

August 14<sup>th</sup> 2015

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Dear Sir,

Sub: Outcome of the meeting of Board of Directors

This is to inform you that in terms of Clause 36(7)(ii) of the Listing Agreement, the Board of Directors of the Company at its meeting held today inter-alia has considered and approved the acquisition of AXISCADES Aerospace & Technologies Private Limited ("ACATL") by way of a Scheme of Amalgamation of India Aviation Training Institute Private Limited ("IAT") with AXISCADES Engineering Technologies Limited ("ACETL"). The disclosures with respect to the said Scheme of Amalgamation are provided in the **Annexure** attached herewith.

The Scheme of Amalgamation would be subject to the approval of the Jurisdictional High Court and any other statutory or regulatory authorities as applicable.

We request you to take the same on record.

Yours faithfully,

For **AXISCADES Engineering Technologies Limited**

  
**Vivek Mansingh**

**Chairman**

Attached: a/a



**AXISCADES Engineering Technologies Limited**  
(formerly Axis-IT&T Limited)

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## Annexure

### **AXISCADES Engineering Technologies to Acquire Aerospace & Defence Company; Transaction to be EPS Accretive**

**New Delhi, Aug 14, 2015:** The Board of Directors of AXISCADES Engineering Technologies Limited (ACETL) has approved the acquisition of AXISCADES Aerospace & Technologies Private Limited (ACATL) (herein after "Transaction"). The acquisition is proposed to be carried out through a Scheme of Amalgamation of the Holding Company of ACATL, which is, India Aviation Training Institute Private Limited (IAT), with ACETL.

The transaction is subject to approval from SEBI, Stock Exchanges, Hon'ble High Court and the shareholders and creditors of ACETL and IAT as directed by the Hon'ble High Court.

#### Salient features

- 1) The swap ratio recommended by the independent valuers and approved by the Board of ACETL is **4.5:1**, i.e. for **45** shares of IAT (face value of Rs. 10 each), for **10** shares of ACETL (face value of Rs. 5 each) would be issued.
- 2) Upon the transaction being effective, ACATL (Aerospace & Defence Company) would become a 100% subsidiary of ACETL.
- 3) ACETL will issue **10.57** million new shares, thereby increasing its shares outstanding to **37.76** million and its equity capital to Rs. 188.8 million.
- 4) The appointed date of Scheme of Amalgamation is 1<sup>st</sup> April, 2016

#### Background

- ACETL is one of India's leading engineering solutions providers, catering to the futuristic needs of aerospace, heavy engineering, automotive and industrial production sectors globally.
- IAT, a company incorporated on August 20, 2007 in Bengaluru was established for the purpose of providing aviation related training solutions.
- IAT owns 100% stake in AXISCADES Aerospace & Technologies Private Limited ("ACATL"), a company incorporated in the year 2001, at Bengaluru.





- AXISCADES Aerospace & Technologies Private Limited (ACATL) is a niche player providing strategic technologies to aerospace, defence & homeland security sectors. ACATL has built capabilities in system integration, design and development of solutions and platforms in the areas of automatic test equipment & test solutions, software and simulations, avionics, electronic warfare systems and paramilitary training solutions.
- ACATL has built deep customer relationships over the last 6 years and has a proven track record of successfully executing offset programs for its marquee clientele comprising of global OEM's and the Indian Ministry of Defence.
- ACATL has a strong and experienced management team with over 100 years of domain expertise. The company has developed best-in-class systems and processes, enabling it to compete for, and win, projects against global peers.
- ACATL has seen exponential growth of over 4.0x in the top line over the last 3 years. Given its strong brand name, marquee client relationships, certifications and infrastructure, strong management team and presence in a sector with high entry barriers, ACATL is uniquely positioned to capitalize on the enormous opportunities. The India sourcing opportunity within the global OEM supply chain is estimated to grow from \$1.5 billion to \$10 billion over the next 5 years. The defence offset industry and the "Make in India" initiative is expected to provide a \$75 billion opportunity over the next decade.
- The turnover and other significant information of ACATL for last 3 years is given below (Rs Crs):

| Sl.no | Financial Year | Total Income | Profit After Tax | Net worth |
|-------|----------------|--------------|------------------|-----------|
| 1     | 2014-15        | 210.6        | 13.31            | 112.2     |
| 2     | 2013-14        | 211.2        | 8.85             | 56.8      |
| 3     | 2012-13        | 52.6         | 1.83             | 48.0      |

- The details and nature of interest of promoter/ promoter group / group companies of ACETL in IAT, as of date, is given below:

| Sl.no | Name            | Category     | Number of shares held in IAT | % of shares held in IAT |
|-------|-----------------|--------------|------------------------------|-------------------------|
| 1     | Jupiter Capital | Promoter and | 36,503,791                   | 76.75                   |

|   |                                      |                             |                   |               |
|---|--------------------------------------|-----------------------------|-------------------|---------------|
|   | Private Limited                      | Promoter Group              |                   |               |
| 2 | Indian Aero Ventures Private Limited | Promoter and Promoter Group | 11,060,925        | 23.25         |
|   | <b>Total</b>                         |                             | <b>47,564,716</b> | <b>100.00</b> |

- Against this backdrop, the Board of ACETL has today considered and approved (subject to requisite regulatory approvals) the Scheme of Amalgamation of IAT with ACETL, whereby ACATL will become wholly owned subsidiary of ACETL (hereinafter referred to as "proposed Amalgamation" or "Acquisition").

### Synergies & Rationale

- The Acquisition will result in the creation of an integrated technology solutions player with consolidated pro-forma FY15 total revenues of approximately Rs. 530 crores, compared to Rs. 319 crores currently (prior to acquisition) and a strong workforce of over **1700** employees across **10** countries. This will provide the financial strength and infrastructure to target a much wider set of opportunities, and compete for larger, integrated projects.
- The Acquisition will result in several additions to the marquee client base of global OEM's, and deepen relationships with existing clients where there is an overlap, presenting several cross-selling and up-selling opportunities.
- The Acquisition is in line with ACETL's strategy of accelerated growth by adding strategic technology capabilities to its domain. The addition of ACATL expands presence across products and services, helping ACETL move up the value chain.
- The Acquisition will be value accretive to shareholders from day one. The pro-forma FY15 EBITDA margins of the combined entity would be higher at **14.3%** as compared to 13.2% currently and pro-forma FY15 EPS would increase by **20.4%** to Rs. **8.77** per share.
- The combined entity will benefit from operational synergies resulting in cost optimization and productivity improvement.

**Commenting on the occasion, Dr. Vivek Mansingh, Chairman of the Board, ACETL** said, *"It is a game-changing transaction for the Company from every perspective and vaults ACETL into the big league. ACATL's strong technical and domain expertise combined with*






*proven global delivery capability has the potential to transform ACETL from a niche engineering services company to an integrated technology solutions partner in the aerospace, defence & homeland security sector.*

*Pursuant to the transaction, we are also pleased to announce the appointment of Mr. Sudhakar Gande as Executive Vice-Chairman of the Board, with immediate effect. Mr. Gande brings more than 25 years of experience in venture development, investment banking and general management across aerospace, technology and banking sectors. His presence on the Board of the combined entity will provide a great fillip to the organization, driving M&A strategy and implementation"*

**Mr. S. Ravi Narayan, Chairman of the Board, ACATL** added *"We are excited with this development and believe that the transaction is highly synergistic. ACATL with its design, development and system integration capability, in the promising defence sector with high entry barriers and high pedigree clientele, brings an added dimension. This consolidation leads to a more vertically integrated company. My team looks forward to working with our new colleagues and jointly realizing our shared growth ambitions"*

#### **Details of proposed Acquisition by way of Amalgamation**

- The Board of ACETL has identified IAT and its investments as the target entities;
- The Acquisition will be carried out through a Scheme of Amalgamation under the provisions of Section 391 to 394 and other applicable provisions of Companies Act, 1956 and the provisions of Companies Act, 2013, as may be applicable;
- The Appointed date for the Scheme of Amalgamation is April 1, 2016;
- The proposed Amalgamation is expected to be tax-neutral for ACETL, IAT and their shareholders under Indian laws;
- The proposed Amalgamation is expected to close in the first quarter of Financial Year 2016-17;
- ACETL will continue to be listed on BSE and NSE post Amalgamation;
- In consideration of the proposed amalgamation, every equity shareholder of IAT will receive 10 equity shares in ACET of face value of INR 5 each for 45 equity shares held in IAT of face value of INR 10 each. The leftover shares, if any, will be dealt as permissible.
- Approximately **10.57** million of equity shares will be issued to the shareholders of IAT pursuant to Amalgamation;
- The proposed amalgamation will increase the stake of Promoter & Promoter Group in ACETL. Post-the transaction, the shareholding of ACETL will be as follows:



- Promoter group shareholding will increase from 59.12% to 70.56%
- Non-promoter group shareholding will reduce from 40.88% to 29.44%
- Transaction is EPS accretive from day one, as consolidated pro-forma FY15 EPS would increase by **20.4%** to Rs. 8.77
- The proposed Amalgamation would fall within the meaning of related party transactions as per the Listing Agreement. The consideration for the proposed Amalgamation is determined based on the recommendation of independent valuers, and fairness opinion of registered Merchant Banker. Based on the recommendations, the Board is of the opinion that the same is at arm's length.

#### **Recommendation, Valuers, Financial Advisor and Fairness Opinion**

- The transaction advisor is PricewaterhouseCoopers Private Limited.
- The Board of Directors of ACETL and IAT have independently and unanimously approved the Amalgamation as being in the best interest of their respective shareholders and the companies;
- The independent committee of non-conflicted members of the Board of Directors of ACETL have provided their recommendation to the Board on the proposed Amalgamation which was duly considered while approving the Amalgamation;
- Independent Valuers, SSPA & Co., Chartered Accountants and Rajendra & Co., Chartered Accountants have provided their joint recommendation on the exchange ratio for consideration by the Boards of ACETL and IAT respectively;
- The Board of Directors of ACETL have received a fairness opinion from Fortress Capital Management Services Private Limited, Category I registered Merchant Banker, with regard to the fairness of exchange ratio.

#### **Approvals required for the proposed Amalgamation**

- The proposed Amalgamation is subject to approval of the following parties/authorities:
  - Shareholders of ACETL and IAT
  - Creditors of ACETL and IAT
  - Jurisdictional High Courts where the registered offices of ACETL and IAT are situated
  - BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE")
  - Securities and Exchange Board of India ("SEBI")
  - Regional Director, Registrar of Companies and other applicable authorities.





### Contacts

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### **About AXISCADES Engineering Technologies Limited:**

*AXISCADES Engineering Technologies Limited is one of India's leading technology solutions provider, catering to the futuristic needs of Aerospace, Defence, Heavy Engineering, Automotive and Industrial Production sectors. The company is headquartered in Bengaluru and has offices worldwide including North America, Europe and Asia.*

More information on [www.axiscades.com](http://www.axiscades.com) Follow AXISCADES on Twitter: @AXISCADES

