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June 30, 2016

To,

The Board of Directors
Amrit Banaspati Company Limited
A-95, Sector-65,
Noida,
Uttar Pradesh – 201 309.

The Board of Directors
Amrit Agro Industries Limited
CM-28 (First Floor), Gagan Enclave,
Amrit Nagar, G T Road, Ghaziabad,
Uttar Pradesh – 201 309.

Re: Recommendation of:

- (i) fair value of equity share of Amrit Agro Industries Limited for issue of redeemable preference share of Amrit Agro Industries Limited to its Public Shareholders (Non-Promoter Shareholders) in exchange of the equity shares and
- (ii) fair share exchange ratio for the purpose of proposed amalgamation of Amrit Agro Industries Limited into Amrit Banaspati Company Limited

Dear Sir,

As requested by the management of Amrit Banaspati Company Limited (hereinafter referred to as "ABCL") and Amrit Agro Industries Limited (hereinafter referred to as "AAIL") (hereinafter collectively referred to as "the Companies"), we have undertaken the valuation exercise of the equity shares of AAIL for the purpose of issue and redemption at fair value of redeemable preference shares of AAIL to the Public Shareholders of AAIL (hereinafter referred to as the "Public Shareholders") in exchange of equity shares and for recommendation of fair share exchange ratio for the proposed amalgamation of AAIL into ABCL.

1. PURPOSE OF VALUATION

- 1.1 We have been informed that the management of AAIL is considering a proposal to provide an exit opportunity to the Public Shareholders of AAIL. For this purpose the management of AAIL is proposing to reorganize share capital of AAIL, whereby the Public Shareholders would be provided an exit opportunity by issue of 7% Redeemable Preference Shares of INR 10 each in lieu of their equity shares. These 7% Redeemable



- Preference Shares shall be redeemed based on the fair value of the equity shares of AAIL.
- 1.2 Under a composite Scheme of Arrangement, post issue of redeemable preference shares against equity shares held by the Public Shareholders, the management of ABCL and AAIL (hereinafter collectively referred to as the "Management") are proposing to amalgamate AAIL into ABCL(hereinafter referred to as "amalgamation") pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956 ('the Act')read with Section 100 to 103 and other relevant provisions of the Companies Act, 1956 and the corresponding provisions of the Companies Act, 2013.
 - 1.3 Subject to necessary approvals, ABCL and AAIL would be amalgamated, with effect from the Appointed Date of April 1, 2016. In consideration for the amalgamation, equity shares of ABCL would be issued to the promoter shareholders of AAIL and redeemable preference shares to the public shareholders of AAIL redeemable based on the fair value of the equity shares of AAIL.
 - 1.4 In this connection, SSPA & Co., Chartered Accountants (SSPA)have been appointed to carry out the exit price to the Public Shareholders and relative valuation of equity shares of ABCL and AAIL to recommend the share exchange.

2. BRIEF BACKGROUND

2.1 AMRIT BANASPATI COMPANY LIMITED

- 2.1.1 ABCL is a company promoted by Mr. Naresh Kumar Bajaj, Mr. Ashwini Kumar Bajaj, Mr. Vikram Kumar Bajaj and others (herein after collectively referred to as the 'Promoters').
- 2.1.2 ABCL is engaged in trading of commodities & other products and holding of investments in Group companies as well as in other financial instruments. Further, the management of ABCL is exploring various options to scale up and expand its trading operations.
- 2.1.3 Further, Amrit Trademart Private Limited (hereinafter referred to as "ATPL") was merged with ABCL with effect from the appointed date i.e. April 01, 2015 vide order dated May 30, 2016. ATPL was engaged in trading of commodities & other products and holding of investments in Group companies as well as in other financial instruments.

2.2 AMRIT AGRO INDUSTRIESLIMITED

- 2.2.1 AAIL was incorporated as a limited company under the Companies Act, 1956 on September 09, 1985 in the State of Uttar Pradesh.
- 2.2.2 AAIL is engaged in the trading of commodities and other products in India. It also holds



investments in Group companies as well as in other financial instruments.

- 2.2.3 Shares of AAIL were listed on Delhi Stock Exchange Ltd, U.P. Stock Exchange Ltd and Ludhiana Stock Exchange Ltd. All of the above Stock Exchanges are derecognized and thus AAIL has ceased to be a listed company. Consequently AAIL has moved to Dissemination Board of NSE Limited.

3. EXCLUSIONS AND LIMITATIONS

- 3.1 Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- 3.2 No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 3.3 Our work does not constitute an audit or certification of the historical financial statements / prospective results including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 3.4 A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Companies including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the Appointed Date for the proposed amalgamation. We have no responsibility to update this report for events and circumstances occurring after the date of this report.



- 3.5 In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Companies through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied in this report have been obtained from the sources considered to be reliable. However, we have not independently verified such information and make no representation as to the accuracy or completeness of such information from or provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 3.6 Our recommendation is based on the estimates of future financial performance as projected by the management, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the estimated financial statements may vary from those contained in the statement and the variation may be material. The fact that we have considered the estimates in this exercise of valuation should not be construed or taken as our being associated with or a party to such estimates.
- 3.7 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.
- 3.8 This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
- 3.9 Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.



- 3.10 It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.
- 3.11 SSPA, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

4. SOURCES OF INFORMATION

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management.

- (a) Audited financial statements of AAIL and provisional financial statements of ABCL for the financial year ended March 31, 2016.
- (b) Draft Scheme of Arrangement (the 'Scheme') as per Sections 391 to 394 of the Companies Act, 1956 ('the Act') read with Section 100 to 103 and other relevant provisions of the Companies Act, 1956 and the corresponding provisions of the Companies Act, 2013.
- (c) Estimate of profits of AAIL for FY 2016-17.
- (d) Such other information and explanations as we required and which have been provided by the management of the Companies.
- (e) Other relevant information and data including information in the public domain.

5. VALUATION APPROACH

5.1 Generally for the purpose of merger, the following valuation approaches can be considered, viz,

- (a) the "underlying asset" approach;
- (b) the "income" approach;
- (c) the "market price" approach;

Since shares of ABCL and AAIL are not listed on any stock exchanges, the "market price" approach is not applicable in current valuation exercise.

5.2 Therefore, we have thought fit to use a combination of "underlying asset" approach and "income" approach for determining the relative value of equity shares of ABCL and AAIL.



5.3 UNDERLYING ASSET APPROACH

- 5.3.1 In case of the "underlying asset" approach, the value per share is determined by dividing the net assets of the company by the number of shares. Valuation of net assets is calculated with reference to the historical cost of the assets owned by the company. Such value usually represents the minimum value or a support value of a going concern.
- 5.3.2 Since the shares are valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, we have considered it appropriate not to determine the realizable or replacement value of the assets. The operating assets have therefore been considered at their book values.
- 5.3.3 To the value so arrived, adjustments are made for contingent liabilities, liability towards preference share capital, appreciation in value of surplus assets and value of investments after considering the tax impact wherever applicable.
- 5.3.4 The underlying value for equity shareholders as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

5.4 INCOME APPROACH

- 5.4.1 Under the "income" approach, we have used "Price Earning Capitalisation Value Method" (PECV) method.
- 5.4.2 Under PECV method, value of the shares of a company is arrived at by capitalising its future maintainable profits.
- 5.4.3 These earnings, considered on a post -tax basis, are then capitalized at a rate, which in the opinion of the valuer, combines an adequate expectation of reward from enterprise and risk, to arrive at the business value.
- 5.4.4 Value for equity shareholders is arrived at after making adjustment for contingent liabilities, liability towards preference share capital and value of surplus assets after considering tax impact wherever applicable.
- 5.4.5 The equity value so arrived at is divided by the outstanding number of equity shares to arrive at the value per share.

6. RECOMMENDATION

6.1 FAIR VALUE OF SHARES OF AAIL

- 6.1.1 Though different values have been arrived at under each of the above approaches, for the purposes of recommending a fair value it is necessary to arrive at a single value for the shares of the company. For this purpose, it is necessary to give appropriate



weightage to the values arrived at under each approach. We have considered it appropriate to give equal weightage to the values under the “underlying asset” approach and the “income” approach for AAIL.

6.1.2 Based on the above, fair value per equity share of AAIL for the purpose of providing exit to Public Shareholders works out to **INR 60**.

6.1.3 **Based on above, public shareholders of AAIL should be issued 1 (One) 7% Redeemable Preference Share of INR 10 each (redeemable at a premium of INR 50) of AAIL for every 1 (One) equity share of INR 10 each of AAIL.**

6.2 FAIR SHARE EXCHANGE RATIO

6.2.1 The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of each company. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company. Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

6.2.2 Considering the fact that, after the amalgamation, the business of the Companies is intended to be continued on a “going concern” basis, to arrive at relative value of the Companies, we have considered it appropriate to give equal weightages to the value determined under the “underlying asset” approach and the “income” approach for ABCL and AAIL.

6.2.3 The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

6.2.4 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable



securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

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

6.2.5 In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and referred earlier in this report, in our opinion, a fair ratio of exchange in the event of amalgamation of AAIL into ABCL would be as under:

- 1) **3 (Three) equity share of ABCL of INR 10 each fully paid up for every 10 (Ten) equity shares of AAIL of INR 10 each fully paid up.**
- 2) **1 (One) 7% redeemable preference share of ABCL of INR 10 each fully paid up (redeemable at premium of INR 50) for every 1 (One) 7% redeemable preference share of AAIL of INR 10 each fully paid up.**

Thanking you,
Yours faithfully,

SSPA & Co.



SSPA & CO.
Chartered Accountants
Firm registration number: 128851W

Place: Mumbai