grounds upon which to base the Swap Letter. 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.

This Swap Letter does not address the relative merits of the Transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the Companies' claim to title of assets has been made for the purpose of this Swap Letter 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. The book values of the assets and liabilities of the Companies have been considered as representative of their intrinsic value in the absence of any report of external valuers.

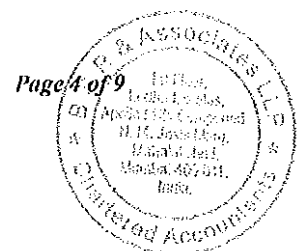
The fee for the Engagement is not contingent upon the results reported.

We owe responsibility to only the Board of Directors of TCS and CMC which have retained us, and nobody else. We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given to CMC or TCS.

We do not accept any liability to any third party including JPM and DSPML in relation to the issue of this Swap Letter.

This Swap Letter is subject to the laws of India. BSR would not be referred as "expert" in any regulatory filings.

This Swap Letter is prepared for TCS and CMC and is to be used only for the purposes as stated in the Swap Letter and shall not be copied, disclosed or circulated or referred to in correspondence or discussion with any party or person including potential investors. This Swap Letter is confidential to the Clients and it is given on the express understanding that it is not communicated, in whole or in part, to any third party without BSR's prior written consent. Neither the Swap Letter nor its content may be used for any purpose other than as specified herein, without prior written consent of BSR



Neither the swap letter nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed restructuring of the Companies including the proposed Scheme of Amalgamation, without our prior written consent.

***Disclosure to authorities in India***

To the extent required under the applicable laws in relation to the Transaction, the Swap Letter can be shared with shareholders of the Companies, Registrar of Companies, High Court of the State(s) where registered offices of Companies are present and other relevant judicial, regulatory or government authorities as may be mandatorily required by the applicable laws, in connection with the Transaction outlined here. You may disclose the Swap Letter to your lawyers, statutory auditors, and advisors as long as you inform them, in advance, that we accept no liability to them and that no onward disclosure may be made. To the extent required by law / regulatory authorities / stock exchanges, we will provide workings supporting our recommended share swap ratio. To extent required by any law or authority, BSR will co-operate with the Companies to address the queries/comments of regulatory, governmental or judicial authorities.

In addition, this Swap Letter does not in any manner address the prices at which either of the Companies' equity shares will trade following consummation of the Transaction and we express no opinion or recommendation as to how the shareholders of either Company should vote at any shareholders' meeting(s) to be held in connection with the Transaction.

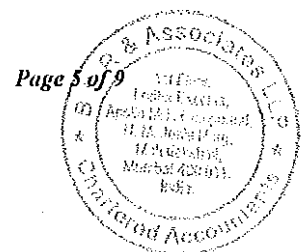
**APPROACH - BASIS OF AMALGAMATION**

Arriving at the exchange ratio of equity shares for the merger of CMC with TCS would require determining the value of the equity shares of CMC in terms of the value of the equity shares of TCS. These values are to be determined independently but on a relative basis, and without considering the current transaction.

There are several commonly used and accepted methods for determining the value of the equity shares of a company, which have been considered in the present case, to the extent relevant and applicable, including:

1. Market Approach:
  - a. Comparable Companies' Multiples method / Guideline Company method
  - b. Historical and Current Market Price method
2. Income Approach
  - a. Discounted Cash Flows method
3. Cost Approach
  - a. Net Asset Value method (NAV)

It should be understood that the valuation of any company or its assets is inherently imprecise and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond



the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

#### **Comparable Companies' Multiple (CCM) / Guideline Company method**

Under this method, value of the equity shares of a company is arrived at by using multiples derived from valuations of comparable companies or comparable transactions, as manifest through stock market valuations of listed companies and the transaction valuation. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

Though we have considered EV/Sales, EV/EBITDA and Price to Earnings ratios of comparable companies for both TCS and CMC respectively for our valuation analysis, we have not assigned any weight to this method as both TCS and CMC are considered market leaders in their respective business segments and their own ratios are outliers to that of their peer set's median and mean ratios. Further as both TCS and CMC are listed stocks, fairly traded with reasonable volumes, hence no weights have been assigned to this method.

We have not used the comparable transactions analysis as this Transaction is in the form of share to share fair exchange, therefore absolute multiples paid in comparable Transactions are not relevant.

Further, typically, due to different purposes of investments, transaction rationale and synergy benefits, different control premiums and minority discounts are embedded in the transaction values.

Due to lack of information on such parameters we have not considered it appropriate to use transaction multiples in our conclusion.

#### **Market Price Method**

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. But there could be situations where the value of the share as quoted on the stock market would not be regarded as a proper index of the fair value of the share especially where the market values are fluctuating in a volatile capital market. Further, in the case of a merger, where there is a question of evaluating the shares of one company against those of another, the volume of







"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

Again, it is understood that this analysis does not represent a fairness opinion.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we consider that the exchange ratio of equity shares for the merger of CMC with TCS should be 79 equity shares of TCS of INR 1/- each fully paid up for every 100 equity shares of CMC of INR 10/- each fully paid up.

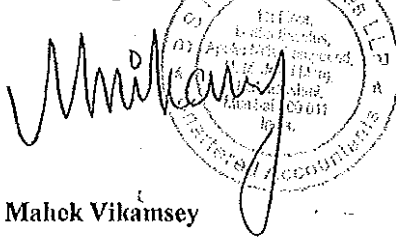
Our Swap Letter is based on the current equity share capital structure of the Companies. Any variation in the equity capital structures of the Companies prior to the Scheme of Arrangement becomes effective may have an impact on the swap ratio.

Respectfully submitted

For B S R & Associates LLP

Chartered Accountants

Firm's Registration No:- 116231AW



Mahok Vikamsey

Partner

Membership No: 108235