



ROLTA INDIA LIMITED

ANNOUNCEMENT DATED 27 APRIL 2015

Rolta India Limited (Company) makes reference to the undated report in relation to value of the Senior Notes issued by its subsidiaries in 2013 and 2014 (**Bonds**) that are listed on the Singapore Stock Exchange released by Glaucus Research Group California LLC, (**Glaucus**) on 16 April 2015 (**Glaucus Report**). The Company issued its detailed response to the Glaucus Report on 20 April 2015 rebutting each and every allegation made in the Glaucus Report (**Response 1**).

On 23 April 2015, Glaucus released another publication on its website titled '*Glaucus Research issues a Rebuttal to Rolta Response – Reiterates Strong Sell rating on Delaware-Issued 2018 and 2019 Corporate Bonds*' (**Glaucus Rebuttal**).

This statement has been issued by the Company in response to the Glaucus Rebuttal without prejudice to its rights under applicable law. The Company hereby expressly reserves all its rights and remedies in this regard.

EXECUTIVE SUMMARY OF RESPONSE TO THE GLAUCUS REBUTTAL

The Company reiterates its categorical denial of the contents of the Glaucus Report in entirety and consequently the contents of the Glaucus Rebuttal (which is essentially recycled portions of the Glaucus Report).

In the Glaucus Report, Glaucus stated “*we believe that Rolta has fabricated its reported capital expenditures*”¹. In reaction to the analysis and information provided by the Company in Response 1, Glaucus has since tempered its initial position, stating in its rebuttal that the facts it cites “*in our opinion, indicate that Rolta has fabricated its reported capital expenditures*”². Glaucus’s retreat to moderation, indicates that the comparisons presented in the Glaucus Report, (which in most cases) have essentially been rehashed in the Glaucus Rebuttal, lack substance.

Glaucus contends that Response 1 was muddled, erroneous, and evasive. However, Glaucus has failed to substantiate such allegations. The Company has responded to each allegation in the Glaucus Report. Glaucus claims that the Company has attempted to undermine the credibility of the Glaucus Report solely on the basis that Glaucus has a bias. This is entirely incorrect. The Company has demonstrated that the Glaucus Report lacks credibility by furnishing detailed responses substantiated by authentic information and pointing out that the comparisons made by Glaucus are incorrect and misleading.

¹ **Source:** Paragraph 3, Page 1 of the Glaucus Report.

² **Source:** Paragraph 1, Page 1 of the Glaucus Rebuttal.



Further, the Company **merely reproduced** the statements made by Glaucus in its **own report** (which have been repeated in the Glaucus Rebuttal) so as to draw attention of the readers to **the fine print**. For ease of reference, the Company has reproduced below the statements made by Glaucus in its report and rebuttal.

*“We are short sellers. **We are biased.**” “Just because we are biased does not mean that we are wrong.” “You are reading a short-biased opinion piece. **Obviously, we will make money if the price of Rolta’s Delaware-issued corporate bonds declines.** This report and all statements contained herein are the opinion of Glaucus Research Group California, LLC, and **are not statements of fact.**”*

“Use Glaucus Research Group California, LLC’s research at your own risk. You should do your own research and due diligence before making any investment decision with respect to the debt instruments covered herein. The opinions expressed in this report are not investment advice nor should they be construed as investment advice or any recommendation of any kind.”

“Glaucus Research Group California, LLC makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use.”

---End of Extract---

Glaucus has used strong adjectives attacking the Company’s character and approach in an attempt to shock and raise suspicion. However it has failed to substantiate any allegations or its use of strong adjectives.

For the benefit of the readers, we have prepared this Executive Summary. However, any statement made in this Executive Summary must not be read out of context and must be read in conjunction with Response 1 and the detailed response to the Glaucus Rebuttal. For ease of reference, the allegations made in the Glaucus Rebuttal have been identified in *italics* below.

1. *Capital Expenditure Significantly Exceeds Guidance:* The Company reiterates that its capital expenditure has been duly accounted for and disclosed. Glaucus has changed its stance on the % of variance from 178% to 167.7% (*which is also incorrect*) as it has **implicitly accepted** that it had **previously disregarded** that cost of acquisitions are not included in the capex guidance's. Further, the cost of acquisitions now included by Glaucus is also incorrect as Glaucus has **conveniently** only included cost of acquisition of subsidiaries **and not other acquisition costs** for assets and intangibles. There is a variance of 586% between figures reported in the Company's annual report (INR 16,498.4 million/ US\$ 275 million³) and figures used by Glaucus for its calculations (INR 2,403 million/ US\$ 40.05 million⁴). The variance on account of INR depreciation against the US\$ is 43.23% over a period of 6 years, which Glaucus has claimed is "negligible". Glaucus has undermined this factor in its analysis to present a distorted picture.

³ Based on 1 US\$ = INR 60

⁴ Based on 1 US\$ = INR 60

2. *Rolta's Return on Capital Investments is Abysmal:* The allegations are baseless. During FY 2008 to FY 2014, the Company has incurred significant capex in connection with its defence sector business. Companies with heavy capex in sectors such as defence have a **long gestation period** (i.e. not less than 5-7 years) for return on capital investment. The Company is no exception. As mentioned in our detailed response, 3 out of the 4 entities selected by the Company for the purpose of comparison were identified as rivals/ entities with similar business models by Glaucus itself. On comparing the Company's fixed asset turnover ratio (0.79) (**FATR**) with other private sector entities that have also invested in the defence sector (such as L&T Defense subsidiaries (0.13) and Tata Power SED (0.39)), it is clear that the Company's FATR (0.79) is fairly standard. Further, Glaucus by its own categorization has compared **asset light** companies with **asset heavy** companies which will obviously result in a skewed ratio.

3. *INR 5.6 billion is Missing:* All expenditure of the Company in relation to redevelopment of the Company's properties is **accounted for and disclosed**. Glaucus initially alleged that buildings of the Company were missing and has **now conveniently modified its stance to allege that INR 5.6 billion (US\$ 93.34 million)⁵ is missing (instead of missing buildings)**. Glaucus has **conveniently misconstrued the responses of Management** on the FY 2011 conference call and presented the information out of context. The amount of INR 1 billion mentioned on the call was with respect to guidance on cash capex on redevelopment **for a single fiscal year i.e. FY 2012**. The balance INR 5.6 billion was spent (cash capex) over the other three fiscal years (i.e. FY 2010, FY 2011 and FY 2013). Glaucus has **distorted the facts** to mislead readers. A **state of the art facility** such as Rolta Tower 1 will take around 3-4 years and cannot obviously be redeveloped in less than a year. Independent real estate valuation consultants empanelled with recognized banks have determined that the market value of all the real estate (land and buildings) owned by the Company is approximately **USD 400 million (INR 24 billion)⁶**. The amounts spent by the Company on such redevelopment have been a contributing factor in this market valuation of the buildings and it is certainly not missing.

4. *Reported Expenditures of Questionable Authenticity and Utility - Computer Systems:* Glaucus has made its allegations based on assumptions and by **ignoring basic and accepted accounting principles**. Glaucus claims that loss on sale of such as the Company's computer systems is merely cost price minus selling price "**assuming no depreciation**". Glaucus alleges that the Company has fully depreciated and disposed of computer equipment which it had purchased the previous year sooner than the Company's own depreciation schedule. This allegation is wrong. By **Glaucus' own calculation** of estimates of accumulated depreciation (INR 16.050 billion in FY 2013), they have reflected that the computer systems were **depreciated by 99.25%** at the time they were sold (for approximately INR 16.1701 billion). Given that the Company's estimated useful life of computer systems is 2-6 years, **it is clear that at the time of sale, these assets were at least two years old** (and in some cases, as pointed out by Glaucus were used for 3-4 years). The Company's computer systems comprise not only of civilian information systems but also of hi-tech and state of the art military computer systems which are **exponentially more expensive**. Therefore, any comparison of the capex

⁵ Based on 1 US\$ = INR 60

⁶ Based on 1 US\$ = INR 60

required for IT services to the capex requirements of a company engaged in the defence sector (such as the Company) is akin to comparing **apples to oranges**. Over the last few months, a number of investors and stakeholders have visited the Company's facilities and have themselves observed these defence computer systems, prototypes and also witnessed demonstrations of their capabilities. **We are happy to host genuine investors who desire to visit and tour our facilities.**

5. *Reported Expenditures of Questionable Authenticity and Utility - Phantom Prototypes:* The Company has already explained in Response 1 that the figures of INR 9,006 million (US\$ 150.1 million)⁷ and INR 8,379 million (US\$ 139.4 million) quoted in the prospectuses of the Bonds **are not expenditure on prototypes alone but the entire capital expenditure (including acquisition costs) of the Company for that period.** The cash flow statement (from investing activities) set out in Response 1 clearly demonstrates this. However, Glaucus has completely ignored the response and is attempting to distract the reader by misconstruing statements made by the Management (in context of the 80% reimbursement entitlement by the MoD). As explained previously in Response 1, reimbursement by the MoD is **only after selection as a 'Development Agency'** for development of the '**project prototype**'.
6. *Reported Expenditures of Questionable Authenticity and Utility - Office Furniture: Ikea Be Damned:* Glaucus has **merely reiterated** the same unsubstantiated allegations from the Glaucus Report. Glaucus has ignored the Company's response that the entities used by Glaucus in its comparison are incomparable as the business models of such entities are different. As mentioned in Response 1, this is because the Company's competitors in the IT services sector (as identified by Glaucus) typically **second/ outsource their employees** to external client locations. Accordingly, the seating capacity of these competitors is typically designed to cater to only a portion of their work force as a large number of their employees are often at client sites and therefore the FF value per employee of such companies **will be significantly lower than that of the Company's.**
7. *Gurgaon Facility:* In its initial report, Glaucus **claimed to have evidence** that the Company incurred capex **to build the Gurgaon Facility**⁸ and alleged that such expenditure was for the benefit of the Chairman. However, pursuant to Response 1, Glaucus in its rebuttal has **conveniently changed its stance** and is now attempting to mislead the readers by questioning the amount spent by the Company to fit out the two floors that it leased in the building. As **expressly clarified** in Response 1, the INR 1.5 billion (US\$ 31 million) was spent **not only** towards furniture and fit outs **but also** towards installing computer systems, air conditioning, power generators, and setting up defence demo and R&D testing laboratory in the Gurgaon Facility. However **Glaucus has ignored this clarification.** Glaucus' is **incorrectly comparing the amounts spent** on the Gurgaon Facility (*as above*) to the **cost of redevelopment (which number of INR 1 billion is also incorrect)** of Rolta Tower 1.
8. *Past is Prologue: 2004 Accounting and Tax Scandal:* Glaucus has merely **reiterated the same unsubstantiated allegations** from the Glaucus Report. Glaucus has ignored the Company's

⁷ Based on US\$ 1 = INR 60.

⁸ **Source:** Page 16 of the Glaucus Report

response. The recording of “inter-divisional transfers” as sales was **generally an accepted accounting practice** in India prior to 2005 and was followed by the Company and several other Indian companies (including listed companies and some government companies). SEBI, in its order in 2004, **did not impose any fine or penalties on the Company** and advised the Company to discontinue from this accounting practice. The Company had already stopped this accounting practice from FY 2003, well before the ICAI's prohibition announcement in 2005.

9. *Undisclosed Procurement Scandal: The Company denies that there were any material omissions in the 2013 or 2014 Bond prospectus.* No such disclosure was called for or required as **there were no proceedings initiated against the Company** in connection with such alleged scandal or speculations in connection with the Col. Banerjee case. Glaucus itself has admitted that it cannot prove its allegations. Notably, the Company has recently (February 2015) been shortlisted for the prestigious Battlefield Management Project ‘Make in India’ contract, which is itself an indication of the confidence the Company continues to enjoy with the MoD.
10. *Chairman's Murky Compensation Structure:* The details of the Chairman's compensation package are a matter of public record and have been fully disclosed. The Company's accounts are required to be prepared in accordance with provisions of the Companies Act and Indian GAAP. **The Chairman's compensation is based on profits, as reported under Indian GAAP (and not IFRS).** The Company's audited annual report (prepared under Indian GAAP, as required under Indian law), reflects an FY 2012 profit of INR 2.4 billion. The Chairman's compensation for FY 2012 was based upon these reported profits and in compliance with the Companies Act, 1956.
11. *Reported EBITDA Margins Not Credible:* The Company reiterates that the EBITDA of 70% quoted by Glaucus is **not from "Indian operations"** but of the Company's i.e. the Indian legal entity's operations which include both Indian and offshore global operations. Glaucus in its rebuttal has **ignored this response** of the Company and is **merely repeating its false allegation** that the Company overstates its EBITDA. Glaucus in an attempt to raise doubt on the extent of related party transactions disclosed, alleges that "in its opinion", the % of intercompany sales (Company and its subsidiaries) for FY 2012 and FY 2013 of 18% and 27% is insignificant. The % of intercompany sales as presented in the table on page 17 of the Glaucus Rebuttal is misleading. This is because Glaucus has compared incomparables i.e. **value of the revenue** of the offshore subsidiaries to **value of cost of goods sold**. In doing so, Glaucus has also ignored SG&A (*selling, general and administrative costs*) in its calculations. Accordingly, if SG&A costs were to be included, the figure of disclosed related party sales would also increase. Consequently the resultant % of intercompany sales would also be higher than 18%/ 27% (for FY 2012 and FY 2013) which is certainly not insignificant.

In addition to being an IT services company, the Company has an extensive IP and product portfolio. It is not uncommon for companies which have an extensive IP and product portfolio (such as Oracle as identified by Glaucus) to have high EBITDA margins. Glaucus has ignored this and compared the EBITDA margins of the Company with EBITDA margins of IT services companies. On account of this incorrect comparison, it appears that the Company's EBITDA margins are higher, when in fact, they are fairly standard.

RESPONSE TO GLAUCUS REBUTTAL

Rolta India Limited (**Company**) is a multinational organization headquartered in India and a leading provider of innovative IT solutions for many vertical segments, including Federal and State Governments, defence and homeland security. The Rolta group is recognized for its extensive portfolio of indigenous solutions based on field - proven Rolta IP tailored for Indian defence and home land security. The Company's equity shares have been listed on the Indian stock exchanges for over 25 years; its GDRs are listed on the London Stock Exchange; and the Senior Notes issued by its subsidiaries in 2013 and 2014 (**Bonds**) are listed on the Singapore Stock Exchange.

On 16 April 2015, Glaucus Research Group California LLC, (**Glaucus**), released an undated report in relation to value of the Bonds on its website (**Glaucus Report**). The Company issued its detailed response to the Glaucus Report on 20 April 2015 rebutting each and every allegation made in the Glaucus Report (**Response 1**).

On 23 April 2015, Glaucus released another publication on its website titled '*Glaucus Research issues a Rebuttal to Rolta Response – Reiterates Strong Sell rating on Delaware-Issued 2018 and 2019 Corporate Bonds*' (**Glaucus Rebuttal**).

The Company categorically denies the contents of the Glaucus Report and the Glaucus Rebuttal in their entirety.

The allegations in the Glaucus Report and the Glaucus Rebuttal are baseless and have factual errors and inconsistencies. By Glaucus' own admission, its motive in issuing the report and rebuttal is to make financial gains by shorting the Bonds. The Company believes that the manner in which the comparisons have been presented by Glaucus is misleading.

Glaucus has not clarified the facts with any Company officials and/ or visited any sites before releasing the Glaucus Report or the Glaucus Rebuttal.

The Company is issuing this detailed response rebutting all allegations made in the Glaucus Report and Glaucus Rebuttal. The statements in this response reflect the beliefs of the Company's Management based on currently available information. The Company has issued this response however it intends to continue to review and may respond further to the allegations in the Glaucus Report or Glaucus Rebuttal.

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE																										
Point I of the Glaucus Rebuttal (Page 1, 3-4)	Authentic Capital Expenditures Should be Reasonably Foreseeable (Capital Expenditure Significantly Exceeds Guidance)	<i>Change in Glaucus' stance on % of variance</i> Page 17 of the Glaucus Report stated that between FY 2009 and FY 2014, the percentage of variance of the Company's reported capital expenditure v. the Company's guidance on capex is 178%. However, pursuant to Response 1, Glaucus has in its rebuttal, factored in the cost of acquisition for the corresponding period and consequently changed its stance on the % of variance to 167.7% (<i>which itself is again incorrect as demonstrated below</i>). This indicates Glaucus' implicit acceptance that it had previously disregarded the fact that the Company does not include cost of acquisition in the capex guidance's. <i>Cost of acquisition reported by Glaucus is incorrect</i> As demonstrated in the table below, the variance in the cost of acquisition reported by Glaucus (INR 2,403 million/ US\$ 40.05 million⁹) and the actual cost of acquisition (INR 16,498.4/ US\$ 275 million¹⁰) as per the annual reports is 586%. <table border="1"> <thead> <tr> <th rowspan="2">YEAR (FY)</th><th colspan="2">COST OF ACQUISITION (IN INR MILLION)</th></tr> <tr> <th>AS REPORTED BY GLAUCUS</th><th>ACTUAL COST OF ACQUISITION AS REFLECTED IN THE ANNUAL REPORTS</th></tr> </thead> <tbody> <tr> <td>2009</td><td>909</td><td>1,430¹¹</td></tr> <tr> <td>2010</td><td>24</td><td>1,898.6¹²</td></tr> <tr> <td>2011</td><td>-</td><td>4,767.9¹³</td></tr> <tr> <td>2012</td><td>-</td><td>4,941.3¹⁴</td></tr> <tr> <td>2013</td><td>1,470</td><td>2,538.1¹⁵</td></tr> <tr> <td>2014 (9m)</td><td>-</td><td>922.5¹⁶</td></tr> <tr> <td>TOTAL</td><td>2,403</td><td>16,498.4</td></tr> </tbody> </table>	YEAR (FY)	COST OF ACQUISITION (IN INR MILLION)		AS REPORTED BY GLAUCUS	ACTUAL COST OF ACQUISITION AS REFLECTED IN THE ANNUAL REPORTS	2009	909	1,430 ¹¹	2010	24	1,898.6 ¹²	2011	-	4,767.9 ¹³	2012	-	4,941.3 ¹⁴	2013	1,470	2,538.1 ¹⁵	2014 (9m)	-	922.5 ¹⁶	TOTAL	2,403	16,498.4
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TOTAL	2,403	16,498.4																										

⁹ Based on 1 US\$ = INR 60

¹⁰ Based on 1 US\$ = INR 60

¹¹ **Source:** Page 93 of Company's Annual Report for financial year ended 30 June 2009.

¹² **Source:** Page 97 of Company's Annual Report for financial year ended 30 June 2010.

¹³ **Source:** Page 92-93 of Company's Annual Report for financial year ended 30 June 2011.

¹⁴ **Source:** Page 92-93 of Company's Annual Report for financial year ended 30 June 2012.

¹⁵ **Source:** Page 92-93 of Company's Annual Report for financial year ended 30 June 2013.

¹⁶ **Source:** Page 102-103 of Company's Annual Report for financial year ended 31 March 2014.

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		Glaucus has only included cost of acquisition of subsidiaries and disregarded all other acquisition costs for assets and intangibles. This indicates an attempt by Glaucus to <u>mislead readers by distorting information</u>. <i>Variance on account of INR depreciation against US\$ is significant</i> During the period between FY 2009 and March 2014, the low for FY 2009 was INR 41.96¹⁷ and low for March 2014 was INR 60.10¹⁸ (without even considering the interim high of INR 68.3611 on 28 August 2013¹⁹ during this period). Glaucus claims that such variance of 43.23% over a period of 6 years on account of foreign exchange fluctuations is "negligible". This in essence, amounts to an impact of around 7.2% per annum which Glaucus has ignored. <i>High growth phase and dynamic environment</i> As mentioned in Response 1, estimations provided by the Management of the Company are neither erroneous nor with any intention to mislead. The Company operates in a dynamic environment and was in the midst of a high growth phase and any estimates made by the Management of the Company were on a good faith basis and based on their reasonable and genuine belief at that point in time. In the past, on certain occasions, the Company has unexpectedly (during the course of the fiscal year) had to increase its investment in cutting edge technology prototypes to compete for EOIs (<i>Expression of Interest</i>) issued by the Government. <u>The Company reiterates that its capital expenditure has been duly accounted for and disclosed.</u>

¹⁷ **Source:** Page 49, 2014 Bond prospectus.

¹⁸ **Source:** Page 49, 2014 Bond prospectus.

¹⁹ **Source:** As per RBI Reference Rate

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
Point II of the Glaucus Rebuttal (Page 1, 5-7)	Rolta's Return on Capital Investments is Abysmal	Glaucus' allegations that the Company's return on capital investment is abysmal (on an absolute or relative basis) are baseless. <i>On an absolute basis - long gestation period</i> The capital expenditure incurred by the Company during FY 2008 to FY 2014 was on account of its business strategy to diversify into sectors beyond IT services, such as defence, IT products and solutions. These new sectors are significantly more capital intensive and require extensive upfront investment vis-a-vis IT services (<i>simpliciter</i>) sector where capital investment required is low. In industries with heavy capex such as defence, homeland security, the gestation period for return on capital investments is long. The period for realization of returns is typically not less than 5-7 years for a company investing in R&D, prototypes and other defence solutions. <i>On a relative basis</i> <i>(i) Fixed Asset Turnover Ratio (FATR) is comparable to entities with similar business model</i> Glaucus in its rebuttal has alleged that the companies identified by the Company in the table below are not engaged in businesses similar to that of the Company. The first page of the Glaucus Report itself identifies Tata Power and Larsen & Toubro as "rivals" of the Company. The Company is well aware that Tata Power is a utility company and therefore the Company specifically identified the SED division (which is the defence division of Tata Power) in its comparison. We have reproduced below the table comparing FATRs from Response 1. As shown in the table below, the SED divisions' FATR is 0.39 which is much lower than Tata Power's average of 1.20.

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE					
		TURNOVER / AVG. NET BLOCK (RATIO)					
		<i>SR. NO</i>	<i>OTHER COMPANIES</i>	<i>MARCH 2012</i>	<i>MARCH 2013</i>	<i>MARCH 2014</i>	<i>AVERAGE</i>
		1	Tata Power Company Limited	1.50	1.13	0.98	1.20
			Tata Power SED (Defence Division)	-	0.39	-	0.39
		2	L & T Defence Related Subsidiaries	0.08	0.11	0.18	0.13
		3	Hexagon AB (Intergraph has been acquired by Hexagon AB)	0.60	0.59	0.60	0.58
		4	ITI Limited	0.36	0.34	0.29	0.33
			AVERAGE	0.64	0.51	0.51	0.53
			ROLTA (in INR Million)	<i>JUNE 2012</i>	<i>JUNE 2013</i>	<i>MARCH 2014 (9 MONTHS)</i>	<i>AVERAGE</i>
			Revenues	18,288	21,788	25,017	
			Average Net Block (Excluding Revaluation)	24,592	31,446	35,412	
				0.74	0.69	0.94	0.79
		The Company has identified ITI Limited as its competitor in the in the 2014 Bond prospectus. In fact, ITI Limited competed with the Company in bidding for the BMS and TCS projects. Intergraph has been identified as the Company's competitor for geospatial technology, products and solutions in the 2013 Bond prospectus and was acquired by Hexagon in 2010. Hexagon by Glaucus' own admission (<i>in the Glaucus Rebuttal</i>) is in the IT solutions space. The value of Hexagon's intangible fixed assets (€ 4,998.8 million) far exceeds the value of its tangible fixed assets (€ 311.9 million). This indicates that Hexagon's revenue is generated primarily from its intangible assets as is typical in a software product company. Comparing the FATR of Hexagon excluding the intangible fixed assets to the Company's FATR is misleading. Accordingly, the inclusion of the value of					

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		intangible assets in determining the fixed asset turnover ratio of Hexagon is justified. In the comparative table on useful life of computer equipment's (previously presented by the Company in Response 1), the purpose was only to compare the accounting policy and not any financial ratios. <i>(ii) Asset light company v. Asset heavy company is a misleading comparison</i> Of the 18 companies²⁰ identified by Glaucus, 11 companies are by Glaucus' own categorization essentially IT consulting entities. Such entities are typically asset light and therefore any comparison of the fixed asset turnover ratio of the Company (which is asset heavy) to such entities will obviously result in a skewed ratio. Bharat Electronics is a public sector undertaking that has an established name and has successfully procured and executed defence contracts from the Ministry of Defense (MoD) for more than six decades. BEL is benefitting from having made capital investments over a considerably longer period of time. Any comparison with the Company's return on capital investments (a significant portion of which have been made over the last 4-5 years) is bound to be one-sided. On a comparison with other private sector entities set out in the table above (such as L&T Defense subsidiaries (0.13) and Tata Power SED (0.39)) that have also recently begun making similar investments in these sectors, the Company's fixed asset turnover ratio is 0.79. Accordingly, the Company's fixed asset turnover ratio is fairly standard and reasonable for a company of its nature and business operations and in particular, a company which is in a high investment phase. <i>Couched expressions used by Glaucus indicate that allegations are conjecture</i> Glaucus alleges the following: <i>"Rolta's return on capital investment is so poor (on both a relative and absolute basis) that such expenditures appear simply fabricated"</i>

²⁰ **Source:** Page 5 of the Glaucus Rebuttal

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		<i>" The first is that Rolta's return on capital expenditures is so far below other IT solutions firms that it suggests Rolta's reported spending is fabricated. "</i> ---End of Extract--- The use of the expressions "appear" and "suggests" indicates that Glaucus' allegations with respect to the Company's return on capital and fixed asset turnover ratio are baseless and mere speculation.
Point III of the Glaucus Rebuttal (Page 1, 7-8)	INR 5.6 billion is Missing	<i>Capital expenditure of INR 5.6 billion (US\$ 93.34 million)²¹ is authentic</i> All expenditure of the Company in relation to redevelopment of the Company's properties is authentic and genuine. <i>Shift in stance of Glaucus from alleged missing building to alleged missing INR 5.6 billion</i> Glaucus initially alleged that buildings of the Company were missing. However, pursuant to Response 1 (that contained photographic evidence of such buildings), Glaucus has now modified its stance to allege that INR 5.6 billion is missing (instead of missing buildings). This is another example of shift in stance by Glaucus in its rebuttal. Glaucus is now attempting to mislead the readers by questioning the extent of cash spent by the Company on redevelopment of its buildings. <i>Showcasing of information completely out of context – another attempt to mislead</i> Glaucus in its rebuttal has stated the following: <i>"Yet in FYs 2012 and 2013, Rolta reportedly spent INR 6.6 billion on buildings"</i>. This is incorrect and indicates Glaucus' distortion of facts in an attempt to shock and mislead the readers. This amount was not spent in two financial years (FY 12 and FY 13) but was "only capitalized" (after the building was completed) in FY 12 and FY 13. The amount of INR 6.6 billion (INR 110 million)²² was

²¹ Based on 1 US\$ = INR 60

²² Based on US\$ 1 = INR 60

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		actually spent (cash capex) across FY 2010 through FY 2013 i.e. over a span of 4 years and was a part of capital work in progress during that period. <i>Glaucus has quoted Managements' statements out of context</i> For ease of reference, we have extracted the relevant portion of the call referred to on Page 8 of the Glaucus Rebuttal: <i>“Soumitra Chatterjee: And this redevelopment thing, I think can you name the center which you are redeveloping and what is the CapEx of the total work you mentioned. I think around 250 crores <u>for this fiscal</u> what must be going into that I mean any guidance on that?</i> <i>Hiranya Ashar, Director, Finance and Chief Financial Officer: Out 100 odd crores will be going into the redevelopment of Rolta center one, which is here in Mumbai.”</i> ---End of Extract--- The question posed by Soumitra Chatterjee in the extract reproduced above (from the Glaucus Report itself) is in relation to the 2012 fiscal and therefore the response of the Company is in that context. As highlighted above, the amount of INR 1 billion mentioned in FY 2011 conference call was with respect to the guidance on cash capex on redevelopment for a single fiscal year, i.e. FY 2012. In FY 2012 alone, the Company spent (cash capex) INR 1 billion on redevelopment of the building. The balance INR 5.6 billion was spent (cash capex) over the other three fiscal years (i.e. FY 2010, FY 2011 and FY 2013). A state of the art facility such as Rolta Tower 1 will take around 3-4 years and cannot obviously be redeveloped in less than a year. Glaucus has misconstrued the response of the Company's Management and presented the information out of context in an attempt to mislead and cast doubt.

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		<i>Value of land and buildings owned by the Company is USD 400 million</i> Independent real estate valuation consultants empanelled with recognized banks have determined that the market value of the real estate (land and buildings) owned by the Company is approximately USD 400 million (INR 24 billion)²³. The amounts spent by the Company on such redevelopment have been a contributing factor in this market valuation of the buildings and it is certainly not missing.
Point IV(1) of the Glaucus Rebuttal (Page 2, 8-11)	Reported Expenditures of Questionable Authenticity and Utility - Computer Systems	<i>Loss on computer systems indicated by Glaucus still does not account for depreciation</i> The Company's policy of depreciation of its computer systems is not an "accounting gimmick". Glaucus is ignoring basic and accepted accounting principles by claiming that loss on sale of a capital asset (such as the Company's computer systems) is merely cost price minus selling price "assuming no depreciation". It is a generally accepted accounting principle that cash loss is recognized only on the book value (after taking into account depreciation) of the asset at the time of sale. On account of Glaucus' grossly erroneous assumption, the value of the loss supposedly incurred by the Company at the time of sale is significantly bloated. <i>Glaucus' depreciation calculations show that computer systems have been used for more than one year</i> Glaucus claims that the Company disposed of computer systems worth INR 16 billion (US\$ 294.6 million) in FY 2013. Glaucus has ignored the fact that in FY 2013 accumulated depreciation on the computer systems sold was INR 16.050 billion (US\$ 267.5 million)²⁴ (as per Glaucus' calculations on Page 9 of the Glaucus Report). Despite Glaucus identifying INR 16.050 billion as the Company's accumulated depreciation in FY 2013 on computer systems sold, it has attempted to mislead

²³ Based on 1 US\$ = INR 60

²⁴ Based on 1 US\$ = INR 60

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE										
		readers by claiming that the Company has sold computer systems that have only been used for one year. The figures in the table below have been extracted from the table on Page 9 of the Glaucus Report (** Glaucus' calculation): <table><tr><th colspan="2">DISPOSAL IN FY 2013 (In INR Million)</th></tr><tr><td>Disposal of computer systems (no D&A)**</td><td>16,170.1</td></tr><tr><td>Depreciation disposed</td><td></td></tr><tr><td>Computer equipment (accumulated depreciation on the above disposed assets)</td><td>16,050.4</td></tr><tr><td>% of Depreciation</td><td>99.25%</td></tr></table> By Glaucus' own calculations, they have admitted that the assets (computer systems) were depreciated by 99.25% at the time they were sold. Given that the Company's estimated useful life of computer systems is 2-6 years, it is clear that at the time of sale, these assets were at least two years old (and in some cases, as pointed out by Glaucus were used for 3-4 years). Even <u>assuming but not admitting</u> that Glaucus' calculations have any merit, an asset purchased at the beginning of one financial year and sold at the end of the subsequent financial year will have been used for almost two years. <i>Estimations and assumptions made by Glaucus do not support its allegations</i> The tabulated information presented by Glaucus is based on a number of estimations and assumptions. The Company does not agree with any of these assumptions presented by Glaucus. However, for the sake of argument even if the Company were to consider such assumptions, the allegation of immediate disposal of computer systems by the Company is <u>misleading</u> as the average number of years of disposal by the Company is not less than 3.4 years. This is indicated by the weighted average of the age of disposed computer systems shown in the table below. The following data on disposal is extracted from information on Page 9 of the Glaucus Report.	DISPOSAL IN FY 2013 (In INR Million)		Disposal of computer systems (no D&A)**	16,170.1	Depreciation disposed		Computer equipment (accumulated depreciation on the above disposed assets)	16,050.4	% of Depreciation	99.25%
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		<table><tr><th>DISPOSAL (<i>in INR Million</i>)</th><th>YEARS</th></tr><tr><td>5,375.1</td><td>5.0</td></tr><tr><td>6,647.7</td><td>4.0</td></tr><tr><td>7,747.9</td><td>3.0</td></tr><tr><td>5,932.3</td><td>2.0</td></tr><tr><td>25,703.0</td><td></td></tr><tr><td>Weighted Average</td><td>3.4</td></tr></table> <i>Civilian computer systems and military computer systems are vastly different</i> The Company's computer systems comprise not only of civilian computer systems but also of hi-tech and state of the art military computer systems which are exponentially more expensive. A computer system for use in the civilian space typically comprises of standard commercial desktop computing devices, servers and high-bandwidth OFC based static communications etc. This is in sharp contrast to computer systems for use in the military space. This is because such military systems are designed to operate in hostile environments and therefore require rugged computing technology supported by bandwidth efficient and secure applications, riding over mobile secure radio networks. A military computer system is the key to close the ‘Sensor to Shooter loop’ in the quickest time frame. <i>Technologies of a military computer system are significantly more niche and complex vis-à-vis technologies of civilian computer systems and consequently more expensive</i> Military systems require niche technologies to achieve very fine balancing between mutually conflicting requirements e.g. fail safe triple play services of simultaneous voice, data and video are to be provided while working in a highly bandwidth constrained environment. Such technologies have been developed by very few companies over decades of investments and efforts in R&D, domain	DISPOSAL (<i>in INR Million</i>)	YEARS	5,375.1	5.0	6,647.7	4.0	7,747.9	3.0	5,932.3	2.0	25,703.0		Weighted Average	3.4
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		expertise and experience using world class infrastructure and global best practices. <i>Cost of these systems rises exponentially due to such stringent requirements.</i> <i>Military hardware and software must adhere to standards that are vastly more stringent than standards for civilian computer systems</i> Computing devices, body worn PDAs, optronics night vision devices, satellite terminals, radios for forming mobile adhoc networks etc. have to be mechanically, electrically and electronically rugged to withstand extreme temperatures, vibrations, shocks, humidity etc. (Mil Standard 810) and military vehicle shelters need to have nuclear, biological and chemical protection. They operate in dense electromagnetic environments and have to face enemy electronic warfare and consequently safeguards and EMI/EMC protections have to be built in and frequency hopping and spread spectrum technologies have to be used. Size, Weight and Power (SWaP) parameters assume great importance for soldiers to carry this load in addition to their primary weapons and ammunition. Security is a major concern in military systems and therefore high level of security for access and for storage as per Scientific Advisory Group (SAG), DRDO standards have to be ensured. The users of these systems face intensely stressful combat environment and the operating software must be extremely easy to use (i.e. soldier proof). The design and backend processing required in such applications is a specialized field and is a complex process requiring special tools, infrastructure and long experience in this domain. The applications have to be designed to be very light so as to require minimum processing power and memory and have to also be lean and agile to ride over band-width restricted tactical radio networks under adverse environments. As demonstrated above, the capex required for purchasing these military computer systems vis-a-vis civilian computer equipment is exponentially higher. Consequently, comparing the capex required for IT services to the capex requirements of a company engaged in the defence sector (such as the Company) is a misleading comparison. Over the last few months, a number of investors and stakeholders have visited the Company's facilities and have themselves observed these defence computer systems, prototypes and also witnessed demonstrations of their capabilities. We are happy to host genuine investors who desire to visit and tour our facilities.
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POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
Point IV(2) of the Glaucus Rebuttal (Page 2, 12-13)	Reported Expenditures of Questionable Authenticity and Utility - <i>Phantom Prototypes</i>	<i>Glaucus has highlighted information out of context and is ignoring requirement of conjoint reading</i> The Company reiterates that the figures of INR 9,006 million (US\$ 150.1 million)²⁵ and INR 8,379 million (US\$ 139.4 million) quoted in the prospectuses of the Bonds are not expenditure on prototypes alone but the entire capital expenditure (including acquisition costs) of the Company for that period, of which expenditure on prototypes is only a portion thereof. The introduction to each of the MD&A chapters in the 2013²⁶ and 2014²⁷ Bond prospectuses instruct the prospective investor to read all statements therein in conjunction with the financial statements. Accordingly, the point that the Company makes is that statements and figures made in the MD&A chapters cannot be read in isolation and taken out of context. They must be read in context of the supporting financial statements. Glaucus is doing just that – construing the statements out of context and attempting to mislead the readers. If the MD&A is read together with the financial statements (specifically the cash flow statements (<i>reproduced below</i>)), it is clear that the Company's total capital expenditure is INR 8,379.1 million (US\$ 139.65 million)²⁸ (i.e. INR 7,456.6 million + INR 922.5 million) which includes purchase of fixed assets, cost of acquisition/ intangibles. The cash amount spent on development of prototypes is only a portion of this entire capital expenditure and not the full amount as shown in the table below.

²⁵ Based on US\$ 1 = INR 60.

²⁶ **Source:** Page 52 of the 2013 Bond prospectus "You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements as of and for the years ended June 30, 2012, 2011 and 2010 and the related notes thereto, and the unaudited consolidated financial statements as of and for the nine months ended March 31, 2013 and 2012, included elsewhere in this Offering Memorandum. You should also read the audited consolidated financial statements of Rolta International as of and for the years ended June 30, 2012 and 2011."

²⁷ **Source:** Page 52 of the 2013 Bond prospectus "You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements as of and for the years ended June 30, 2012, 2011 and 2010 and the related notes thereto, and the unaudited consolidated financial statements as of and for the nine months ended March 31, 2013 and 2012, included elsewhere in this Offering Memorandum. You should also read the audited consolidated financial statements of Rolta International as of and for the years ended June 30, 2012 and 2011."

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POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE																											
		<table border="1"> <tr> <td colspan="3">B CASH FLOW FROM INVESTING ACTIVITIES</td></tr> <tr> <td>Purchase of Fixed Assets (including CWIP)</td><td>(745.66)</td><td>(1,501.65)</td></tr> <tr> <td>Sale of Fixed Assets</td><td>7.39</td><td>1.64</td></tr> <tr> <td>Sale / (purchase) of Investment (net)</td><td>(9.67)</td><td>25.43</td></tr> <tr> <td>Interest received</td><td>7.07</td><td>0.75</td></tr> <tr> <td>Dividend received from Mutual Funds</td><td>0.07</td><td>1.13</td></tr> <tr> <td>Consideration towards Acquisition / Intangibles</td><td>(92.25)</td><td>(253.81)</td></tr> <tr> <td>Deposits having original maturity over three months and restricted balance</td><td>(6.79)</td><td>(84.16)</td></tr> <tr> <td>NET CASH USED IN INVESTING ACTIVITIES</td><td>(839.85)</td><td>(1,810.66)</td></tr> </table> <i>Source: 2014 Bond prospectus, Page F-32.</i> <i>Glaucus has ignored the difference between ‘marketing and R&D prototypes’ (before bid) and ‘project prototypes’ (after procuring bid)</i> There is a difference between (a) ‘marketing and R&D prototypes’ which the Company develops with a view to enhance its prospects of being invited to participate in the bid and to ultimately win the project and (b) ‘project prototypes’ which are developed by the Company after it has been awarded the contract and in accordance with the specifications of the awarded contract. Glaucus has ignored this difference altogether in an attempt to mislead and present a distorted picture. <i>80/20 funding by Government is only for project prototypes and is ‘reimbursement’ <u>not an</u> ‘advance’</i> The stipulation that the Government will reimburse the Company for cash spent of development of prototypes applies to project prototypes and obviously not prototypes developed by the Company for the purpose of marketing. Further, funding from the government for an identified and eligible project prototype is provided by way of reimbursement and not by way of an advance (i.e. only after the Company spends the cash on development of the project prototype, will it be entitled to be reimbursed). <i>Glaucus has quoted Managements’ statements out of context</i> The Q1 FY 2015 earnings call from which Mr. Tayal's statements were extracted took place on 11 August 2014. Mr. Painuly inquired about the Company's capex on the BMS project <u>if the Company won the contract</u>. The statement made by Mr. Tayal was in context of the capital expenditure that would be required for the BMS project prototype after the Company being selected as a 'Development	B CASH FLOW FROM INVESTING ACTIVITIES			Purchase of Fixed Assets (including CWIP)	(745.66)	(1,501.65)	Sale of Fixed Assets	7.39	1.64	Sale / (purchase) of Investment (net)	(9.67)	25.43	Interest received	7.07	0.75	Dividend received from Mutual Funds	0.07	1.13	Consideration towards Acquisition / Intangibles	(92.25)	(253.81)	Deposits having original maturity over three months and restricted balance	(6.79)	(84.16)	NET CASH USED IN INVESTING ACTIVITIES	(839.85)	(1,810.66)
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POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		Agency'. As mentioned above, reimbursement by the Government is for a project prototype only after the prototype is developed. Accordingly the statement made by Mr. Tayal in the conference call has been misconstrued by Glaucus out of context. The Company has not made any attempt to shift its stance. Glaucus has selectively presented information from Response 1 in an attempt to mislead the reader. The Company reiterates that, as on date, the Company has not received any money from the MoD as reimbursement for development of its prototypes.
Point IV(3) of the Glaucus Rebuttal (Page 2, 13-14)	Reported Expenditures of Questionable Authenticity and Utility - <i>Office Furniture: Ikea Be Damned</i>	Glaucus has merely reiterated the same unsubstantiated allegations from the Glaucus Report. Glaucus has ignored the Company's response that the entities used by Glaucus in its comparison are incomparable as the business models of such entities are different. As mentioned previously, the Company does not typically second/ outsource its employees to external client locations. This is in contrast to its competitors in the IT services sector identified by Glaucus which typically second/ outsource their employees to external client locations. Accordingly, the seating capacity of these competitors is typically designed to cater to only a portion of their work force as a large number of their employees are often at client sites because of which such competitors are in a position to maintain a lower FF value per employee. Therefore, comparing the FF value per employee of the Company (even on a net FF value basis) against such competitors is not a fair comparison. Further, in calculation of FF value per employee, Glaucus has ignored the Company's response that FF value of the Company used by Glaucus does not relate only to chairs. This expenditure incurred by the Company <u>includes all office furnishings and fittings.</u> This misleading comparison has significantly bloated the difference of FF value per employee of the Company and the FF value per employee of the entities sighted by Glaucus. This is a comparison of incomparables.

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		<i>Allegations are based on opinion of Glaucus</i> The following statement was made on Page 14 of the Glaucus Rebuttal: <i>“Even if Rolta’s excuse is taken at face value, its reported capital spending still looks so ridiculous that <u>in our opinion</u>, the simplest explanation is that the reported capital expenditures are fabricated.”</i> ---End of Extract--- In the absence of any meaningful counter to the Company’s response, Glaucus has now substantiated its allegation entirely on its ‘opinion’. This indicates that the allegation is frivolous.
Point V of the Glaucus Rebuttal (Page 2, 14)	Gurgaon Facility	<i>Inconsistent statements by Glaucus</i> In its initial report, Glaucus claimed to have evidence that the Company incurred capital expenditure to build the Gurgaon Facility²⁹. However, pursuant to Response 1, Glaucus in its rebuttal has changed its stance and is now questioning the amount spent by the Company to fit out the two floors that it leased in the building. <i>Incorrect figures reported by Glaucus</i> Glaucus has incorrectly alleged that reconstruction cost of Rolta Tower 1 was only INR 1 billion (US\$ 16.67 million)³⁰. This is wrong as explained above. This incorrect figure of INR 1 billion has been compared to the Company’ expenditure of INR 1.5 billion (US\$ 31 million) to question the authenticity of such expenditure in fitting out the Gurgaon Facility. Since the basis of comparison (INR 1 billion) is wrong, the analysis used to question the amount spent on the Gurgaon Facility is without merit. Response 1 clearly sets out that the Company has expended up to INR 1.5 billion (US\$ 31 million) towards not only furnishing and fit outs, but also installing computer systems, air conditioning, power generators and setting up defence

²⁹ **Source:** Page 16 of the Glaucus Report

³⁰ Based on US\$ 1 = INR 60

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		demo and R&D testing laboratory on the floors occupied in the Gurgaon Facility. <i>Admission of no evidence to support allegations</i> Glaucus in its rebuttal admits that it has “not been able to determine” if the Company spent INR 1.5 billion to fit out the Gurgaon Facility. Despite this, Glaucus questions the Company’ expenditure on the Gurgaon Facility in an attempt to mislead.
Point VI of the Glaucus Rebuttal (Page 15)	Past is Prologue: 2004 Accounting and Tax Scandal	Glaucus has merely reiterated the same unsubstantiated allegations from the Glaucus Report. Glaucus has ignored the Company’s response. As mentioned in Response 1, the recording of “inter-divisional transfers” as sales was generally an accepted accounting practice in India prior to 2005 and was followed by the Company and several other Indian companies (including listed companies and some government companies). SEBI, in its order in 2004, did not impose any fine or penalties on the Company and advised the Company to discontinue from this accounting practice. The Company had already stopped this accounting practice from FY 2003, well before the ICAI's prohibition announcement in 2005. Accordingly the question of independent directors or auditors being fired or having to resign did not arise.
Point VII of the Glaucus Rebuttal (Page 15)	Undisclosed Procurement Scandal	The Company denies that there were any material omissions in the 2013 or 2014 Bond prospectus. No such disclosure was called for or required as there were no proceedings initiated against the Company in connection with such alleged scandal or speculations in connection with the Col. Banerjee case. Glaucus admits its allegations cannot be proven and that it is engaged in speculation, acknowledging, “<i>we highlighted the case because we believe it should have been disclosed to bondholders in the 2014 prospectus (and perhaps the 2013 bond prospectus) because if news reports are to be believed, this scandal could result in a fine or financial penalty and it could undermine or negatively impact Rolta’s eligibility to qualify for or obtain future contracts from the Ministry of Defense or the Indian Army.</i>”

POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		Notably, the Company has recently (February 2015) been shortlisted for the prestigious Battlefield Management Project 'Make in India' contract, which is itself an indication of the confidence the Company continues to enjoy with the Ministry of Defense.
Point VIII of the Glaucus Rebuttal (Page 2, 16)	Chairman's Murky Compensation Structure	The details of the Chairman's compensation package are a matter of public record and have been fully disclosed. As publicly disclosed, the Chairman's compensation is based on profits, as reported under Indian GAAP. Indeed, the Company's accounts are required to be prepared in accordance with provisions of the Companies Act, 1956 and Indian GAAP (and not IFRS). The Company's audited annual report (prepared under Indian GAAP, as required under Indian law), reflects an FY 2012 profit of INR 2.4 billion (US\$ 40 million)³¹. The Chairman's compensation for FY 2012 was based upon these reported profits and in compliance with the Companies Act, 1956. Glaucus does not dispute that the Company reported FY 2012 Indian GAAP profits of INR 2.4 billion. Instead, Glaucus contends that IFRS figures should be used because foreign bondholders use the IFRS financial statements. This is beside the point: the Chairman's compensation structure is based on, and as reported, adheres to Indian GAAP, not IFRS.
Point IX of the Glaucus Rebuttal (Page 2, 17-20)	Unfathomable EBITDA Margins (Reported EBITDA Margins Not Credible)	The Company reiterates that the EBITDA of 70% quoted by Glaucus is <u>not from "Indian operations"</u> but of the Company's i.e. the Indian legal entity's operations which include both Indian and offshore global operations. Glaucus in its rebuttal has ignored this response of the Company and is merely repeating its false allegation that the Company overstates its EBITDA. <i>Presentation of incorrect information with a view to mislead</i> In the table presented on page 17, Glaucus has stated that the figure of disclosed related party sales for FY 2011 is INR 68 million (US\$ 1.14 million)³². This is

³¹ Based on US\$ 1 = INR 60

³² Based on US\$ 1 = INR 60

		wrong. The value of related party sales for FY 2011 is actually INR 417 million³³ (US\$ 6.95 million)³⁴. INR 68 million is the value of related party transactions reported on a consolidated basis and therefore will be significantly reduced (<i>vis-a-vis</i> the values of related party disclosures identified in the audited standalone accounts). The principles of consolidation clearly identified in the Company's consolidated audited financial statements of the Company clearly provide: <i>“The Financial Statements of the Company and its subsidiary companies have been consolidated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, <u>after fully eliminating intra-group balances and transactions</u> resulting in unrealized profits or losses.”</i> ---End of Extract--- Glaucus has ignored this principle and presented the values for FY 2011 on a consolidated basis. This is another indicator of Glaucus's distortion of information and attempt to mislead the reader by presenting an incorrect value to artificially reduce the % of intercompany sales. The correct % of intercompany sales for the year ended 31 June 2011 is 10.74%. The % of intercompany sales of 2% as reflected by Glaucus for FY 2014 is for a period of 9 months and not the entire 12 months and therefore the figures are not strictly comparable. <i>Allegation based merely on opinion of Glaucus</i> Glaucus alleges that % of intercompany sales for FY 2012 and FY 2013 of 18% and 27% is insignificant. This is only their opinion and we do not agree with their opinion. <i>Glaucus made a misleading comparison to present a reduced % of intercompany sales</i> The % of intercompany sales as presented in the table on page 17 of the Glaucus Rebuttal is misleading. This is because Glaucus has compared incomparables i.e. value of the revenue of the offshore subsidiaries to value of cost of goods sold. In doing so, Glaucus has also ignored SG&A (<i>selling, general and administrative costs</i>) in its calculations. Accordingly, if SG&A costs were to be included, the figure of disclosed related party sales would also increase. Consequently the resultant % of intercompany
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POINT IN GLAUCUS REBUTTAL	ALLEGATION (EXTRACT FROM GLAUCUS REBUTTAL)	COMPANY'S RESPONSE
		sales would also be higher than 18%/ 27% (for FY 2012 and FY 2013) which is certainly not insignificant. <i>The Company has is not merely an IT services company</i> In addition to being an IT services company, the Company has an extensive IP and product portfolio. It is not uncommon for companies which have an extensive IP and product portfolio (such as Oracle as identified by Glaucus) to have high EBITDA margins. Glaucus has ignored this and compared the EBITDA margins of the Company with EBITDA margins of IT services companies. On account of this incorrect comparison, it appears that the Company's EBITDA margins are higher, when in fact, they are fairly standard. Over the past 30 years, the Company has garnered extensive domain expertise in the areas of GIS (<i>Geospatial Information Systems</i>), Engineering, IT and Defence and because of this unique position, the Company is able to generate such EBITDA margins.

³³ **Source:** Page 136 of the Company's audited financial statements for FY 2011.

³⁴ Based on US\$ 1 = INR 60