ROLTA INDIA LIMITED
ANNOUNCEMENT DATED 20 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**).

This statement has been issued by the Company in response to the Glaucus Report 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 REPORT

The Company categorically denies the contents of the Glaucus Report in its entirety.

The Company requests all readers to consider the following statements made by Glaucus in the Glaucus Report.

"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---

The Company has issued a detailed response rebutting each and every allegation made by Glaucus in its report. 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 our detailed response. For ease of reference, the allegations made by Glaucus have been identified in *italics* below.

1. *Evidence Suggests Capital Expenditure Fraud:* The Company's EBITDA for FY 2008 to FY 2014 (INR 43 billion/ US$ 858 million) is clearly reflected in its audited financial statements. Glaucus has **presented a misleading comparison** between the fixed asset turnover ratio of the Company and the fixed asset turnover ratio of only certain selective peers identified by Glaucus **with a view to present a distorted picture.** For a fair comparison of the Company's fixed asset turnover ratio, one must compare it with companies having similar businesses i.e. **"apples to apples" and not "apples to oranges**". The Company has a fairly standard fixed asset turnover ratio (*as demonstrated in our detailed response*) for a company of its nature and business operations that are in the midst of an investment phase.

1(a). *Computer Systems:* Computer resources and technology related products by their very nature are assets that **are highly depreciable**. A leading technology research firm has suggested a two or three year replacement cycle for high performance or power users. The conclusion arrived at by Glaucus of cash losses exceeding INR 25.5 billion (US$ 493.1 million) from FY 2008 - FY 2014 is by **"assuming no depreciation"** i.e. comparing the original purchase cost with the cash from disposal and arriving at a number called "loss assuming no depreciation". **This is a grossly erroneous assumption**. On account of this, the value of the loss supposedly incurred by the Company at the time of sale is **significantly bloated** and the actual loss as per the audited financial statements from FY 2008 - FY 2014 is INR 884.2 million (US$ 14.74 million)[1].

1(a)(i). *Buy, Depreciate, Sell, Lose Money, and Repeat:* The Company denies adoption of such a business model. The replacement cycle of computer systems followed by the Company (2 to 6 years) is **based on widely accepted industry practices.** The Company has in fact, during the period between FY 2008 and FY 2014, **made profits during 3 years out of the these 7 years** from such sale of computer systems.

1(a)(ii). *Why Spend So Much on Computer Systems:* It is obvious that expenditure on computer systems will be one of the largest components of capex for a company like Rolta India Limited given that IT (including defence IT) is one of its core businesses. Glaucus has made a comment on the computer systems per employee being 45 times more than a broad group of Indian based IT companies. The data provided is **selective in nature** and the comparison is purely to support Glaucus' incorrect allegation. Glaucus has failed to take into account that **a significant portion of the Company's expenditure on computer systems is towards development of marketing and R&D prototypes, which has no connection with "computer cost per employee"**.

1(b). *Missing Buildings:* During the relevant period (FY 2006 – FY 2014), the Company had undertaken capital expenditure to **demolish certain existing building and re-construct**

[1] *Based on US$ 1= INR 60*

newer and modern facilities in place thereof. **Photographic evidence** of the old and new buildings has been provided in our detailed response.

1(c). *Phantom Prototypes:* The figures of capex quoted by Glaucus (from the 2013 and 2014 Bond prospectuses) are to be read in conjunction with the financial statements as mentioned in the introduction to the MD&A chapters of the 2013 and 2014 Bond prospectuses. The cash flow statement (from investing activities) clearly demonstrates that the **incorrect figures quoted by Glaucus** (INR 8.4 billion/ US$ 139.4 million) are of the entire capex (including acquisition costs) of the Company for that period, and **not only expenditure on prototypes.**

Development of **marketing and R&D prototypes is critical** for the Company to showcase its expertise to firstly be in a position to qualify for participation and ultimately win the project. The Company is not entitled to be reimbursed for monies invested for development of these marketing and research prototypes.

Glaucus has **misunderstood the timing and conditions related to the 80% cost reimbursement** by the MoD for project prototypes. Funds are typically released by the Government by way of reimbursement only after the bidder of the contract has successfully achieved pre-identified milestones/ completed the project, which is ordinarily **a year after the bidder is selected as a 'Development Agency'**. As on date, the Company **has not received any such reimbursement from the MoD** for development of any prototype.

1(d). *Ikea be Damned:* Glaucus has **incorrectly compared** the "**gross**" furniture and fixture (**FF**) value per employee of the Company against "**net**" FF value per employee of other companies. Further, Glaucus' **comparison of FF per employee is flawed** on account of the following: (i) The Company's infrastructure has to accommodate its entire workforce consisting of **employees and subcontractors** (that are required to be accommodated on the Company's premises for data security and due to the sensitive nature of the Company's business); (ii) 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**; and (iii) The Company is in a phase of growth and has built additional **seating capacity to support its expansion plans** over the next 2 to 3 years.

1(e). *Capital Expenditure for the Benefit of Chairman's Private Company:* The Company leased two floors of the Gurgaon Facility from Rolta Limited (a company closely held by the Chairman and his family). This transaction is on an **arms-length basis** and is **disclosed in the Company's annual reports**. The Company in its capacity as lessee of the Gurgaon Facility

has expended cash (INR 1.5 billion/ US$ 31 million) towards furnishing and fit outs, installing computer systems, air conditioning, power generators and setting up defence demo and R&D testing laboratory on the floors occupied in the Gurgaon Facility and **did not construct the Gurgaon Facility** as alleged by Glaucus. The Company denies that there is any "naked transfer of wealth to the Chairman".

1(f). *Capex Significantly Exceeds Guidance:* The Company believes the manner of comparison of data in the Glaucus Report (including references to the conference calls, public filings) is **misleading**. Glaucus' analysis and statements relating to the capex guidance incorrectly reflect that the Management had included acquisition costs to be incurred by the Company. However, these acquisition costs and one-off opportunities are never included by the Management as part of its capex guidance. The Company **cannot be expected to predict the number or value of acquisitions** they may make in a particular year (since such acquisitions are evaluated as and when such business opportunities arise) **or fluctuations of the foreign exchange rate**. Any estimates made by the Management of the Company are on a **good faith basis** and based on their reasonable and genuine belief at that point in time.

2. *Past is Prologue: 2004 Accounting and Tax Scandal:* 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.

The ITD raids carried out on the Company and its officers is not by itself proof of any alleged tax evasion. All of the Company's income tax returns up to assessment year 31 March 2011 have been approved by the Income Tax Department and the audited financial statements for FY 2005 to FY 2014 reflect that there are **no pending tax dues or demands**.

3. *Undisclosed Procurement Scandal:* The Company has **categorically denied any involvement** in the alleged procurement scandal in its press release dated 12 December 2011. **No proceedings were initiated against the Company** in connection with this alleged scandal and accordingly the question of making any disclosure in the 2013 or 2014 Bond prospectus does not arise. **The Company denies that there were any material omissions in the 2013 or 2014 Bond prospectus.**

4. *Questionable Transactions with the Chairman:* The Company denies enriching the Chairman the expense of bondholders.

4(a). *Dividends Paid with Borrowed Funds:* Under the Companies Act, 1956 no dividend can be declared by a company for any financial year except out of the profits of the company. Our annual reports are testament to the fact that the **Company has generated profits in years it has declared dividends**, and such dividends been paid out to **all the shareholders of the Company on a *pari passu* basis** and not only to the Chairman and/ or promoter entities.

4(b) *Chairman's Compensation Structure Incentivizes Overstatement of Profits:* The statement made by Glaucus that the Company had incurred a loss in FY 2012 is **incorrect**. The Company's annual report for FY 2012 clearly shows that the Company had **recorded a profit of INR 2,423.4 million** (US$ 40.39 million)[2]. In the last 5 years, despite the Company making profits, the Chairman opted to receive substantially less than the fixed 5% commission he was entitled to receive. In FY 2013, the Company **incurred a loss and did not pay any commission to the Chairman**. The Company in 2012 amended its royalty agreement with Rolta Limited for use of the 'Rolta" trademark. This amendment was **duly approved by the shareholders** of the Company in accordance with the Companies Act, 1956 and **adequately disclosed in the Company's annual reports**.

5(a). *Rolta's +70% Indian EBITDA Margins Are Not Credible:* Glaucus' analysis of the Company's EBITDA on a standalone basis *vis-a-vis* the losses of its global operations is **misleading**. The very purpose of preparing consolidated statements is to **provide stakeholders a true and fair picture** of the EBITDA, profitability and margins of the Rolta group. The EBITDA of the international legal entities **is not the sole indicator of the profitability of the international business** - the EBITDA of 70% quoted by Glaucus is not from "**Indian operations**" but of the **Company's Indian and offshore global operations**.

5(b). *Negative Free Cash Flow:* The Company is in the midst of its investment cycle and has invested its available cash flows in financing of various acquisitions and R&D to grow the business. The Company has never concealed nor misrepresented its negative cash flows and has **disclosed the same in its annual reports.**

6. *Valuation:* The Company **categorically denies** Glaucus' allegation that it fails to generate positive EBITDA or that it has fabricated its capex. Glaucus has **failed to provide any credible evidence** to support its hypothetical analysis that the Company would be unable to repay the bonds on maturity. Glaucus has arrived at this valuation to support its recommendation to sell the bonds, **without seeking any clarification from the Company** or meeting any of its officers or visiting any of its offices. Glaucus' personal views on the Company's ability to repay are coloured as Glaucus has, **by its own admission stated that its views are biased with a view to profiteer**.

[2] *Based on US$ 1= INR 60.*

RESPONSE TO GLAUCUS REPORT

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 categorically denies the contents of the Glaucus Report in its entirety.

The allegations in the Glaucus Report are baseless and the report has factual errors and inconsistencies. By Glaucus' own admission, its motive in issuing the report 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.

The Company requests readers to consider the following statements made by Glaucus in its own report.

"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.****"*

These statements indicate that the Report has been issued in self-interest of Glaucus and with the objective of profiting from decline in price of the bonds and therefore the veracity of the contents

is prejudiced. The Company refutes all allegations made in the Glaucus Report and where relevant has provided the necessary information and supporting data.

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
1 of the Exec. Summary *(Page 1, 4-6)*	Capital Expenditure Fraud	We reject and deny the allegations of any fraud whatsoever, including with respect to the Company's capital expenditure. The Company's EBITDA for FY 2008 to FY 2014 is INR 43 billion (US$ 858 million). This figure is clearly reflected in the audited financial statements of the Company. Therefore, Glaucus' statement in relation to the Company's reported EBITDA being "supposed" is unwarranted and baseless. 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 which, *vis-à-vis* IT services, are significantly more capital intensive and require extensive upfront investment. Such investments generally have extended gestation periods for realization of return on investment. Glaucus has, **presented a misleading comparison** between the fixed asset turnover ratio of the Company and the fixed asset turnover ratio of only certain selective peers identified by Glaucus **with a view to present a distorted picture**. This fact is evident in the manner in which Glaucus has "cherry picked" the entities for comparing the Company's fixed asset turnover ratio in an attempt to substantiate its baseless hypothesis. Glaucus has inappropriately omitted similarly placed companies such as Larsen & Toubro and Tata Power (which Glaucus itself has identified as rival consortium i.e. competitors) to mislead readers of the Glaucus Report. The Company has compared its fixed asset turnover ratio with the fixed asset turnover ratio of similarly placed companies using publicly available information. Glaucus itself has identified some of these entities as the Company's competitors in its report.

<table>
<tr><th>POINT IN GLAUCUS REPORT</th><th>ALLEGATION (EXTRACT FROM GLAUCUS REPORT)</th><th>COMPANY RESPONSE</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><th colspan="6">TURNOVER / AVG. NET BLOCK (RATIO)</th></tr>
<tr><th>SR. NO</th><th>OTHER COMPANIES</th><th>MARCH 2012</th><th>MARCH 2013</th><th>MARCH 2014</th><th>AVERAGE</th></tr>
<tr><td>1</td><td>Tata Power Company Limited</td><td>1.50</td><td>1.13</td><td>0.98</td><td>1.20</td></tr>
<tr><td></td><td>Tata Power SED (Defence Division)</td><td>-</td><td>0.39</td><td>-</td><td>0.39</td></tr>
<tr><td>2</td><td>L & T Defence Related Subsidiaries</td><td>0.08</td><td>0.11</td><td>0.18</td><td>0.13</td></tr>
<tr><td>3</td><td>Hexagon AB (Intergraph has been acquired by Hexagon AB)</td><td>0.60</td><td>0.59</td><td>0.60</td><td>0.58</td></tr>
<tr><td>4</td><td>ITI Limited</td><td>0.36</td><td>0.34</td><td>0.29</td><td>0.33</td></tr>
<tr><td></td><td>AVERAGE</td><td>0.64</td><td>0.51</td><td>0.51</td><td>0.53</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td>ROLTA (in INR Million)</td><td>JUNE 2012</td><td>JUNE 2013</td><td>MARCH 2014 (9 MONTHS)</td><td>AVERAGE</td></tr>
<tr><td></td><td>Revenues</td><td>18,288</td><td>21,788</td><td>25,017</td><td></td></tr>
<tr><td></td><td>Average Net Block (Excluding Revaluation)</td><td>24,592</td><td>31,446</td><td>35,412</td><td></td></tr>
<tr><td></td><td></td><td>0.74</td><td>0.69</td><td>0.94</td><td>0.79</td></tr>
</table>

The table above reflects that the fixed asset turnover ratio of the Company 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.
</td></tr>
<tr><td>1(a) of the Exec. Summary and Point 1 of the Glaucus Report</td><td>Computer systems</td><td>The Glaucus Report is flawed as there are several baseless and convenient assumptions within the report itself. The conclusion arrived at by Glaucus of wasted cash (or cash losses) exceeding INR 25.5 billion (US$ 493.1 million) from FY 2008-2014 is by “assuming no depreciation” i.e. comparing the original purchase cost with the cash from disposal and arriving at a number called “loss assuming no depreciation”. This is absurd.

On account of this grossly erroneous assumption, the value of the loss supposedly incurred by the Company at the time of sale is significantly bloated.</td></tr>
</table>

<table>
<tr><th>POINT IN GLAUCUS REPORT</th><th>ALLEGATION (EXTRACT FROM GLAUCUS REPORT)</th><th>COMPANY RESPONSE</th></tr>
<tr><td>(Page 2, 7-8)</td><td></td><td>
Computer resources and technology related products by their very nature are assets that are highly depreciable. Given the rapid change in computer systems and technology, their replacement cycle is higher and quicker than it has been in the past. The replacement cycle of 2-6 years adopted by the Company is supported by a leading technology research and advisory firm that has stated the following:

"For high performance or power users, <u>consider a two or three year replacement cycle</u> if the performance boost from the system upgrades can be justified by measurable productivity gains (such as more lines of code produced by a software developer)."[3]

Based on publicly available information we have tabulated below data on the typical estimates of useful life of computer systems followed by some of the leading IT companies.

<table>
<tr><th>COMPANY</th><th>USEFUL LIFE OF COMPUTER EQUIPMENT'S</th></tr>
<tr><td>Infosys</td><td>3-5 years</td></tr>
<tr><td>Wipro</td><td>2 to 7 years</td></tr>
<tr><td>TCS</td><td>4 years</td></tr>
<tr><td>Tech Mahindra</td><td>3 years</td></tr>
<tr><td>Capgemini</td><td>3 to 5 years</td></tr>
<tr><td>Accenture</td><td>2 to 7 years</td></tr>
<tr><td>Hexaware</td><td>3 years</td></tr>
<tr><td>Mastek</td><td>2 years</td></tr>
<tr><td>iGate</td><td>3 years</td></tr>
<tr><td>Tata Power</td><td>6 years</td></tr>
<tr><td>L&T</td><td>6 years</td></tr>
<tr><td>Rolta</td><td>2 to 6 years</td></tr>
</table>
</td></tr>
</table>

[3] ***Source***: *Gartner Report on "PC Hardware Replacement Strategies: Desktop PCs, Thin Clients and Zero Clients", published on 10 August 2012.*

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE

This estimation of life cycle has also been given statutory recognition under the Indian Income Tax Act, 1961 where Computer systems are entitled to a rate of depreciation of 60% annually on a written down value basis. By the end of the second year, 84% of the purchase value would be depreciated and by the end of the third year approximately 94% would be depreciated.

The table below sets out the following:
(i) the purchases of computer systems by the Company between FY 2008 and FY2014;
(ii) the depreciation charged from the date of purchase till the date of disposal;
(iii) its book value at the time of disposal;
(iv) the cash received on disposal; and
(v) the profit and loss on disposal.

(All figures in INR million)

DISPOSAL	JUNE 2008	JUNE 2009	JUNE 2010	JUNE 2011	JUNE 2012	JUNE 2013	JUNE 2014	TOTAL
Gross Block **(A)**	903.58	1,924.63	1,695.41	2,366.26	1,953.01	16,170.07	642.57	25,655.52
Accumulated Depreciation till the date of sale **(B)**	903.55	1,885.50	1,667.20	1,973.11	1,494.91	16,050.40	642.34	24,617.02
Book value as on date of Sale **(A-B)**	0.03	39.13	28.21	393.15	458.10	119.67	0.23	1,038.51
Cash from disposals	9.45	4.05	63.63	4.48	0.46	12.20	60.03	154.31
Profit / (Loss)	**9.42**	**(35.08)**	**35.42**	**(388.67)**	**(457.64)**	**(107.46)**	**59.80**	**(884.20)**

From the above table it is clear that the loss incurred by the Company from the sale of its computer systems is actually INR 884.20 million (US$ 14.74 million)[4] **and not the grossly exaggerated loss of INR 25,548.7 million** (US$ 493.1 million) as

[4] *Based on US$ 1= INR 60*

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		reported in the Glaucus Report ("**assuming no depreciation**"), which is approximately 29 times higher than the actual loss. The Company has used data to demonstrate that Glaucus has presented a convoluted analysis of the typical replacement cycle of computer systems to support baseless allegations that the EBITDA is fabricated.
1(a)(i) of the Exec. Summary and Point 1(a) of the Glaucus Report *(Page 1, 8-11)*	Buy, depreciate, sell, lose money, and repeat	The Company denies adoption of a business model involving buying, depreciation and sale of assets. The replacement cycle followed by the Company for its computer systems is based on **widely accepted industry practices**. There has been no concealment from any analysts and investors and the accounts of the Company are prepared in accordance with Indian GAAP. In fact, the facts and information on deprecation sale, disposal of computers systems has been disclosed and the losses are not staggering. In fact, during the period between FY 2008 and FY 2014, the Company **made profits during 3 years out of the total 7 years** from such sale of computer systems, which is reflected in the table set out in the Glaucus Report on page 9 and the table in our response immediately above. The allegation of overstatement of the Company's EBITDA is baseless and not supported by research.
1(a)(ii) of the Exec. Summary and Point 1(b) of the Glaucus Report *(Page 2, 11-12)*	Why spend so much on computer systems?	It is obvious that expenditure on computer systems will be one of the largest components of capex for a company like Rolta India Limited given that IT (including defence IT) is one of its core businesses. We are surprised that an entity claiming to have conducted detailed research in preparing a report of this nature, would question an IT company on spending money on acquiring computer systems! Glaucus has made a comment on the computer systems per employee being 45 times more than a broad group of Indian based IT companies. The data provided **is selective in nature** and is an "apples to oranges" comparison purely to support Glaucus' incorrect allegation. **A significant portion of the Company's expenditure on computer systems is towards development of R&D prototypes, which has no connection with "computer cost per employee"**. Consequently, the calculation put forth by Glaucus is misleading as it has conveniently overlooked this fact.

<table>
<tr><th>POINT IN GLAUCUS REPORT</th><th>ALLEGATION (EXTRACT FROM GLAUCUS REPORT)</th><th>COMPANY RESPONSE</th></tr>
<tr><td>1(b) of the Exec. Summary and Point 2 of the Glaucus Report

(Page 2, 13)</td><td>Missing buildings</td><td>
The comparison to the value of an IPL cricket club is entirely irrelevant and an attempt by Glaucus to use incomparable's to reflect the Company in a negative light and profit from it.

During the relevant period (FY 2006 – FY 2014), the Company had undertaken capital expenditure to demolish certain existing building and re-construct newer and modern facilities in place thereof. For example, the Company's 2006 Bond prospectus identified the existence of Rolta Center One (old building), which was demolished and replaced by Rolta Tower One (which is referred to in the 2013 and 2014 Bond prospectus).

The table set out the next page gives details and timeline of construction of the Company's buildings alleged to be "missing" by Glaucus. This is further supported by photographic evidence of the old buildings demolished, replaced by the new and improved buildings constructed by the Company.

<table>
<tr><th>SR. NO.</th><th>PARTICULARS OF THE PROPERTY</th><th>STATUS IN 2006</th><th>STATUS IN 2014</th></tr>
<tr><td>1.</td><td>Rolta Centre, 5865 North Point Parkway, Alpharetta, Georgia 30022, USA</td><td>Existing</td><td>Unchanged</td></tr>
<tr><td>2.</td><td>Rolta Tower 1, plot 39, MIDC, Andheri (East), Mumbai</td><td>Old Building called Rolta Centre I (Please refer to the Photograph in Annexure A-1)</td><td>New building constructed after complete demolition of old building in FY 2012 & FY 2013 (Please refer to the Photograph in Annexure A-2)</td></tr>
<tr><td>3.</td><td>Rolta Centre II, 35, MIDC, Andheri (East), Mumbai 400093</td><td>Existing</td><td>Unchanged</td></tr>
<tr><td>4.</td><td>Rolta Tower "A", Rolta Technology Park, MIDC-Marol, Andheri (East), Mumbai</td><td>The construction of this building was completed in FY 2006 (Please refer to the Photograph in Annexure B-1)</td><td>Unchanged</td></tr>
<tr><td>5.</td><td>Rolta Tower "B", Rolta Technology Park,</td><td>This building was under construction in FY 2006 and was fully completed in</td><td>Unchanged</td></tr>
</table>
</td></tr>
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<table>
<tr><th>POINT IN GLAUCUS REPORT</th><th>ALLEGATION (EXTRACT FROM GLAUCUS REPORT)</th><th>COMPANY RESPONSE</th></tr>
<tr><td></td><td></td><td>
<table>
<tr><td></td><td>MIDC-Marol, Andheri (East), Mumbai</td><td>FY 2007 (Please refer to the Photograph in Annexure C-1)</td><td></td></tr>
<tr><td>6.</td><td>Rolta Tower “C”, Rolta Technology Park, MIDC-Marol, Andheri (East), Mumbai</td><td>Old Building called Rolta Bhavan was renamed as Rolta Tower "C" (Please refer to the Photograph in Annexure D-1)</td><td>New building constructed after demolition of old building in FY 2008 (Please refer to the Photograph in Annexure D-2)</td></tr>
<tr><td>7.</td><td>Unit no. 201-204, 501-504, SEEPZ SEZ, Andheri (East), Mumbai</td><td>NA</td><td>Unit nos. 201-204 were completed in FY 2009 and Unit nos. 501-504 were completed in FY 2010 (Please refer to the Photograph in Annexure E-1)</td></tr>
</table>
</td></tr>
<tr><td>1(c) of the Exec. Summary and Point 3 of the Glaucus Report

(Page 2, 14)</td><td>Phantom prototypes</td><td>Glaucus has incorrectly presented the following information in relation to the Company's expenditure on prototypes:

<table>
<tr><th>Figures are in INR million</th><th>2013 (9 months)</th><th>2014 (9 months)</th></tr>
<tr><td>Revenue (Indian Business)</td><td>9,584</td><td>11,429</td></tr>
<tr><td>EBITDA (Indian Business)</td><td>6,947</td><td>8,089</td></tr>
<tr><td>Expenditure on prototypes</td><td>9,006</td><td>8,379</td></tr>
</table>
Note: numbers are for 9 months ended March 31 of each year
Source:
1. 2013 Bond Prospectus, p.66
2. 2013 Unconsolidated Annual Result
3. 2014 Bond Prospectus, p.70
4. 2015 Q2 Unconsolidated quarterly result

This figures quoted in the table above of INR 9,006 million (US$ 150.1 million)[5] and INR 8,379 million (US$ 139.4 million) 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.

Per its own admission, Glaucus has sourced this information from Page 66 of the 2013 Bond prospectus and Page 70 of the 2014 Bond prospectus both of which relate to the</td></tr>
</table>

[5] *Based on US$ 1= INR 60*

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		section titled "*Management's discussion and analysis of financial condition and results of operations" (**MD&A**).* The introduction to each of the MD&A chapters in the 2013[6] and 2014[7] Bond prospectuses instruct the prospective investor to **read all statements therein in conjunction with the financial statements.** If the MD&A is read together with the financial statements (specifically the cash flow statements (*reproduced below*)), it is clear that the Company's total capital expenditure is INR 8,379.1 million (US$ 139.65million) (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**.** **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)** ***Source:** 2014 Bond prospectus, Page F-32.* As demonstrated, Glaucus has **incorrectly presented the figures** in question out of context as only "expenditure on prototypes" without reading such figures together with figures mentioned in the cash flow statements. It is on this incorrect analysis

[6] ***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."*

[7] ***Source**: Page 54 of the 2014 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, 2013 and 2012 and as of and for the nine-month period ended March 31, 2014 and the related notes thereto, and the unaudited consolidated financial statements as of and for the nine-month period ended March 31, 2013, included elsewhere in this Offering Memorandum. You should also read the audited consolidated financial statements of Rolta International as of and for the year ended June 30, 2013 and as of and for the nine-month period ended March 31, 2014."*

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		that Glaucus has wrongly alleged that the reported expenditure on prototypes exceeds the reported EBITDA for FY 2013 and FY 2014. ***The Company is in the process of bidding for various projects from the Ministry of Defence (MoD)*** Glaucus has alleged that the Company has not provided any information on capital expenditure for development of prototypes (in connection with defence projects) other than BMS and TCS (*further details below*). The Company has made disclosures on the numerous large defence projects it is in the process of bidding for in the 2013 Bond prospectus (*Page 76*) and 2014 Bond prospectus *(Pages 78-79)*. For the sake of reference, we have reproduced the details of these six projects that were in fact disclosed in respect of which the Company has incurred costs in developing prototypes: *(i)* *Military Communications Tactical Communication System (US$4 billion — US$5 billion announced).* This includes (i) tactical communications systems, which are communications systems for the Indian Army's voice and data communications during battle; and (ii) Software Defined Radios and other Communication Systems, which are defence communication systems, including software defined radios to replace legacy radios systems, used by the Indian Army. *(ii)* *Battlefield Management System (US$2 billion — US$2.5 billion announced).* A system designed to provide the Indian Army an integration tool providing tactical support to all levels of military personnel from soldiers to commanding officers in the tactical battle area. Rolta and Bharat Electronics Limited, one of India's leading public sector enterprises in the defence sector, have formed an exclusive consortium to bid for a contract to design and supply a command and control program for a battlefield management system, the contract value of which has been reported to be potentially worth more than US$6.6 billion (source: India's Business Standard, November 12, 2013). The actual value of the contract

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		cannot be accurately estimated yet and may be significantly different from the amount reported. *(iii)* *Future Infantry Soldier as a System Program (US$2 billion — US$3 billion announced).* The Indian Army's Futuristic Infantry Soldier as a System (F-INSAS) program is designed to turn each soldier into a 'self-contained fighting machine'. The system will include night vision goggles, mobile communication systems as well as advanced personal digital assistant (PDA) devices. *(iv)* *C4ISTAR (US$300 million — US$500 million announced).* These systems form the backbone of the sensor-to-shooter chain and enable the armed forces to complete the OODA (Observe, Orient, Detect and Act) loop in a quick manner. *(v)* *Optronics and vehicle systems (US$5 billion — US$7.5 billion announced).* Night vision devices, weapon sights, military communications and fire control systems for various combat vehicles. *(vi)* *Homeland and maritime security systems (US$3 billion — US$5 billion announced).* Home and maritime security systems, including crime and criminal tracking network system (CCTNS), coastal surveillance and communication, critical infrastructure protection, safe city and quick response emergency police teams. ***Need for Company's investment in marketing and R&D prototypes*** The Company invests heavily in research and development of marketing and R&D prototypes. These prototypes involve numerous types of developments and take a variety of forms that include technology demonstrators, battle labs, IP and Testbed. The Company bids for procurement of projects in the highly competitive defence and homeland security sector with a host of larger and established players. With a view to being more competitive and as a part of its business strategy, the Company invests in research and development of prototypes in order to be in a position to qualify for participation in bids for high value defence and homeland security projects such as

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		the 'Battlefield Management System' and other programs like military communications, future infantry soldier as a system program, C4ISTAR, Optronics and vehicle systems, homeland and maritime security systems. Further, as identified under Paragraph 23 of MoD's Defence Procurement Procedure 2013[8] (**DPP**) one of the key criterion of assessment of various bids, is the contribution of the Indian bidder in critical technology areas. It further goes on to state that the offer from an Indian entity must clearly mention that the IPR rights of the products are owned by the Indian entity. Paragraph 24 of the DPP (*Selection criteria for Development Agency*) identifies competence of the bidder to address the critical technology areas of the project through indigenous means as one of the factors that are examined by the IPMT for shortlisting candidates. All these factors necessitate the Company to continuously invest heavily in marketing and research prototypes. Development of these prototypes is critical for the Company to showcase its expertise when participating in bids floated by the MoD. This strategy has proved fruitful for the Company. For example, the Company was recently shortlisted as one of the development agencies for the prestigious 'Battlefield Management System Programme, a Make in India Project'[9] as part of an exclusive consortium with Bharat Electronics Limited. The Company is not entitled to be reimbursed for monies invested for development of these marketing and research prototypes. Capex on prototypes developed **prior to being selected as a 'Development Agency'** for any defence project by the MoD are not entitled to be reimbursed under the DPP (*as discussed below*). ***Timeline of reimbursement by the Government for such investment – Misunderstood by Glaucus*** Glaucus has made reference to a stipulation that the Company is entitled to be reimbursed for 80% of the cost involved in development of prototypes **out of context.** This provision of cost sharing applies only to prototypes which are developed for the project after selection and fulfill the parameters under Paragraph 30 of the DPP.

[8] *Available at http://mod.nic.in/writereaddata/DPP2013.pdf*
[9] *The press release of the Company is available at: http://www.rolta.com/file//pdfs/news_release/BMS-Press-Release-Feb-2015.pdf.*

		Under Paragraph 30 of the DPP, sharing of costs is only approved by the Defence Acquisition Council in projects where (a) the system configuration is complex, (b) development lead time is relatively long and (c) technological risks are substantial. Further, in such projects, funds are typically[10] released by the Government by way of reimbursement only after the successful bidder of the contract has successfully achieved pre-identified milestones/ completed the project, which is ordinarily a year after the bidder is selected as the 'Development Agency'. **As on date, the Company has not received any money from the MoD for development of its prototypes**. ***Glaucus has misconstrued information set out in news articles*** Glaucus has alleged that the value of prototypes for the two largest defence and homeland security contracts is an aggregate amount of USD 117 million (USD 67 million for BMS + USD 50 million for TCS). Glaucus has placed reliance on articles published on a website (www.defencenews.com) which is not an official website of the MoD. The relevant extracts of each of the articles are reproduced below: *"The development of the prototypes is **projected to cost** about $67 million with the MoD covering 80 percent of the expense and the shortlisted domestic company 20 percent."*[11] *"The Defence Ministry sent Staff Qualitative Requirements to the two competitors last month asking them to give a detailed project report by January. Thereafter, each of the two competitors will have to build two prototypes of the TCS at a **cost of about** $50 million, which will then be put to trials.* *Under the Make India category, the government will contribute nearly 80 percent toward the cost of the prototypes and the remainder will be borne by the competitor."*[12] These extracts clearly reflect that these numbers are **mere estimates** of the publisher and cannot be assumed to be approved by the MoD. As explained above, the 80% sharing provision applies only after the bidder is selected as the 'Development Agency'. Further, in respect of the 'Battlefield Management System Programme', the selection of 'Development Agency' was completed in February 2015 so there is no question of any reimbursement to the Company as of March 2014.
1(d) of the Exec. Summary	Ikea be damned	Glaucus has erroneously reported that the Company's expenditure on furniture and fixture (**FF**) per employee is USD 10,492.5.

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
and Point 4 of the Glaucus Report *(Page 2, 15)*		***Misleading comparison of "gross FF value" per employee of the Company against "net FF value" per employee of other companies*** The figure of USD 10,492.5 of FF per employee presented by Glaucus has been calculated on a gross basis. Glaucus has conveniently compared this value with the **net value** of FF per employee for Accenture, Wipro and Google. Further, in calculation of FF per employee, it is erroneous to assume that this figure only relates to chairs. This expenditure includes all office furnishings and fittings. This misleading comparison has **significantly bloated** the difference of FF value per employee of the Company and the FF value per employee of the aforementioned entities. <u>This is a comparison of incomparables i.e. apples to oranges.</u> ***Workforce of Company comprises of employees + subcontractors*** Glaucus has fundamentally misunderstood the manner in which the Company operates. Besides, its 3,500 employees, the Company uses a **large number of sub-contractors** in its business operations. For example in FY 2014, the Company incurred a cost of INR 8,264.8 million (US$ 137.75 million)[13] on cost of materials and technical sub-contractors. Since, the Company operates in the sensitive sectors such as defence, homeland security, mapping, it is required to maintain a high level of data confidentiality. Consequently, the Company is required to accommodate its sub-contractors on the Company's premises. ***No outsourcing of personnel to external client locations*** 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

[10] *Paragraph 30 of the Defence Procurement Procedure clearly provides that the IPMT will identify important milestones during the development of prototypes. Funds will be released by Acquisition Wing to the industry based on the recommendations of the IPMT as per schedule of release of payments linked to the achievement of milestones. The milestone for reimbursement of costs by the ministry is successful completion of the project.*

[11] ***Source:*** *http://www.defensenews.com/article/20130722/DEFFEAT02/307220013/India-Goes-Local-Battle-System*

[12] ***Source:*** *http://www.defensenews.com/article/20131126/DEFREG03/311260019/Experts-Make-India-Approach-May-Undercut-New-Comm-System*

[13] *Based on US$ 1= INR 60*

<table>
<tr><th>POINT IN GLAUCUS REPORT</th><th>ALLEGATION (EXTRACT FROM GLAUCUS REPORT)</th><th>COMPANY RESPONSE</th></tr>
<tr><td></td><td></td><td>
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.

Seating capacity

The number of employees of the Company is approximately 3,500. However, the Company has incurred expenditure to put in place infrastructure to seat approximately 7,000 persons. As mentioned above, this seating capacity is required so as to accommodate the sub-contractors who work within the Company's premises. Further, the Company is in a phase of growth and has built additional seating capacity to support its expansion plans over the next 2 to 3 years.

<table>
<tr><th colspan="5">CALCULATION OF PER SEAT COST</th></tr>
<tr><th>Rolta India Limited</th><th>June 2011</th><th>June 2012</th><th>June 2013</th><th>March 2014</th></tr>
<tr><td>Net Block Furniture & fixture (in INR Million)</td><td>1,264.6</td><td>1,175.9</td><td>1,632.5</td><td>1,600.9</td></tr>
<tr><td>Seating Capacity</td><td>5,000</td><td>5,750</td><td>7,000</td><td>7,000</td></tr>
<tr><td>Cost per Seat (US$)</td><td>5,655.8</td><td>3,631.8</td><td>3,906.4</td><td>3,805.3</td></tr>
<tr><td>Rate (USD to INR)</td><td>44.72</td><td>56.31</td><td>59.70</td><td>60.10</td></tr>
</table>

As mentioned above, Glaucus has erroneously reported that the Company's expenditure on furniture and fixture (FF) per employee is USD 10,492.5.

The information and evidence provided by the Company demonstrate that Glaucus has presented inaccurate information and reached a flawed conclusion with respect to the value of the Company's FF per employee.
</td></tr>
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POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
1(e) of the Exec. Summary and Point 5 of the Glaucus Report *(Page 2, 16-17)*	Capital expenditure for the benefit of Chairman' private company	***Gurgaon Facility owned by Rolta Limited and leased to the Company*** The facility in Gurgaon (**Gurgaon Facility**) is indeed in the name of Rolta Limited, a company that is closely held by the Chairman and his family. Rolta Limited leased out two floors of the Gurgaon Facility to the Company under a lease arrangement for which the memorandum of understanding was entered into in 2008. The agreements recording the lease arrangements have all been duly stamped and registered with the Land Registrar. ***No Naked Transfer of Wealth to the Chairman*** The Company pays rental amounts to Rolta Limited (which is a Company held by the Chairman) for leasing the Gurgaon Facility. The Company denies that it is paying any monies to the Chairman directly or that it is an attempt to transfer wealth to the Chairman. The lease rentals are on arms-length basis and have been disclosed as related party transactions in the annual report of the Company for the year ended 30 June 2009, and the same has been consistently disclosed in all its annual reports thereafter. In fact, the lease rentals paid by Fortune 500 multinational companies to Rolta Limited for occupying office space in the same building are higher than the rentals paid by the Company. Glaucus is alleging that the Company has constructed the Gurgaon Facility and subsequently transferred it to Rolta Limited. This is erroneous. The Company in its capacity as lessee of the Gurgaon Facility has expended cash up to INR 1.5 billion (US$ 31 million) towards furnishing and fit outs, installing computer systems, air conditioning, power generators and setting up defence demo and R&D testing laboratory on the floors occupied in the Gurgaon Facility. The litigation (relating to supply, installing and testing of air conditioning systems) disclosed by the Company in the 2014 Bond prospectus pertains to the office premises leased by the Company in the Gurgaon Facility. The Company in its capacity as lessee had engaged the services of the supplier of the air conditioning systems for the two floors occupied with it. Litigation with a supplier of air conditioning systems is no basis for the allegation that the Company has paid for construction of the Gurgaon Facility. Glaucus is attempting to manipulate the unrelated facts. These statements

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		reflect that the Glaucus Report is full of inaccuracies and baseless allegations masquerading as research. Therefore, there is no question of "**naked transfer of wealth**" from the Company to the Chairman.
1(f) of Exec. Summary and Point 6 of the Glaucus Report *(Page 2, 17-18)*	Capex significantly exceeds guidance	The Company believes the manner of comparison of data in the Glaucus Report (including references to the conference calls, public filings) is misleading. The analysis presented by Glaucus in connection with the capex guidance incorrectly reflects that the Management had included acquisition costs to be incurred by the Company, while providing guidance on the estimated capex cost. **However, these acquisition costs were never included by the Management as part of its capex guidance.** In the past, on certain occasions, the Company has unexpectedly had to increase its investment in cutting edge technology prototypes to compete for EOIs (*Expression of Interest*) issued by the Government. It is not uncommon for companies to exclude acquisition cost from their capex estimates given that companies **cannot be expected to predict the number and value of acquisitions** they may make in a particular year since such acquisitions are evaluated as and when such business opportunities arise. Further, the estimates provided by the Management on capex also include estimations of cost of import of assets. On account of foreign exchange fluctuation, such estimates are also impacted to the extent of the cost of the imported asset in foreign exchange terms. 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 any estimates made by the Management of the Company are on a **good faith basis** and based on their reasonable and genuine belief at that point in time. The Company reiterates that its capital expenditure has not been fabricated in any manner whatsoever.
2 of the Exec. Summary	Past is Prologue: 2004	The recording of "inter-divisional transfers" as sales was **generally an accepted accounting practice** in India prior to 2005.

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
(Page 2, 19-21)	Accounting and Tax scandals	Glaucus has misconstrued the order of SEBI dated 20 July 2004, (in relation to the accounting practice of recording inter-divisional transfers as part of sales figures). SEBI in its order recorded the following- "*There are, however, a few mitigating factors which deserve due consideration : The company had been adopting the said accounting practice since 1996 onwards; the accounting policy adopted and the cost of capitalized item included in the sales had been disclosed in the relevant schedule to the accounts; it had not impacted the profit and loss of the company; following the advice of the stock exchange, the company had appended appropriate notes in the published quarterly financial statements; there have been no allegations or evidence pointing to any manipulation of the price. It is, nevertheless, observed that despite the accounting practice adopted by it having been subjected to critical observations, the company continued the practice while presenting Annual Accounts for the period ended June 30, 2003 as well, though with usual disclosures.*" **SEBI in its order in 2004 did not impose any fine or penalties on the Company** and advised the Company to discontinue this accounting practice. In this connection, it must be added that this accounting practice was fairly common and was being adopted by a number of companies, including listed companies until the ICAI issued an announcement prohibiting the practice on 2 April 2005. A copy an article published by the Economic Times titled "***Inter-division transfers can't be sales: ICAI***" dated 7 April 2005[14] reports on the announcement of the ICAI. **The Company had already stopped this accounting practice from the financial year ended 2003, well before the ICAI's prohibition announcement in 2005.** A copy an article published by the Economic Times titled "***Inter-division transfers can't be sales: ICAI***" dated 7 April 2005 is reproduced below for reference. "*Companies that report inter-divisional transfers as sales in their books could find themselves in a spot. The Institute of Chartered Accountants of India (ICAI) has made an announcement regarding the recognition of revenue that will change the way several companies report financial figures.*

[14] ***Source**: http://articles.economictimes.indiatimes.com/2005-04-07/news/27484124_1_transfers-total-sales-revenue-recognition*

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		Many companies show a gross figure as sales, which includes inter-divisional transfers. But now, the ICAI says such transfers should not be accounted for as sales since this is inconsistent with the existing regulations, known as Accounting Standard 9, on revenue recognition. *Companies that were reporting inter-divisional transfers as sales will now have to reduce their sales to that extent, but profits will not be affected by this move. Accounting Standard 9 deals with revenue recognition and is mandatory. So auditors will have to ensure that the standard is followed.* *The announcement dated April 2, '05 says, "In case of inter-divisional transfers, risks and rewards remain within the enterprise and also, there is no consideration from the point of view of the enterprise as a whole; the recognition criteria for revenue recognition are also not fulfilled in respect of inter-divisional transfers."* *Reporting inter-divisional transfers separately is common in many companies, where the output of one division is the input for another. There are various ways of showing the net impact — this can either be done at cost or at the prevailing market price. It does not affect profits in any manner, as both sales and raw material costs are inflated on par.* *But what it does is inflate sales. In reality, the division has not actually sold these goods and, hence, will not receive any monetary consideration from an outside party. For example, a company's total sales may be Rs 200 crore, including Rs 50 crore as inter-divisional sales.* *At present, if inter-divisional transfers are to be included in sales, then it must be mentioned separately in the accounts. According to the new rule, the sales in the above said case will have to be shown as Rs 150 crore.* ***Some of the well-known companies that have large inter-divisional transfers are Reliance Industries, IPCL, Indian Oil, Ispat Industries, Nirma, Neyveli Lignite, Sterlite, SAIL, Gail and HPCL, among others**. These companies may not be accounting for it in the same manner, but the end-result is the same.* *Analysts often find such accounting confusing since it is not known at what price the goods were transferred. The stated advantage of this method of accounting is that every division can work like a profit centre for internal purposes, and be measured as such. But experts point out that this can be done without reporting transfers as sales in the books of accounts.* *"This announcement brings to the attention of members that this is the correct practice to be followed. Henceforth, if it is not followed, the institute may take an adverse view of it. And auditors will have to qualify accounts if this practice is continued," says Vijay Bhatt, partner, RSM & Co.* *There is, however, no unanimity at the moment among accounting professionals about the period for which the new treatment has to be applied. "Every auditor will have to ensure that the accounting treatment is reflected*

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		appropriately, but a lot more clarity about the exact details of the implementation is required," says Shitin Shah, a chartered accountant. *"It should apply to the past years too, but will certainly apply to all accounts prepared after the announcement date," says Pravin P Shah, another chartered accountant.* *Technically, since the accounting standard is mandatory for the financial year '04-05, the accounting treatment should reflect the clarification made in the announcement. But not all auditors share this view, and the actual implementation will be eagerly watched by accountants and analysts alike."* ---End of Article--- The ITD raids carried out on the Company and its officers are not by itself proof of any alleged tax evasion. All of the Company's income tax assessments up to the financial year 31 March 2011 have been completed by the ITD. The audited financial statements for the financial years ended 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 reflect that there are **no pending tax dues or litigations.** Glaucus has, sensationalized these events as "scandals" which as indicated by the facts above, either did not result in the company being prosecuted or were in line with then prevailing accounting practices. Accordingly the question of independent directors or auditors being fired or having to resign did not arise.
3 of the Exec. Summary and Point *(Page 2, 22)*	Undisclosed procurement scandal	The news items referred to by Glaucus make no express allegation or conclusion against the Company or its officials. Accordingly it is just an attempt to falsely imply the Company's complicity and impact its reputation. Further, Glaucus has conveniently sought to highlight certain dated reports and omitted to disclose to the readers that the Company had **categorically denied any involvement** in the alleged procurement scandal in its press release dated 12 December 2011.[15] An extract of the Press Release is reproduced below:

[15] *The Press Release issued by the Company is accessible at* http://www.rolta.com/wp-content/uploads/pdfs/news_release/dec12-2011.pdf

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		"*The Company, normally as a principle, does not comment on such news articles. However, this particular news item questions the efficacy of operationally critical equipment deployed by the Indian Army and strikes at the very integrity of the Company and the Indian Defence Forces, compelling us to issue this statement.* *Rolta has been privileged to serve the Indian Armed Forces for over 20 years and is proud of its track-record, including in the Kargil conflict and Op Parakaram. The Company is also deeply humbled by the hundreds of appreciation letters it has received, from its users in Indian Defence, lauding its efforts, especially in supporting the remotest of formations, in the most difficult of situations, over hazardous terrain and in actual operations.* *The systems Rolta has provided have been thoroughly tested, accepted and validated in both peace-time and war-like conditions. Rolta has always met and exceeded its contracted deliverables, including delivery of various software updates & upgrades. As a part of these deliverables, Rolta as an OEM develops and provides an integrated system, built around Rolta Intellectual Property, which includes various specialized hardware, software and services for a militarized solution. This solution also incorporates commercial-off-the-shelf (COTS) software from third parties, like Microsoft, Bentley, Intergraph, Oracle, etc. The Company always takes extra care to ensure that all software is always delivered as per the licensing and end-user agreements, of each software provider.* *Rolta has been able to deliver tremendous value to the Indian Defence Services over two decades. This has been made possible, due to an unmatched commitment by Rolta, in working shoulder-to-shoulder with Defence users and its huge investments of hundreds-of-crores in acquiring and developing world-class indigenous software that fully meets the stringent military requirements of Indian Armed Forces.* ***It is for the first time ever that a news article has carried such allegations against the Company. Rolta refutes these allegations, which are absolutely baseless and seem to have been made with malafide and motivated intentions, by vested/competitive interests, to defame the good name of Indian defence ministry/forces and Rolta*.**"

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		No proceedings were initiated against the Company in connection with this alleged scandal and accordingly the question of making any disclosure in the 2013 or 2014 Bond prospectus does not arise. **The Company denies that there were any material omissions in the 2013 or 2014 Bond prospectus**. The fact that the Company has recently (February 2015) been shortlisted for the prestigious Battlefield Management Project 'Make in India' contract (as mentioned in the Glaucus report itself), in our opinion, is indicative of the confidence the Company continues to enjoy with the MoD. The Company's press release dated 26 February can be accessed at http://www.rolta.com/file//pdfs/news_release/BMS-Press-Release-Feb-2015.pdf.
4 of the Exec. Summary *(Page 3, 23)*	Questionable transactions with Chairman	The Company denies having enriched the Chairman at the expense of bondholders and we have rebutted the claims of Glaucus below.
4(a) of the Exec. Summary and Point 1 on Page 23 *(Page 3, 23)*	Dividends paid with borrowed funds	The Company denies having borrowed funds for the purpose of paying dividends. Under Indian companies law, it is not possible for a company to declare dividend from borrowed funds as dividend can be declared by a company for any financial year only out of the profits of the company. Our audited annual reports reflect that the **Company has generated profits in years it has declared dividends**, which have been paid by the Company from these profits and in compliance with the Companies Act, 1956. All dividends declared by the Company have been paid out to **all the shareholders of the Company on a *pari passu* basis** and not only to the Chairman and/ or promoter entities. Therefore it is erroneous to say that the Company is seeking to enrich its Chairman unjustly through the declaration of dividend.
4(b) of the Exec Summary and Point	Chairman's compensation structure incentivizes	The Company is transparent regarding the compensation package of the Chairman. Glaucus in its own report has stated that the details of the Chairman's compensation is a matter of public record.



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<tr><th>POINT IN GLAUCUS REPORT</th><th>ALLEGATION (EXTRACT FROM GLAUCUS REPORT)</th><th>COMPANY RESPONSE</th></tr>
<tr><td>2 on Page 23 and 24

(Page 3, 23,24)</td><td>overstatement of profits</td><td>
The allegations made by Glaucus are demonstrative of distortion of facts by Glaucus and lack of thorough research.

The Company denies that it incurred a loss in FY 2012 (June). The Company's annual report for that financial year (Page 77) reports that the Company had recorded a profit of INR 2,423.4 million (US$ 40.39 million)[16]. Accordingly, the Company was justified in compensating the Chairman in terms of his appointment which was approved by the shareholders of the Company.

Separately, the audited financial statements for FY 2013 (June) reflect that the Company had incurred a loss of approximately INR 8,391.9 million (US$ 139.86 million) for that year and the Company did not pay any compensation to the Chairman.

As per the terms of appointment of the Chairman (that was duly approved by the shareholders in accordance with the Companies Act, 1956), the Chairman is entitled to receive a fixed commission of 5% of the net profits annually. However, over the last 5 years, despite the said approval and Company making profits, the Chairman in each year had opted to receive substantially less than the 5% commission he was entitled to receive.

Particulars of the commission paid to the Chairman in the previous 5 years is set out in the table below:
<table>
<tr><th>SR. NO</th><th>FINANCIAL YEAR</th><th>% OF COMMISSION PAYABLE</th><th>CONSOLIDATED NET PROFIT / (LOSS)</th><th>% OF NET PROFIT</th><th>COMMISSION AMOUNT</th></tr>
<tr><td>1</td><td>June 2010</td><td>5%</td><td>2,551</td><td>3.00%</td><td>76.5</td></tr>
<tr><td>2</td><td>June 2011</td><td>5%</td><td>4,016</td><td>2.50%</td><td>100.0</td></tr>
<tr><td>3</td><td>June 2012</td><td>5%</td><td>2,423</td><td>2.50%</td><td>61.3</td></tr>
<tr><td>4</td><td>June 2013</td><td>5%</td><td>(8,392)</td><td>NIL</td><td>-</td></tr>
<tr><td>5</td><td>March 2014 (9 months)</td><td>5%</td><td>2,837</td><td>2.50%</td><td>62.5</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td>300.3</td></tr>
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[16] *Based on US$ 1= INR 60.*

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		The Company denies using any accounting gimmicks to artificially inflate its revenue or profits. Further as mentioned in the response to Point 2 of the Exec. Summary above (*Past is Prologue – 2004 Accounting and Tax Scandal)*, the Company's accounts from 1997-2001 were prepared in accordance with generally accepted accounting principles in India. ***Royalty arrangement was duly approved by shareholders of the Company*** The Company has amended its royalty agreement with Rolta Limited (a company closely held by the Chairman and his family) in 2012 for use of the 'Rolta" trademark and this fact was **duly approved by the shareholders** of the Company in accordance with the Companies Act, 1956 and **adequately disclosed in our annual reports**. The license granted to the Company to use the "Rolta" trademark is on an arms-length basis.
5	Myth of Rolta	
5(a) of Exec. Summary and Point 1 on Page 25 *(Page 3, 25)*	Rolta's +70% Indian EBITDA Margins are not credible	The analysis furnished by Glaucus of the revenues and EBDITA margins demonstrates its errors in understanding how the Rolta group's global operations are structured through its various offshore entities. ***EBITDA of the Company must be evaluated on a consolidated basis*** It is **misleading** to consider the Company's EBITDA on a standalone basis. The consolidated EBITDA numbers give a **true and fair picture** of the EBITDA of the Rolta group. The very purpose of preparing consolidated financial statements is to provide investors, shareholders and bondholders with a holistic and complete view of the group's revenue, profitability, margins etc. Accordingly, for any fair analysis, one cannot refer only to standalone EBITDA and ignore consolidated figures. ***EBITDA of offshore legal entities is not an indicator of the profitability of the offshore business*** Company's offshore operations are structured in such a manner that the client contracts are entered into with the offshore entity, which in turn enters into a back to back arrangement with the Company. These offshore entities typically carry out the sales, marketing support and any on-site work relating to the contract (if any) and the solutions and offshore services are delivered by the Indian Company that has the

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		requisite assets, resources and expertise (including IPR). Accordingly, the Rolta group's offshore business bolsters the profitability of the Company. Glaucus by making the following statement below, is attempting to confuse and mislead the reader by suggesting that the EBITDA of the offshore legal entities ought to be used as the indicator of the profitability of the offshore business. "*Although Rolta reports consolidated EBITDA margins of 35%, Rolta's North American business operates at a loss, meaning that such reported profitability is driven by EBITDA margins from Indian operations which have topped 70% in FYs 2013 and 2014*." 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. To reiterate, the EBITDA of international legal entities is not the sole indicator of the profitability of the Rolta group's international business. This method of optimizing a global delivery model (i.e. offshore and onshore legal entities) operations is not peculiar to the Company. It is a practice typically followed by most IT multinational corporations based in India.
(b)	Negative free cash flows	The Company has never concealed nor misrepresented its cash flow statements from its shareholders, bondholders or investors. The annual reports of the Company clearly reflect that it has a negative cash flow. The Company being in the midst of its investment cycle, has invested its available cash flows in financing of various acquisitions and R&D to grow the business.
6	Valuation	The Company reiterates that the information disclosed to the bondholders in the 2013 and 2014 Bond prospectuses and in its audited annual reports is accurate. Glaucus has made unsubstantiated claims that the Company has failed to generate positive EBITDA either in India or offshore. The Company denies that it has fabricated its capex.

POINT IN GLAUCUS REPORT	ALLEGATION (EXTRACT FROM GLAUCUS REPORT)	COMPANY RESPONSE
		Glaucus has not supported its hypothetical analysis with credible research that the Company would be unable to repay the bonds on maturity. Its views on the Company's inability to repay is conjecture. The Company does not wish to comment on Glaucus' opinion on the Indian judicial system. These personal views that have been expressed by Glaucus in an attempt to devalue the bonds so that Glaucus can profit. The quantum of investment by large global investors in Indian debt securities over the previous few years indicates that global investor sentiment does not support Glaucus' concerns. The Company **categorically denies** having manipulated its accounts during 1996-2001 (as alleged by Glaucus). Further, as mentioned in our response in Point 2 of the Exec. Summary above, SEBI did not impose any fine or penalties on the Company and advised the company to discontinue the particular accounting practice. Accordingly the question of independent directors or auditors being fired or having to resign did not arise. All the Company's accounts (including income and expenditure) are prepared in accordance with the Indian GAAP and duly audited by reputed auditors. Glaucus has arrived at this valuation to support its recommendation to sell the bonds, <u>without seeking any clarification from the Company</u> or meeting any of its officers or visiting any of its offices. Glaucus itself has in its report admitted that they seek to profit from short selling of the Bonds. These statements are by Glaucus's own admission merely stated to be their opinions. These opinions are unsubstantiated and merely intended to shock with a view to gain by a decline in the price of the Bonds. The Company has in its response demonstrated with the support of data and information that its capital expenditure is genuine. The profit as disclosed in the audited financial statements for the 9 months period ended 31 March 2014 was INR 2836.9 million (US$ 47.28 million)[17] and therefore Glaucus's allegations that the business is not profitable is absurd. Glaucus has made forward looking statements that the Company will not be in a position to generate cash flows that is conjecture.

[17] *Based on US$ 1 = INR 60*

Annexure A - 1: Rolta Centre - I (Old)



Annexure A - 2 : Rolta Tower I (New)



Annexure B - 1 : Rolta Tower A



Annexure C - 1: Rolta Tower B



Annexure D - 1 : Rolta Bhavan renamed as "Rolta Tower C" (Old)



Annexure D - 2 : Rolta Tower C (New)



Annexure E - 1 : Rolta SEEPZ SEZ

