

# **VALUATION REPORT & SWAP RATIO**

Amalgamation of

1. Archana Hi-tech Consultants Ltd.
2. Vandana Hi-Tech Systems Ltd.
3. SPG Multi Trade Pvt. Ltd.

into

**Ganon Trading & Finance Co. Ltd.**

*Prepared For*

**GANON TRADING & FINANCE COMPANY LIMITED**

*(25<sup>th</sup> January, 2013)*

**Singrodia Goyal & Co.**

Chartered Accountants

## **CHAPTER I - INTRODUCTORY INFORMATION**

The Promoters of all amalgamating companies, as a measure of business re-organization and in order to enhance the profitability through synergic benefits & availability of surplus funds, has decided to amalgamate companies namely Archana Hi-tech Consultants Ltd. (Archana), Vandana Hi-Tech Systems Ltd. (Vandana), SPG Multi Trade Pvt. Ltd. (SPG) with Ganon Trading & Finance Co. Ltd. The said amalgamation, once approved by the relevant authorities shall strengthen the Corporate Image of the group and enhance its visibility in the business of commodity trading like Coal, Cotton, Pharmaceutical intermediaries etc. This will also help the group to usher more aggressively on the growth path and re-engineering the growth by consolidation of businesses and operations, incomes, assets and liabilities of all the Four Companies.

We, at Singrodia Goyal & Co., Chartered Accountants (SGCO) have been assigned to determine the fair intrinsic value of each of the Company and thereby suggesting a decisive share exchange ratio, which will help the Group in finalizing the Scheme of Amalgamation.

It was Oscar Wilde who described a cynic as "one who knows the price of everything, but the value of nothing".

A postulate of sound investing is that an investor does not pay more for an asset than its worth. This statement may seem logical and obvious, but it is forgotten and rediscovered at some time in every generation and in every market. There are those who are disingenuous enough to argue that value is in the eyes of the beholder, and that any price can be justified if there are other investors willing to pay that price. That is patently absurd. Perceptions may be all that matter when the asset is a painting or a sculpture, but investors do not buy assets for aesthetic or emotional reasons; financial assets are acquired for the cash flows expected on them. Consequently, perceptions of value have to be backed up by reality, which implies that the price paid for any asset should reflect the cash flows that it is expected to generate. The models of valuation described in this report attempt to relate value to the level and expected growth in these cash flows.



### **Generalities about Valuation**

Like all analytical disciplines, valuation has developed its own set of myths over time, some of which can be described as under:

Myth 1: Since valuation models are quantitative, valuation is objective

Myth 2: A well-researched and well-done valuation is timeless

Myth 3: A good valuation provides a precise estimate of value

Myth 4: The more quantitative a model, the better the valuation

Myth 5: To make money on valuation, you have to assume that markets are inefficient

Myth 6: The product of valuation (i.e., the value) is what matters; the process of valuation is not important.

However, in this report, we have tried to overcome the 'myths' of the valuation by valuing the Companies on realistic basis and using traditional as well as scientific approaches of valuation of the business.

### **The Role of Valuation**

Valuation is useful in a wide range of tasks. The role it plays, however, is different in different arenas. The value of a firm can be directly related to decisions that it makes -- on which projects it takes, on how it finances them and on its dividend policy. Understanding this relationship is key to making value increasing decisions and to sensible financial restructuring.

Business analysts value businesses for a number of reasons and the valuation approaches used vary depending upon the reason. If an equity research analyst is following steel companies, his job description will be to find the most under and over-valued companies in the sector and not to take a stand on whether the sector overall is under or over-valued. One can judge on multiples as the weapon of choice while valuing Companies. And, if an individual investor sets money aside for retirement or a private business person valuing a business for purchase, one will be more interested in intrinsic value of the Company.



### **Valuation for Amalgamation**

Normally, valuation of shares for the purpose of determining the Exchange Ratio in an amalgamation can be made on consideration of some or all of a number of relevant factors i.e. the Market Price (Wherever there is one), dividend paid on the shares, the relative worth and growth prospects of Companies under Amalgamation, the ratio of distributable earnings to the shareholders, the value of the net assets of the companies under Amalgamation, profitability trends, value of human resources, marketing and market position, Earnings per Share, Government licenses, brand valuation, SWOT analysis of the Company, etc. The answer to the question whether some or all of these factors can be applied will depend upon the circumstances of each case.

The Chapters that follow contain more details about the Companies under Amalgamation and the valuation of shares. Here, we have followed the relative valuation methods for arriving at accurate and acceptable value of equity shares of the Companies. The value of peer companies derived from multiple method also help us to benchmark the values of companies under consideration.

This report has been prepared by us on specific request of Ganon Trading & Finance Co. Ltd. and has reference date of 1st April 2012.

This report is meant for the management of Ganon, SPG Multitrade, Archana & Vandana and their legal advisors and bankers for the purpose of Amalgamation and will not be made public without our prior written approval except as may be required by law or by Government Agencies or any court or Tribunal or similar authorities.



**CHAPTER II - INFORMATION SOURCE**

All the information (including estimates of earning) contained herein about the Four Companies under consideration are as made available to us by the said Companies or their representatives and is relied upon by us as true and correct.

Our valuation is based on the following documents and main representations given to us by the management of all the Four Companies:

1. Audited financial statements of Ganon for the year ended 31st March 2010, 31st March 2011 and 31st March 2012.
2. Audited financial statements of SPG Multitrade for the year ended 31st March 2010, 31st March 2011 and 31st March 2012.
3. Audited financial statements of Archana for the year ended 31st March 2010, 31st March 2011 and 31st March 2012.
4. Audited financial statements of Vandana for the year ended 31st March 2010, 31st March 2011 and 31st March 2012.
5. Certified true copy of the projections/project report of SPG Multi Trade.
6. Representation given by the management of the Companies that all the current assets, excluding some debtors which may not be fully realizable, are fully realizable at the book value as stated in the Balance Sheet as at 31st March 2012 and that no provision is required for the same.
7. Representations given by the Management of the Companies that all the current liabilities are provided in the balance sheet and no additional amount is required to be provided for the same on the balance sheet date. Further there is no Contingent Liability.

We have relied upon the above financial statements without carrying out the audit of the same. We have also relied on the various data, which is publicly available, and various other representations, information and explanations, as given by the management of all the Four Companies on related matters.



### **CHAPTER III - VALUATION METHODOLOGY**

In order to give effect to the scheme of Amalgamation, the shareholders of SPG Multitrade, Archana & Vandana, being the Amalgamating Companies, will have to be issued shares of Ganon, in a predefined ratio in consideration of the undertakings, assets and liabilities of SPG Multitrade, Archana & Vandana. This will necessitate computation of fair value of Equity shares of Ganon, SPG Multitrade, Archana & Vandana as on the reference date so as to arrive at a fair share exchange ratio.

Choosing the right model to use in valuation is as critical for arriving at a reasonable value as understanding how to use the model. This chapter attempts to provide an overview of the valuation models and a general framework that can be used to pick the right model for the task.

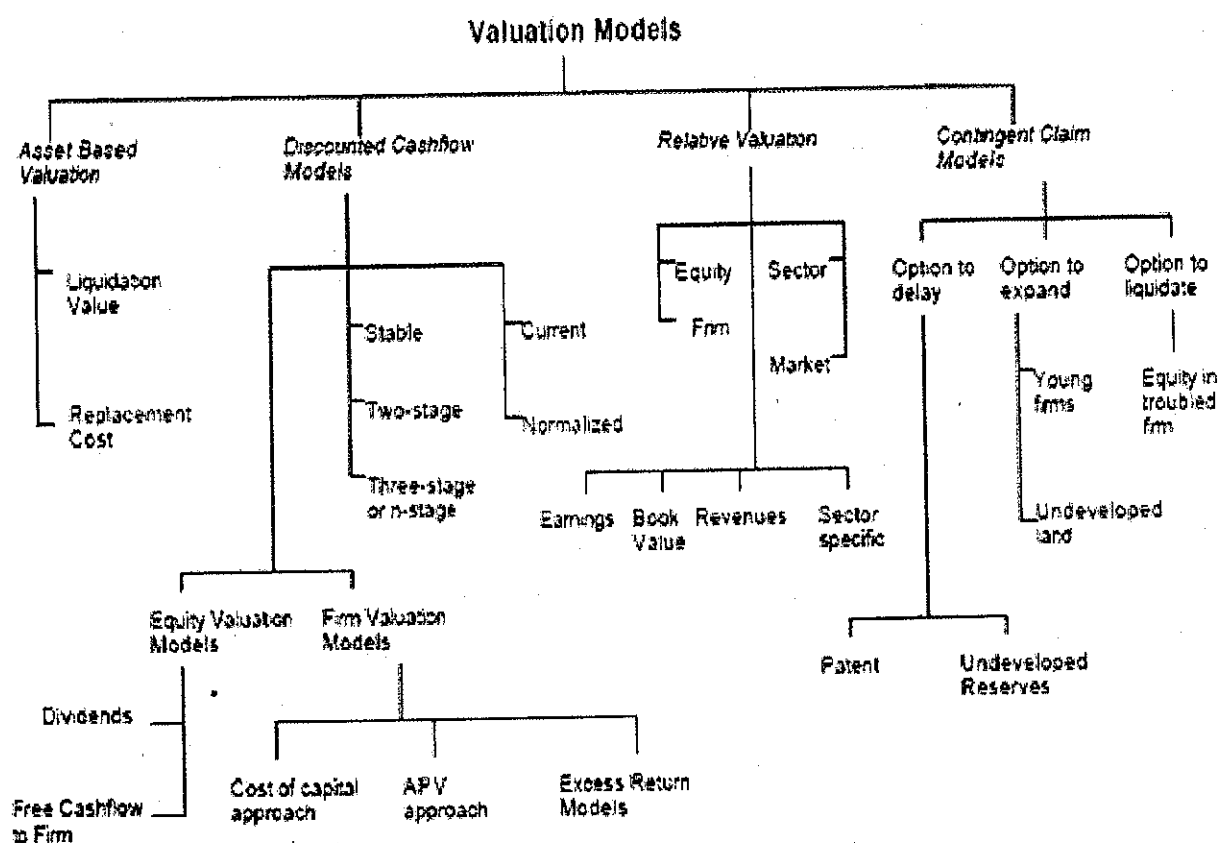
#### **Choosing the Right valuation model**

In the broadest possible terms, firms or assets can be valued in one of four ways –

1. **Asset based Valuation Approaches-** Where you estimate what the assets owned by a firm are worth presently;
2. **Discounted Cash Flow Valuation Approaches-** That discounts future projected cash flows to arrive at a value of equity or the firm;
3. **Relative Valuation Approaches-** That bases value upon relative multiples; and
4. **Option Pricing Approaches-** That uses contingent claim valuation.

Within each of these approaches, there are further choices that help determining the final value. Some of these can be understood as under:





We faced with the task of valuing a firm/asset or its equity and are required to choose the best valuation method among three different approaches – Asset based Valuation, Discounted Cash Flow Valuation and Relative Valuation Models. Within each of these approaches, one must also choose among different models. These choices are driven largely by the characteristics of the firm/asset being valued -the level of its earnings, its growth potential, the sources of earnings growth, the stability of its leverage and its dividend policy.

### Our approach towards valuation

There are various methods commonly adopted in India for valuation of business. These are Relative Valuation Models, Net Asset Value Method and Discounted Cash Flow Method. Each Method proceeds on different fundamental assumptions, which has greater or lesser relevance and at times even no relevance, to a given situation. Thus the methods to be adopted for a particular valuation must be judiciously chosen.

The share valuation of a Trading entity can be arrived at by adopting any one or more of the following established methods:

- Liquidation Method
- Relative Valuation
- Net Assets Value Method
  - Book Value
  - Market Value or Replacement Cost Method
- Discounted Cash Flow Method
- Profit Earning Capacity Value Method

For the purpose of valuation of the Equity shares of Ganon, SPG Multitrade, Archana & Vandana, we have studied all the valuation methods as listed above and after detailed evaluation adopted the following methods:

- (1) Relative Valuation
- (2) Net Asset Value at Market Value
- (3) Discounted Cash Flow Method

The approach towards selection of the best methods among various available options can be described as under:

#### **Liquidation Method**

The Liquidation method of valuation relates to the special condition when a Company has to liquidate part or all of its assets and claims. Under a situation of business failure or intense pressure from creditors, management will find that liquidation values are generally considerably below the potential market value. As a consequence, liquidation value is normally applicable only for the limited purposes.

In the present case SPG Multitrade, Archana & Vandana shall be amalgamating with Ganon on as is where is basis and as a going concern. Hence, this method has been considered as not applicable and we have ignored this in our working of share exchange ratio.



### Relative Valuation

In Relative Valuation Method, the value of an asset is derived from the pricing of 'comparable' assets using a common variable such as earnings, cash flows, book value or revenues. One illustration of this approach is the use of an Industry-average Price Earnings Multiple to value a firm. This assumes that the other firms in the industry are comparable to the firm being valued and that the market, on average, prices these firms correctly. The Multiple of price to sales is also used to value firms, with the average Market Price, Sales Multiple of firms with similar characteristics being used for comparison. While these multiples are among the most widely used, there are others also EBIDTA Multiple, Price to Cash Flows, Price to Dividends and Market Value to Replacement Value -that play a role in valuing the firm.

### Applicability of multiples and limitations

The allure of multiples is that they are simple and easy to work with. They can be used to obtain estimates of value quickly for firms and assets, and are particularly useful when there are a large number of comparable firms being traded on financial markets and the market is, on average, pricing these firms correctly.

In this report, in order to arrive at right valuation, the values of the Companies are compared with the industry performance. The valuations based on the peer Company's financial performance are set as benchmark for determining the business valuation of SPG. The peer Companies considered for the valuation activity are as follows:

- Bhatia Industries & Infrastructure Ltd.
- Urja Global Ltd.

The share valuation of the SPG has been determined on the basis of EBIDTA X(EBIDTA Multiple), which is generally used for determining the right valuation of a firm considered to be over/under valued. The working of EBIDTA Multiple of the peer companies is depicted as follows:

As on 31st March, 2012	Enterprise Value (Rs. in Lakhs)	Weight (w1)	EBIDTA (Rs. in Lakhs)	Weight (w2)	W1 x W2	Unit Prop.	EV/ EBIDTA	EBIDTA X
Bhatia Industries & Infrastructure Ltd.	6,684	0.34	824	0.87	0.29	0.78	8.12	6.29
Urja Global Ltd.	13,107	0.66	122	0.13	0.09	0.22	107.85	24.20
<b>TOTAL</b>	<b>19,791</b>	<b>1.00</b>	<b>945</b>	<b>1.00</b>	<b>0.38</b>	<b>1.00</b>		<b>30.49</b>



### **Net Asset Value Method**

The Net Asset Value or NAV is a term used to describe the value of an entity's assets less the value of its liabilities. To give an indication of what we could mean by the value of assets, consider some of these variations. Each one achieves something slightly different, and is applied in different ways:

- **At Book Value**

The Net Assets Value (at book value) Method represents the value of a Business with reference to the historical cost of the assets owned by the Company and the attached liabilities as on the valuation date. Such value represents the support value of an equity share of a going concern.

**Book Value is the shareholders' equity** of a business (assets - liabilities) as measured by the accounting books. The term is used in the context where the analyst is trying to distinguish between the accounting measures (usually historical cost) and the market value. It is a valuation metric that sets the floor for stock prices under a worst-case scenario. When a business is liquidated, the book value is what may be left over for the owners after all the debts are paid.

Net Assets Value on the basis of the Book Value method is ignored as it represents the historic values of the assets and does not give any consideration to their present realizable value.

- **At Market Value or Replacement Cost**

This method of valuation considers net values of Assets and liabilities at present Market Valuation as on given date so as to reflect the present Net Assets value of the Business. Investors/ Analyst might want to know if a company is cheap or expensive to invest in. One possibility is to compare its current market capitalization with its net asset value - since, all things being equal, one might expect them to be the same. There are reasons why this might not be true.

Net Asset Value (at market value) method is useful for the companies which derives its value from assets it hold rather than future profits for eg:- investment companies.

We have considered this method of valuation while valuing the Four Companies under consideration. For this purpose, Net Asset Values of all the Four Companies have been considered with reference to the market values of their respective assets on the basis of information provided by the Management of the Companies.



### **Discounted Cash Flow Method**

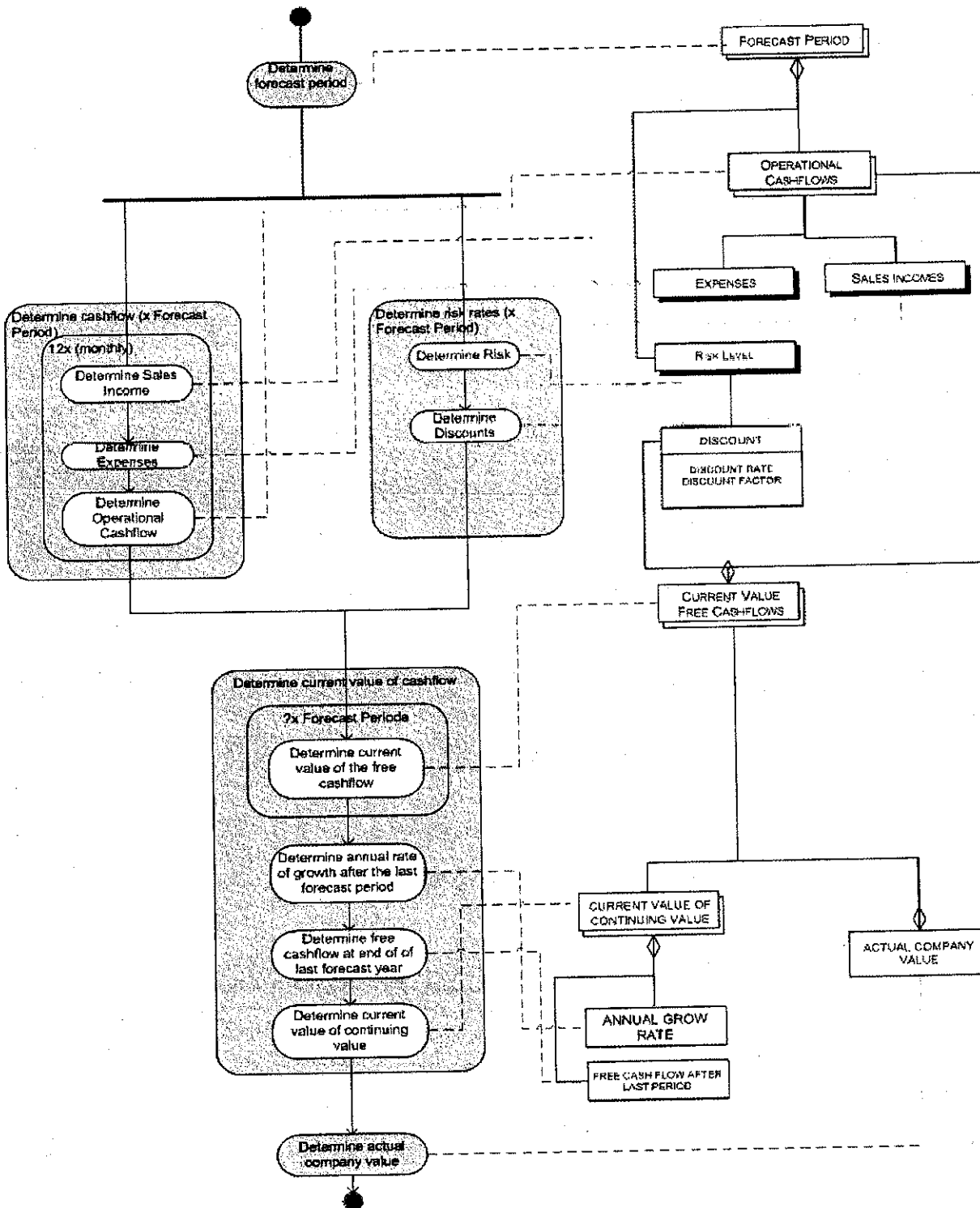
The Discounted Cash Flow (DCF) Approach describes a method to value a project or an entire Company using the concept of the time value of money. The DCF method determines the present value of future cash flows by discounting them using the appropriate cost of capital. This is necessary because cash flows in different time periods cannot be directly compared since most people prefer money sooner rather than later.

In Finance parlance, Discounted Cash Flow Method (DCF) of Valuation values the equity of the Company as the value of the Company's operations less the value of debt and investors claims. The DCF method is futuristic in nature, one which is based on the future projected cash flow generation capabilities of the business on an ongoing basis for its long term fund providers. DCF procedure involves three important concerns:

- The forecast of future cash flows,
- The incorporation of taxes (firm income taxes), and
- The determination of the appropriate cost of capital.

The working of Discounted Cash Flow Method of Valuation can be understood by the following flow chart:





Mathematically, the discounted cash flow formula is derived from the future value formula for calculating the time value of money and compounding returns.

$$FV = PV * (1+i)^n$$

The simplified version of the Discounted Cash Flow equation (for one cash flow in one future period) is expressed as:

$$DPV = [FV / (1+d)^n]$$

Where:

- DPV is the discounted present value of the future cash flow (FV) or FV adjusted for the opportunity cost of future receipts and risk of loss;
- FV is the nominal value of a cash flow amount in a future period;
- d is the discount rate, which is the opportunity cost plus risk factor (or the time value of money: "i" in the future-value equation);
- n is the number of discounting periods used (the period in which the future cash flow occurs).

The Discounted Cash Flow (DCF) method, thereby involves determination of cash inflow of explicit period and also of perpetuity period. The cash flow is discounted at appropriate rate which is termed as Weighted Average Cost of Capital.

Weighted Average Cost of Capital or the Discount Rate

The Weighted Average Cost of Capital (WACC) is used in finance to measure a firm's cost of capital. It has been used by many firms in the past as a discount rate for financing projects, since the cost of financing seems like a logical price tag to put on it.

Generally, Corporates raise money from two main sources: Stock and debt. Thus the capital structure of a firm comprises three main components: preferred equity, common equity and debt (typically secured and unsecured loans). The WACC takes into account the relative weights of each component of the capital structure and presents the expected cost of target capital structure for a the Company.

The weighted average cost of capital is defined as:

$$k_o = (e/k) * k_e + (d/k) * k_d (1 - t) + (p/k) * k_p$$



Where,

$k = e + d + p$  = total capital invested in the going concern (Rupees)

$k_o$  = weighted average cost of capital (%)

$k_e$  = Required or expected rate of return on equity, or cost of equity (%)

$k_d$  = Required or expected rate of return on borrowings, or cost of debt (%)

$k_p$  = Required or expected rate of return on preferred equity, or cost of preferred equity (%)  $t$  = corporate tax rate (%)

$d$  = total debt and leases (Rupees)

$e$  = total equity and equity equivalents (Rupees)

$p$  = total preferred equity

#### Cost of equity

The cost of equity reflects the returns expected by an investor for investing in the equity of the Company. Cost of equity is measured using the Capital Asset Pricing Model (CAPM) which postulates that the opportunity cost of equity is equal to the return on risk free securities, plus the risk premium associated with an equity investment. Cost of equity under this method is calculated as

$$\text{Cost of equity} = R_f + (R_m - R_f) \times \text{Beta}$$

where,

$R_f$  = Risk free rate of return

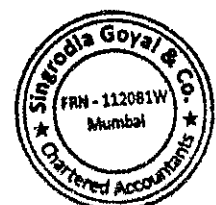
$R_m$  = Return on market portfolio

Beta = Risk of the Company's stock relative to the benchmark index

For the return on the market portfolio, we have considered the S&P CNX Nifty (NIFTY) as the proxy for the market. The NIFTY is an index of 50 Companies from varied industries with a base year of 1995-96. Based on the performance of the NIFTY during last 10 years, it is found that the NIFTY has yielded a long term moving average return of 13.39% to the investors. For the purpose of calculating the WACC, we have taken the on market return at 13.39%.

#### Cost of debt

The cost of debt is equivalent to the cost at which fresh debt can be raised by the Company or the cost at which a comparable Company can raise funds from the markets.



**Beta**

An analysis of the stock performance of similar Companies against the benchmark index reveals the risk of investment in that particular Industry, which is being termed as Beta of the Industry. Further, it is a known fact that the benchmark index is not the only determining factor of the stock prices of a given Company. The Paid-up Equity Capital of the Company is another factor which affects the share prices of a Company. In case, the paid-up equity capital is not in line with the desired parameters of performance, then the stock price will also be affected.

**Risk free rate of return**

The risk free rate of return has been assumed to be equivalent to the yield of long term Government bonds. The ongoing rate of return on Government paper with outstanding maturity of 10 years i.e. for 2021 G-Sec is 8.69%, which adequately reflects the long-term nature of equity investment and is also in line with our forecast period of 5 years.

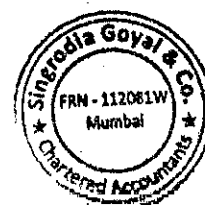
**Continuing Value / Terminal Value**

The continuing value, or terminal value, is a solution that represents the cash flows of given Company after the forecast period. Perpetuity period accounts for an annuity value that has no definite end. It captures the ongoing nature of the business assuming that cash flow will **grow at constant rate (g)** as it did in the final year of the forecast period. It is calculated as follows:

$$[\text{Free Cash Flow } t * (1+g) / (WACC - g)]$$

**Equity Value under DCF**

The value of the Equity can be calculated by subtracting any outstanding debts from the total of all discounted cash flows and the terminal value. The present value of total cash flows (including present value of cash flows of perpetuity period) gives enterprise/business value. This method is consistent with the "Going Concern" concept applicable to continuing business entities.



**Profit Earning Capitalisation Value Method (PECV)**

The Profit Earning Capitalisation Value Method or PECV works on the principle that the value of a business is dependent upon returns generated over and above the expected cost of capital, commensurate with perceived risk of the investment.

The Earnings Capitalization Method involves determination of the maintainable earnings level of the Business from its normal operations. 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. The business value arrived at is then divided among shareholders. This method is based on the earning capacity of the business and is consistent with the "Going Concern" basis applicable to continuing business entities. This method works on the lines of the DCF Method to a great extent. However, unlike DCF, this method also considers the past performance of the Company while working out the valuation.

While valuing the Equity shares of SPG Multitrade, we have not considered this method of valuation due to its similarity to DCF Method to a great extent. Since, DCF Method has been considered as more scientific method of valuation; the same has been allocated preference above this method of valuation.





#### **CHAPTER IV - BENEFITS OF AMALGAMATION**

The purpose of amalgamation would be to provide operational advantage to the shareholders who choose to believe in the potentials of the trading business of Coal, Cotton, Petroleum product & other electrical peripherals. The basis for such provisions will be the improved commercial structure allowing for the more productive use of resources and the consequential expansion of the range of trading opportunity.

While there may be cost efficiencies it is not argued that these will be significant in the first instance. The benefit to the workers community could be the provision of a more conducive environment with increased welfare. A single entity may offer greater resilience to fluctuations in larger numbers. There will be a larger peer group for the workers and employees.

The merged entity could go to the market offering with larger net worth breadth and quality, still retaining existing strengths.

Key advantages of an amalgamation would include:

- More diverse and enhanced product offerings for customers
- Greater opportunities for workers, employees and management to interact
- A more efficient structure allowing for better use of resources
- Opportunity to achieve best practices in the industry
- Ability to better serve the customers
- Greater capacity to develop infrastructure and facilities.

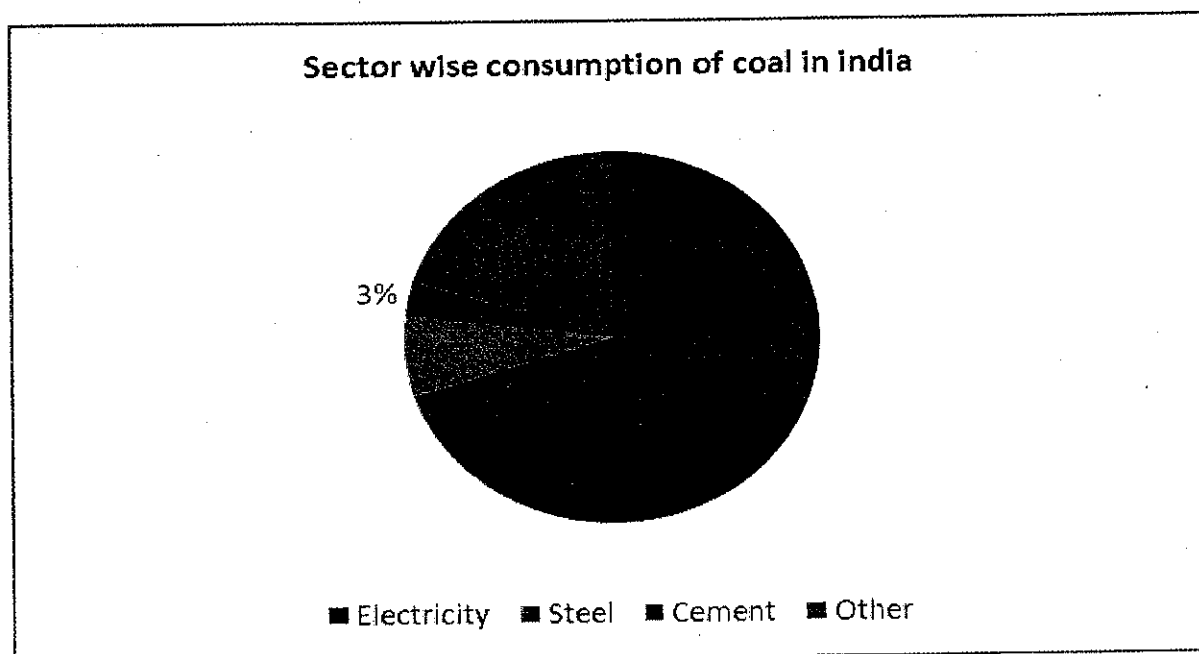


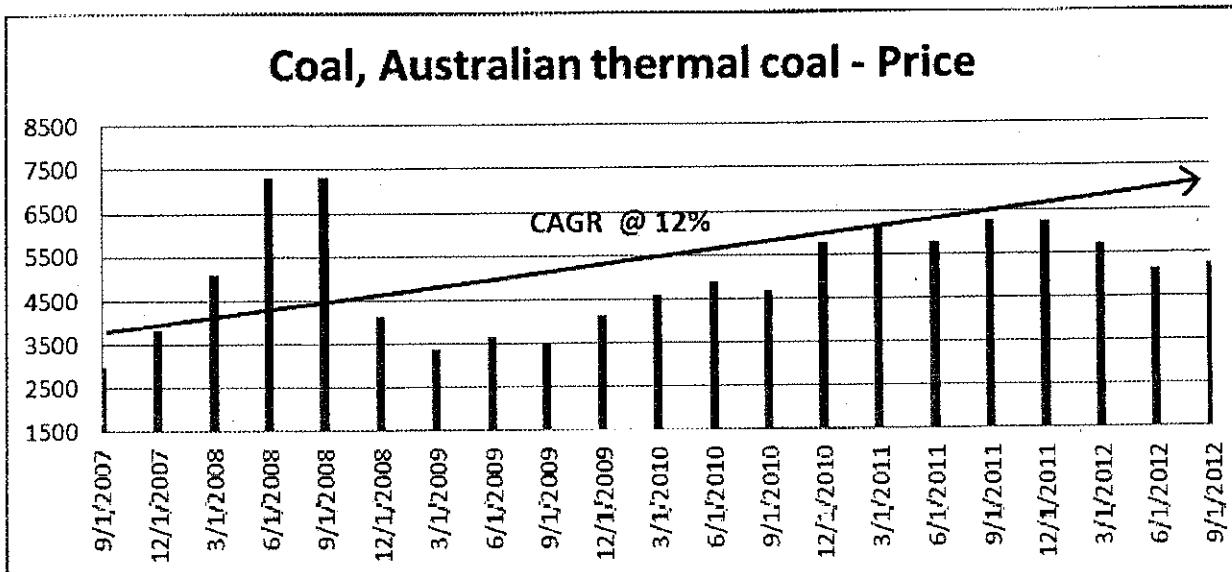
## **CHAPTER V - INDUSTRY OVERVIEW**

### **COAL:**

The Coal has been recognized as the most widely used source of energy for electricity generation, as per data 80% of electricity is generated using coal. Coal is also well in demand for other Industries such as steel, cement, fertilizers and chemicals. Demand for coal has grown at CAGR of 7% in last decade, and it is further expected to increase at rate of 7.1% till 2016-2017.

With high potential for expansion of energy consumption in India and increasing investment by the Government for infrastructural growth will directly lead to increase in demand for coal. Current demand supply gap for coal is at 84MT and same is expected to reach at level of 300 MTPA, this shortage will be met majorly by imports and minimally by captive consumption. Thus demand pressure will lead to increase in price of a coal; historically price has grown at the 5 years CAGR rate of 12%

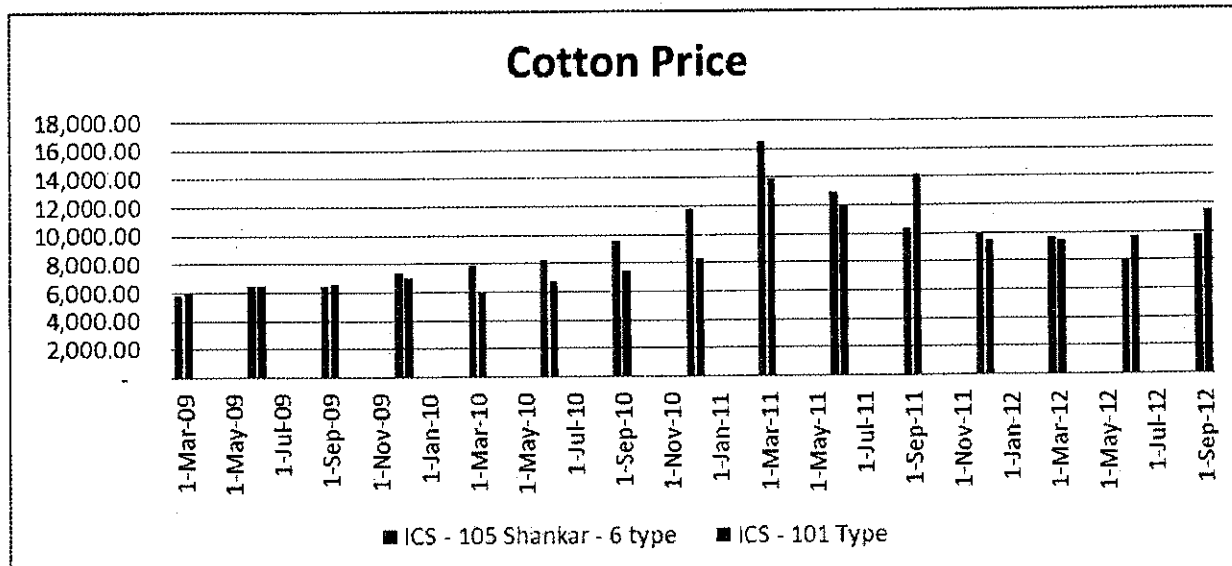




NOTE : Price is converted in terms of INR from USD

#### COTTON:

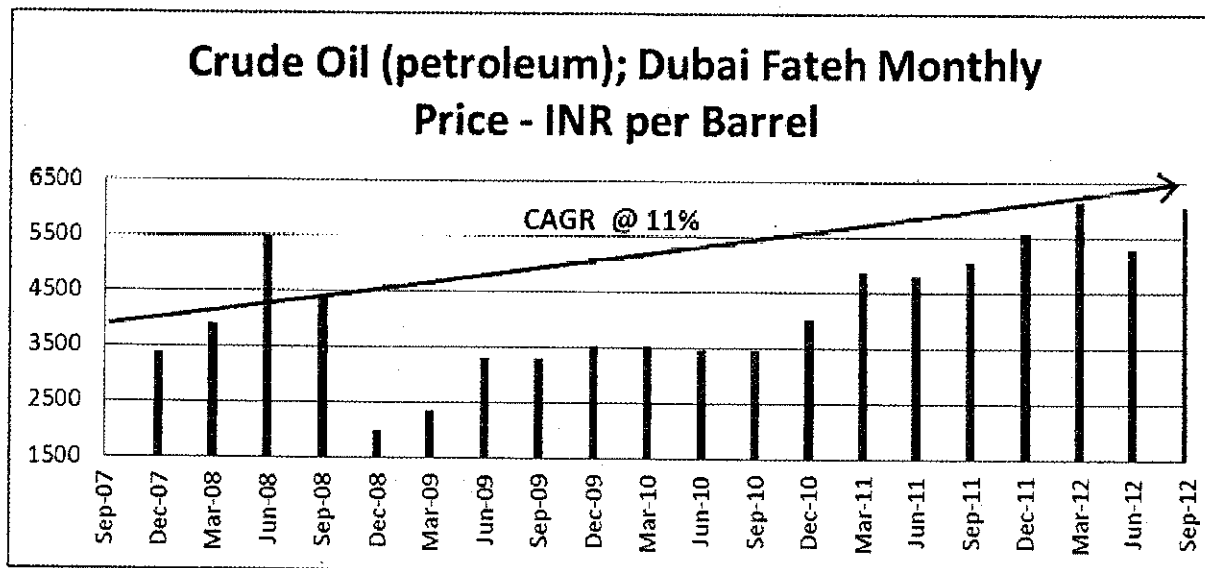
In lieu of weak economic scenario, demand for apparels and raw cotton had declined and at same time production was recorded high in 2011-12 and 2012-13, thus resulting in high level of inventories pilling. However, increase in confidence in economy and curbing of production of cotton by producers will help to get the inventories of cotton back to normal and also possibly moderate increase in price can be expected. Historically cotton price has shown mean average growth rate in range of 21 – 24%.



NOTE : Price is converted in terms of INR from USD

**PETROLEUM:**

Worldwide there is a huge demand for the refined petroleum products, especially the middle distillates like heavy Aromatic, jet fuel, fuel oil, base oil etc., but capacity to deliver the refined products has been short as compare to its demand. As industries are growing and infra-structure projects are coming up, there is a huge demand of petroleum products like Base oil, Fuel oil & Bitumen etc. Crude price has grown at 5 years CAGR rate of 11%.



## **CHAPTER VI - VALUATION OF AMALGAMATING COMPANIES**

As explained to us, this amalgamation will consolidate business and operations, incomes, profits, assets and liabilities of all the four Companies. Further, it will enable Ganon, SPG Multitrade, Archana & Vandana to ensure better operational efficiencies, accelerate its business growth and also augment its strengths to meet growing competition.

Based on various information and explanations provided to us, as discussed above, we have worked out the fair valuation and the share exchange ratio of the Four Companies, which is enumerated hereunder:

(A) Archana Hi-tech Consultants Ltd.

Archana Hi-tech Consultants Ltd. (Archana) was incorporated on 02<sup>nd</sup> March, 2000 as a private limited Company.

### **Nature of Activities**

Company is engaged in the business of providing Management consultancy and Investment in Equity share & mutual funds.

### **Constitution and Management**

The present Board of Directors of the Company consists of the following directors:

<b>Name of Directors</b>	<b>Designation</b>	<b>Age</b>	<b>Experience</b>
Prakash Shankar Ghadse	Director	33	7 years of business experience
Archana Akhramka	Director	38	11 years of business experience
Pramod Kumar Akhramka	Director	42	20 years of Professional experience in the field of Accounts, Taxation and Finance



Working of Business Valuation

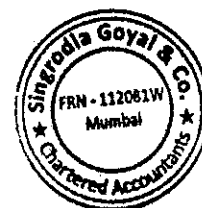
The business valuation of the Company has been based on the performance review of the Company for FY 2011-12. Based on the above, the valuation of the Company has been worked out as follows:

**1. Net Asset Value Method (At Market Value)**

In order to find the real value to the shareholders, the Net Asset value of the company has been determined at current prevailing market price of its existing assets of the business at relevant valuation date i. e. 31st March, 2012.

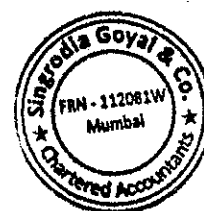
Under Net Asset Method (at market value basis), we have worked out the valuation of the business of the Company on the following basis:

- (a) We have considered Closing price as on 31<sup>st</sup> March, 2012 of BSE for Quoted shares.
- (b) We have considered Book value of Portfolio Investment as Net Realizable Value, which are suspended to trade on Stock Exchange.
- (c) We have considered closing NAV of Mutual Funds Investment as on 31<sup>st</sup> March, 2012 for Quoted Mutual Funds as Net Realizable Value.
- (d) The Company has made investment in Private Equity fund of IDFC Investment Advisors Ltd. Since this fund has made collective investment in various entities & there is no nexus of investment, we have considered Book value of Investment as Net Realizable Value.
- (e) For all other assets & liabilities, Book value as on 31<sup>st</sup> March, 2012 is considered as Net Realizable Value.
- (f) All other assets have been taken at book values relying on management's representation that these assets are realizable at their book values in the ordinary course of business.



The valuation of the business of the Company under the NAV (at market value) method can be seen as follows:

Particulars		Amount (Rs. Lakhs)
<b><u>Non-Current Assets</u></b>	<b>A</b>	<b>1,778.47</b>
Market Value of Non-Current Investment		776.55
Long Term Loans & Advances		1,001.92
Other Non-Current Assets		-
<b><u>Current Assets</u></b>	<b>B</b>	<b>126.35</b>
Current Investments		-
Inventories		-
Trade Receivables		-
Cash & Cash Equivalent		126.35
Short Term Loans & Advances		-
Other Current Assets		-
<b>Total Assets</b>	<b>C = A + B</b>	<b>1,904.82</b>
<b><u>Non-Current Liabilities</u></b>	<b>D</b>	<b>-</b>
Long Term Borrowings		-
Other Long Terms Liabilities		-
Long Term Provisions		-



<b><u>Current Liabilities</u></b>	<b>E</b>	<b>0.27</b>
Short Term borrowings		-
Trade Payables		0.19
Other Current Liabilities		0.08
Short Term Provisions		-
<b>Total Liabilities</b>	<b>F = D + E</b>	<b>0.27</b>
<b>Share Application Money</b>	<b>G</b>	<b>-</b>
<b>NAV of the Company</b>	<b>H = C - F - G</b>	<b>1,904.54</b>

## 2. Discounted Cash Flow Method

The Company is majorly having Investment income & income from share trading. In our opinion, this method shall not be suitable for such kind of business activity & hence, we have not considered this method of valuation for determining fair valuation of the Company.

## 3. EDIBTA multiple Method

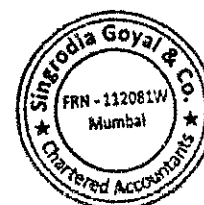
The Company is majorly having Investment income & income from share trading. In our opinion, this method shall not be suitable for such kind of business activity & hence, we have not considered this method of valuation for determining fair valuation of the Company.

## (B) Vandana Hi-tech Consultants Ltd.

Vandana Hi-tech Consultants Ltd. (Vandana) was originally incorporated on 02<sup>nd</sup> March, 2000 as a private limited Company.

### Nature of Activities

Company is engaged in the business of providing Management consultancy and Investment in Equity share & mutual funds.





Constitution and Management

The present Board of Directors of the Company consists of the following directors:

Name of Directors	Designation	Age	Experience
Prakash Shankar Ghadse	Director	33	7 years of business experience
Archana Akhramka	Director	38	11 years of business experience
Pramod Kumar Akhramka	Director	42	20 years of Professional experience in the field of Accounts, Taxation and Finance

Working of Business Valuation

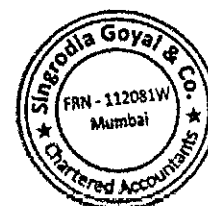
The business valuation of the Company has been based on the performance review of the Company for FY 2011-12. Based on the above, the valuation of the Company has been worked out as follows:

1. Net Asset Value Method (At Market Value)

In order to find the real value to the shareholders, the Net Asset value of the company has been determined at current prevailing market price of its existing assets of the business at relevant valuation date i. e. 31st March, 2012.

Under Net Asset Method (at market value basis), we have worked out the valuation of the business of the Company on the following basis:

- (a) We have considered Closing price as on 31<sup>st</sup> March, 2012 of BSE for Quoted shares.
- (b) We have considered Book value of Portfolio Investment as Net Realizable Value, which are suspended to trade on Stock Exchange.
- (c) We have considered closing NAV of Mutual Funds Investment as on 31<sup>st</sup> March, 2012 for Quoted Mutual Funds as Net Realizable Value.
- (d) For all other assets & liabilities, Book value as on 31<sup>st</sup> March, 2012 is considered as Net Realizable Value.
- (e) All other assets have been taken at book values relying on management's representation that these assets are realizable at their book values in the ordinary course of business.



The valuation of the business of the Company under the NAV (at market value) method can be seen as follows:

Particulars		Amount (Rs. Lakhs)
<b><u>Non-Current Assets</u></b>	<b>A</b>	<b>1,378.61</b>
Market Value of Non-Current Investment		741.10
Long Term Loans & Advances		637.51
Other Non-Current Assets		-
<b><u>Current Assets</u></b>	<b>B</b>	<b>3.53</b>
Current Investments		-
Inventories		-
Trade Receivables		-
Cash & Cash Equivalent		3.37
Short Term Loans & Advances		-
Other Current Assets		0.17
<b>Total Assets</b>	<b>C = A + B</b>	<b>1,382.14</b>
<b><u>Non-Current Liabilities</u></b>	<b>D</b>	<b>-</b>
Long Term Borrowings		-
Other Long Terms Liabilities		-
Long Term Provisions		-



<b><u>Current Liabilities</u></b>	<b>E</b>	<b>0.07</b>
Short Term borrowings		-
Trade Payables		-
Other Current Liabilities		0.07
Short Term Provisions		-
<b>Total Liabilities</b>	<b>F = D + E</b>	<b>0.07</b>
<b>Share Application Money</b>	<b>G</b>	<b>-</b>
<b>NAV of the Company</b>	<b>H = C - F - G</b>	<b>1,382.07</b>

## 2. Discounted Cash Flow Method

The Company is majorly having Investment income. In our opinion, this method shall not be suitable for such kind of business activity & hence, we have not considered this method of valuation for determining fair valuation of the Company.

## 3. EDIBTA multiple Method

The Company is majorly having Investment Income. In our opinion, this method shall not be suitable for such kind of business activity & hence, we have not considered this method of valuation for determining fair valuation of the Company.

## (C) SPG Multitrade Pvt. Ltd.

### About the Company

SPG Multi Trade Pvt. Ltd. incorporated on 24<sup>th</sup> February, 2006 having its present registered office at Prabha Co.Op. Hsg. Soc. Ltd, Flat No 10, 2<sup>nd</sup> Floor R.B. Mehta Marg, Ghatkopar (East) Mumbai. SPG Multi Trade Pvt. Ltd is family owned business promoted by Mr. Madan Lal Goyal who is having rich experience since more than four decade. The core business of the company is commodity trading like Coal, Cotton, Pharmaceutical intermediaries etc.



Registration cum Membership:

Federation of India Export Organizations – **FIEO** (issued by MoC – Gol)

The Cotton Textiles Export Promotion Council – **TEXPROCIL** (issued by Gol)

Nature of Activities

SPG Multi Trade was established to Import, Export and Trading of Cotton, Fabric, Coal & Petroleum Products all over the world. Since inception, the SPG has grown from local trading to international through Exports. Due to very well established contacts & reputation in the international market the company is looking forward to establish subsidiary company to expand its presence in the International Business market. The product portfolio of SPG has grown from Cotton to Petroleum, Coal and further, the Company is diversifying its business into Pharma Intermediaries and Electronics components & goods.

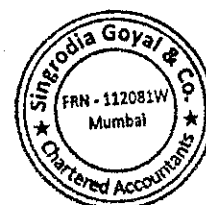
**Coal:** Coal being the core business of SPG GROUP, the distribution and network channel in India is very strong and customers are mostly end-user and some trader. The company operates Coal Distribution Stockpiles at multi locations on both the East coast as well as West coast of India, with regular locations being Andhra Pradesh, Gujarat, and Maharashtra.

**Cotton:** It is the ginners, traders and exporters of raw cotton & export the cotton to South East Asia, Bangladesh & Pakistan and supply to domestic textile mills. It also has associates in Tanzania and Egypt for procuring the Raw Cotton. Even though cotton market seems to be sluggish it won't impact the company to great extent, as cotton segment has marginally contribution of 8% in topline compared to coal.

**Petroleum:** In lieu of increasing demand for petroleum products SPG GROUP can capitalize its strong network to supply petroleum products to industries from the west coast of India like Gujarat, Maharashtra. Even though the public sector oil companies are selling same products in India, due to strong network of supply, having good relationship and credibility with our suppliers and buyers, they have proved themselves to meet the requirement of customers.

Besides above products, the Company is adding **Pharma Intermediaries & Electronic Components & Goods** into their product portfolio.

SPG Multitrade is also a Unit Holder at Arshiya International Limited, Free Trade and Warehousing Zone (FTWZ), Panvel.



**Proposed activities of SPG in FTWZ:**

At FTWZ, it will initially proposes to Trade in Pharma Intermediaries & Electronic products.

FTWZ Unit will help to carry out trading transactions of Pharma Intermediaries, Electronic Components & goods and Cotton with value added Services like repacking, labeling, rebelling etc. Trading transactions at FTWZ will include Import from Overseas, Procure from DTA, Export and Re-export of imported products majorly to neighboring countries like UAE, Thailand, Far-East, Middle-East, European and African Countries.

SPG Group is having rich trading experience and is dealing with various domestic as well as International customers. Apart from the business relations with most of the customers, it has developed good personal relations. SPG has already established goodwill in the global market for their products. The strength of SPG group is its consolidated brand image, goodwill, quality of products, pre and after sales service, customer service, customer satisfaction and foundation of a marketing network globally. Proposed FTWZ Unit will help SPG to keep the Inventory of such goods and re-export the same to customers whenever required. FTWZ unit operations will allow them to bring convertible foreign exchange into India by trading these goods by way of re-exports.

**Constitution and Management**

The present Board of Directors of the Company consists of the following directors:

Name of Directors	Designation	Age	Experience
Madan Lal Goyal	Director	65 Years	He is the main driving force having a rich experience of the Trading since more than Four Decades. He is heading the company, who is an entrepreneur and started his first establishment in early seventies. Due to his innovation and diversification and heading the new milestone in business by opening new ventures from time to time. Within this short span of time, quality graph has risen by leaps and bounds. And looking forward, the company is growing day-by-day.



Hari Prasad Agrawal	Director	46 Years	He is a post graduate & holds the position of a Director in one of the company, having vast knowledge of finance controls supports the chairman. He is the financial head of the Company.
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**SPG MULTI TRADE PVT. LTD.****Financial Performance:**

The financial highlights of SPG for the past three years are as under:

Particulars	Amount in INR Lacs		
	2009-10	2010-11	2011-12
Turnover	4,252.05	11,512.63	12,975.60
PBDIT	41.28	165.58	195.26
PAT	20.27	52.58	54.83
Cash Profit	20.27	55.31	60.65

Particulars	2009-10	2010-11	2011-12
Net Worth	131.08	272.48	327.38
Secured Loan	-	507.19	610.13
Net Block	-	22.49	16.72
Current Ratio	1.61	1.68	1.94
TOL/TNW	6.88	11.02	10.08
Basic EPS (face value Rs. 10)	10.13	2.63	2.74
Diluted EPS (face value Rs. 10)	1.82	2.63	2.74



### Working of Business Valuation

The business valuation of the Company has been based on the performance review of the past financial performances for FY 2010-11 and FY 2011-12 and future financial projections. The projected financial statements, for the purpose of business valuations, have been considered based on the past performances of the Company and appropriate assumption/declaration provided by management along with the current market situations. The same can be seen as under:

#### 1. EBIDTA Multiple Method

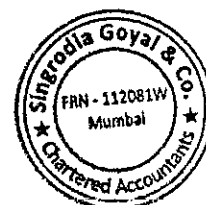
Under this method of valuation, the value of equity share is determined on the basis of EBIDTA Multiple of the Industry multiplied by the EBIDTA performance of the Company for Financial Year 2011-12. The same is detailed as under:

Particulars	Rs. (in Lakhs)
Industry EBIDTA Multiple (In Unit)	30.49
EBIDTA of the Company for Financial Year 2011-12	195.26
<b>Enterprise Valuation</b>	<b>5,954.03</b>
Less: Debt Outstanding as on 31/03/2012	(1,439.07)
Add: Cash & Bank balance	703.12
<b>Equity Value</b>	<b>5,218.07</b>

#### 2. Net Asset Value Method (At Market Value)

The Net Asset value of the Company is determined at prevailing market price of its existing assets as well as liabilities of the business at relevant valuation date i. e. 31st March 2012, which can be seen as under:

(1) In case of outstanding Sundry Debtors of Rs. 2145.73 Lakhs as on 31st March 2012, we have evaluated the recovery based on the past realization experience. For understanding the actual realizable value of the total outstanding debtors, the following assumptions have been considered by us:



Debtors Age	State of Recovery	Balance as per Balance Sheet (Rs. Lakhs)	Realization considered (%)	Value (Rs. Lakhs)
Above 12 months	Doubtful	186.41	50%	93.21
Above six months & Less than 12 months	Doubtful	3.12	75%	2.34
Above six months & Less than 12 months	Good	236.98	100%	236.98
Below six months	Good	1,719.21	100%	1,719.21
<b>Total</b>		<b>2,145.73</b>		<b>2,051.74</b>

(2) All other assets have been valued at book values relying on management's representation that these assets are realizable at their book values in the ordinary course of business.

Particulars		Amount (Rs. Lakhs)
<b><u>Non-Current Assets</u></b>	<b>A</b>	<b>16.72</b>
Value of block of Fixed Assets		16.72
<b><u>Current Assets</u></b>	<b>B</b>	<b>3,517.40</b>
Inventories		731.01
Trade Receivables		2,051.74
Cash & Cash Equivalents		703.12
Other Current Assets		31.54
<b>Total Assets</b>	<b>C = A + B</b>	<b>3,534.13</b>





<b><u>Non-Current Liabilities</u></b>	<b>D</b>	<b>1,439.07</b>
Long Term Borrowings		1,439.07
<b><u>Current Liabilities</u></b>	<b>E</b>	<b>1,861.67</b>
Trade Payables		1,806.08
Other Current Liabilities		28.08
Short Term Provisions		28.48
Deferred Tax Liability		(0.98)
<b>Total Liabilities</b>	<b>F = D + E</b>	<b>3,300.74</b>
<b>Share Application Money</b>	<b>G</b>	<b>-</b>
<b>Net Assets Value (31-March-12)</b>	<b>H = C - F - G</b>	<b>233.39</b>

### 3. Discounted Cash Flow Method

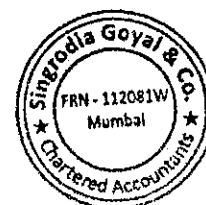
We have discounted the projected Cash Flow to Firm for the next five financial years at appropriate discount rate (WACC) as applicable to the Company. The same has further been reduced by the term debts of the Company as on the date of valuation so as to arrive at value of the equity shares of the Company. The valuation working for the same is depicted as under:

#### WACC Calculation Parameters for the Company

**Risk free Rate:** It depicts yield on 8.79% Central Government Maturing on 2021.

**Market Return:** As mentioned earlier it depicts long term moving average return of NIFTY.

**BETA:** We have identified Beta of four peer Companies, which are engaged in similar line of business. The said Beta has been weighted by allocating the weight of paid capital of the respective Companies.



Accordingly, the Industry beta (N) for the purpose of working out the weighted average cost of capital has been calculated as follows:

Name of the Company	Beta	Paid up capital	Weightage of Paid up capital	Weighted of Beta
Bhatia Industries & Infrastructure Ltd.	0.65	132,000,000	0.24	0.16
Urja Global Ltd.	0.84	416,556,000	0.76	0.64
<b>Total</b>		<b>548,556,000</b>	<b>1.00</b>	<b>0.79</b>

**Cost of Debt:** Currently, SPG Multitrade has obtained Cash Credit facility from IDBI Bank @ 15%. Hence, we have considered 15% as Cost of Debt.)

**Income tax:** The Company is subject to Income Tax @ 32.45%, as applicable under the Indian Income Tax Act, 1961. We have considered tax saving at 32.45% on the said cost of debt and hence, the net cost of debt will be,

**Constant Growth Rate (g):** We have taken constant growth rate of FCFF for deriving terminal value @ 2%. As world economy has registered a growth of 2.7% in 2011.

**Risk Free Rate (Rf) = 8.69%**

**Market Return (Rm) = 13.39%**

**Risk premium = Rm – Rf = 4.70%**

**Beta (β) = 0.79**

**ke = (Rf + Beta \* Risk Premium) = 12.40%**

**kd(Before Tax) = 15.00%**

**t = 32.45%**

**kd(After Tax) = Kd ( 1 – t) = 10.10%,**

**k = (e+d) = 1766.58**

**Weight of Equity (e/k) = 0.19**

**Weight of Debt (d/k) = 1 – 0.19 = 0.81**

**WACC = ko = ((e/k) \* ke) + ((d/k) \* kd (1 - t))**

**(0.19 \* 12.40%) + (0.81 \* 10.10) = 10.56%**

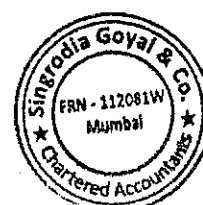
Accordingly, the discount rate (WACC) has been worked out to be at **10.56%**.



Based on the above, the valuation of the equity shares of the Company has been worked out as under:

Amount (Rs. Lakhs)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
EBIT	189.43	428.34	561.50	697.22	867.38
Less: Adjusted Taxes	-104.52	-144.44	-182.43	-233.75	-306.96
Add: Depreciation	4.33	3.21	2.38	1.76	1.31
<b>NOPLAT</b>	<b>89.24</b>	<b>287.11</b>	<b>381.44</b>	<b>465.23</b>	<b>561.73</b>
Less: Capex	-63.60	0.00	0.00	0.00	0.00
Less: Change in Working Capital	311.85	-195.38	-232.14	-293.91	-385.80
<b>Free Cash Flow to the Firm</b>	<b>337.49</b>	<b>91.73</b>	<b>149.30</b>	<b>171.32</b>	<b>175.93</b>
No. of Operating Months	12.00	12.00	12.00	12.00	12.00
Discounting factor (1/(1+WACC))	0.90	0.82	0.74	0.67	0.61
<b>Present Value of FCFF</b>	<b>305.26</b>	<b>75.05</b>	<b>110.49</b>	<b>114.67</b>	<b>106.51</b>



**SPG Middle East FZE**

Particulars	Amount (Rs. Lakhs)				
	2013	2014	2015	2016	2017
	Proj.	Proj.	Proj.	Proj.	Proj.
Net Profit before Tax	0.04	0.11	0.14	0.18	0.23
Less: Adjusted Taxes	-	-	-	-	-
Add: Depreciation	-	-	-	-	-
<b>NOPLAT</b>	<b>0.04</b>	<b>0.11</b>	<b>0.14</b>	<b>0.18</b>	<b>0.23</b>
Less: Capex	-	-	-	-	-
Less: Change in Working Capital	-	-	-	-	-
<b>Free Cash Flow to the Firm</b>	<b>0.04</b>	<b>0.11</b>	<b>0.14</b>	<b>0.18</b>	<b>0.23</b>
No. of Operating Months	12	12	12	12	12
WACC	0.876	0.767	0.672	0.588	0.515
<b>Present Value of FCFF</b>	<b>0.03</b>	<b>0.09</b>	<b>0.10</b>	<b>0.11</b>	<b>0.12</b>

Particulars	USD Millions
<b>Summation of PVs</b>	<b>0.44</b>
Terminal Value	1.00
<b>Total Enterprise Value</b>	<b>1.44</b>
Less: Debt	-
Less: Share Application	-
<b>Equity Valuation</b>	<b>1.44</b>
Add: Cash & Bank Balance	-
Total Enterprise Value	1.44
<b>INR in lakhs</b>	<b>753.11</b>



**SPG Multi Trade Pte. Ltd.**

Particulars	Amount (Rs. Lakhs)				
	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.
Net Profit before Tax	0.15	0.33	0.41	0.52	0.66
Less: Adjusted Taxes	-	-	-	-	-
Add: Depreciation	-	-	-	-	-
<b>NOPLAT</b>	<b>0.15</b>	<b>0.33</b>	<b>0.41</b>	<b>0.52</b>	<b>0.66</b>
Less: Capex	-	-	-	-	-
Less: Change in Working Capital	-	-	-	-	-
<b>Free Cash Flow to the Firm</b>	<b>0.15</b>	<b>0.33</b>	<b>0.41</b>	<b>0.52</b>	<b>0.66</b>
<b>Free Cash Flow to the Firm</b>	<b>0.15</b>	<b>0.33</b>	<b>0.41</b>	<b>0.52</b>	<b>0.66</b>
No. of Operating Months	12	12	12	12	12
WACC	0.890	0.791	0.704	0.626	0.557
<b>Present Value of FCFF</b>	<b>0.13</b>	<b>0.26</b>	<b>0.29</b>	<b>0.32</b>	<b>0.37</b>

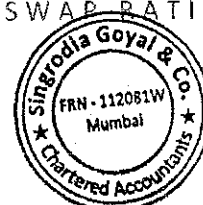
Particulars	Rs. in Lakhs
<b>Summation of PVs</b>	<b>1.37</b>
Terminal Value	3.57
<b>Total Enterprise Value</b>	<b>4.94</b>
Less: Debt	-
Less: Share Application	-
<b>Equity Valuation</b>	<b>4.94</b>
Add: Cash & Bank Balance	-
<b>Total Enterprise Value</b>	<b>4.94</b>
INR in lakhs	2580.88



**FWZ UNIT**

Particulars	Amount (Rs. Lakhs)				
	2013 Proj.	2014 Proj.	2015 Proj.	2016 Proj.	2017 Proj.
Net Profit before Tax	0.49	1.97	2.67	3.58	4.74
Less: Adjusted Taxes	-	-	-	-	-
Add: Depreciation	-	-	-	-	-
<b>NOPLAT</b>	<b>0.49</b>	<b>1.97</b>	<b>2.67</b>	<b>3.58</b>	<b>4.74</b>
Less: Capex	-	-	-	-	-
Less: Change in Working Capital	-	(1.81)	(2.47)	(3.32)	(4.42)
<b>Free Cash Flow to the Firm</b>	<b>0.49</b>	<b>0.17</b>	<b>0.21</b>	<b>0.26</b>	<b>0.32</b>
No. of Operating Months	12	12	12	12	12
Discounting factor	0.890	0.791	0.704	0.626	0.557
<b>Present Value of FCFF</b>	<b>0.44</b>	<b>0.13</b>	<b>0.15</b>	<b>0.16</b>	<b>0.18</b>

Particulars	USD Millions
Summation of PVs	1.06
Terminal Value	1.75
<b>Total Enterprise Value</b>	<b>2.80</b>
Less: Debt	-
Less: Share Application	-
<b>Equity Valuation</b>	<b>2.80</b>
Add: Cash & Bank Balance	-
Total Enterprise Value	2.80
<b>*INR in Lakhs</b>	<b>1462.11</b>

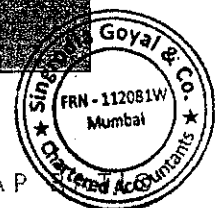


Particulars	Amount (Rs. Lakhs)
Summation of Present value of FCFF	711.99
Terminal Value	1,269.02
<b>Total Enterprise Value</b>	<b>1,981.61</b>
Less: Debt	1,439.07
<b>Equity Valuation</b>	<b>542.54</b>
Add: Cash & Bank Balance	703.12
Add: value of SPG Middle East FZE	753.11
Add: value of SPG Multi Trade Pte. Ltd.	2,580.88
Add: value of FTWZ UNIT	1,462.11
<b>Total Enterprise Value</b>	<b>6,041.76</b>

#### Fair Value on Weighted Average Basis

In arriving at the fair value of shares of the Company, we have given weights to all the three methods i.e. NAV at Market Price Method, Discounted Cash Flow Method and EBIDTA Multiple method. The weights have been allocated as under:

Valuation Method	Weights
EBIDTA Multiple Method	0.35
Net Assets Value Method	0.25
Discounted Cash Flow Method	0.40
<b>Total</b>	<b>1.00</b>



Thus, effectively more weight has been allocated to Discount Cash Flow method as compared to EBIDTA Multiple and Net asset value method since the DCF Method is more scientific in approach as compared to others. Further, EBIDTA Multiple Method has been given more weight than NAV Method since this method reflects the capital market perception about the Companies in the similar Industry and accordingly, provides the value of the business of the Company. Further, NAV Method, unlike other methods, considers only present value of assets and liabilities, which can't be considered as ideal valuation in today's growth scenario. Accordingly, the NAV method has been given less weight as compared to other methods of valuation.

Fair Value of Equity Shares of the company on the basis of weighted average basis is as under:

			Amount(Rs. Lakhs)
Valuation Method	Value	Weights	Weightage Value
EBIDTA Multiple Method	5,218.07	0.35	1,826.32
Net Assets Value Method	233.39	0.25	58.35
Discounted Cash Flow Method	6,041.76	0.40	2,416.70
Weighted Average Value		1.00	4,301.38

#### Key Assumptions for Valuations Methodology

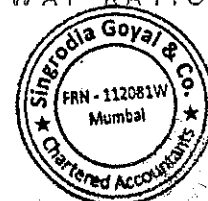
While working on the valuation, we have considered the following key assumptions, as provided by the Management:

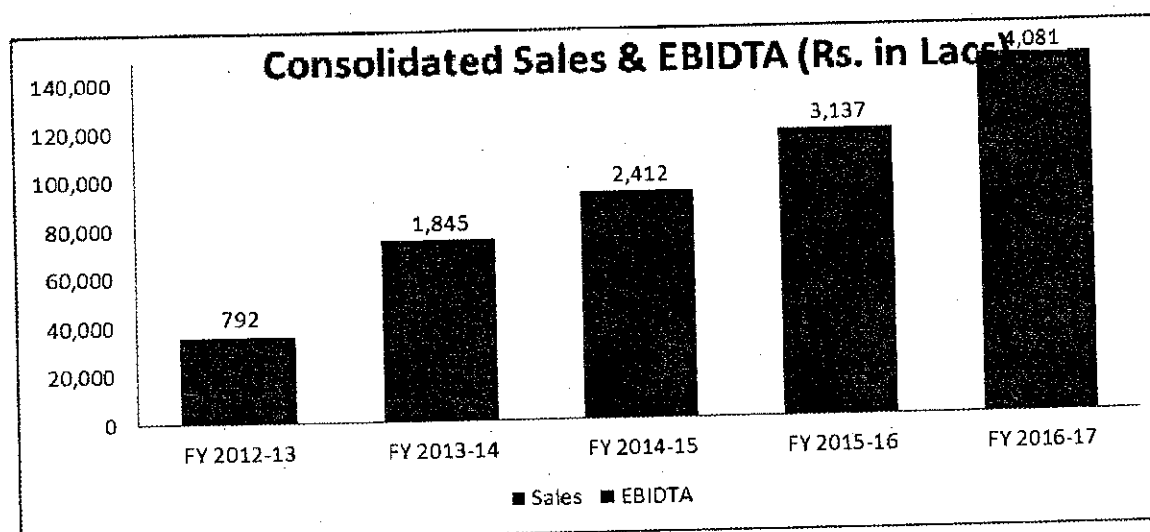
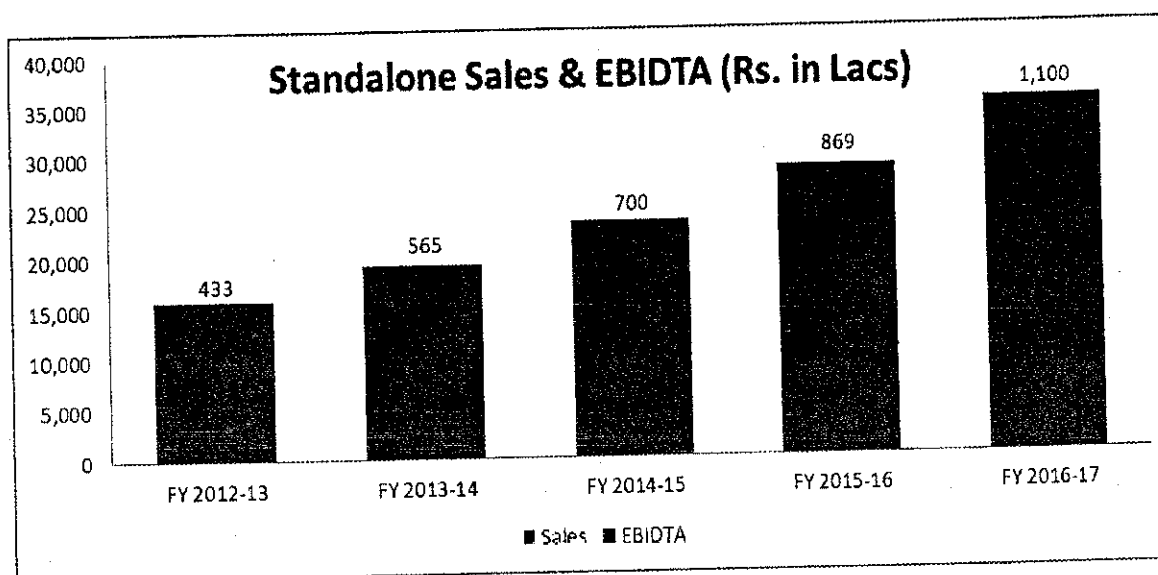
- As informed by the management, the Company is in the process of undertaking major expansion programme & is in process of starting of business operation globally from Singapore & Dubai. Both these operations shall be directly under the control & management of SPG & SPG shall hold 100% direct ownership in these companies. Hence we have considered these two overseas operations under our valuation working.





- The name of entity for Singapore business operation is **SPG Multi Trade Pte. Ltd.** The management has incorporated the same on 18<sup>th</sup> October 2012. Management is proposes to engage into trading of Coal from this entity. It is further informed to us that, for the purpose of trading, Coal shall be procured from Indonesia & shall be sold to China & India. However, till now Company has not started its operation.
- The name of entity for Dubai business operation is **SPG Middle East FZE**. The management got provisional approval letter from Government of Sharjah on 29<sup>th</sup> Nov. 2012 in Sharjah Airport International Free Zone. Management is proposes to engage into trading of Petroleum by-product like fuel Oil, Base Oil etc. from this entity. It is further informed to us that, for the purpose of trading, Petroleum by-product like fuel oil, Base oil etc. shall be procured locally & shall be sold in Domestic as well as overseas market. However, till now Company has not received final approval letter from Government of Sharjah for initiation of operation in Dubai Free Trade Zone & hence it has not yet started its operation.
- The management has also obtained approval for setting-up Free Trade Warehousing Zone (FTWZ) unit in Panvel SEZ, named **SPG Multi Trade Pvt. Ltd., FTWZ UNIT** for the purpose of carry on activity in Panvel SEZ. This company shall be engage in the business activity of Importing, rebranding & labeling, marketing & selling of Pharma Intermediaries and Electronic Component. These products shall be mainly imported from China & after re-fabrication; it will be exported to UAE, Middle East, Thailand and African Countries. However, till now Company has not started its operation.
- It has been further informed to us by the Management that, even though active business operation at FTWZ UNIT, SPG Middle East FZE & SPG Multi Trade Pte. Ltd. has not been commenced, they are confident of achieving the projection of FY 2012-13 during remaining period & hence based on those assumption, we have derived said value.
- It has been further informed to us by the Management that with the increasing business activities post expansion, the Company will be able to achieve cost efficiency in the long term. Further, the Company will be able to meet increasing customer demands and enhance its geographical reach, after initializing business operation in Panvel SEZ, Dubai & Singapore. Furthermore, SPG shall gain benefit of diversification & globalization. The Company has projected its turnover and profitability considering the said expansions. The same can be depicted and seen as under:





- We have reviewed the financial projections of the Company in relation to the past performance, performance for the current half year and future business plans of the Company and have modified the same in consultation with the management so as to reach at appropriate projected cash flows of the Company. Accordingly, the basis is formed on the amended/modified projections in our valuation.
- The management has informed that the Company has made the sales projections based on the average growth in price of products such as Coal & Cotton & based on performance of the Company for current financial year.

- The assumptions with regard to the working capital requirements of the Company for the purpose of the preparation of Projected Financial Statements are as under:

Particulars	No. of Days				
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Sundry Debtors	43	43	43	43	43
Sundry Creditors	50	50	50	50	50
Trading Goods Inventory					
Cotton	44	44	44	44	44
Coal	22	22	22	22	22
Fabric	21	21	21	21	21

**(D) Ganon Trading & Finance Co. Ltd.**

Ganon Trading & Finance Co. Ltd. was originally incorporated on 2<sup>nd</sup> July 1985 as public limited Company and Company get listed in Bombay stock Exchange (BSE) with Scrip code 512443 on 20<sup>th</sup> Jan 1987.

**Nature of Activities**

The business activity of the Company is to finance and to make loan, give guarantee and provided securities, invest in Share and securities of other Companies, to finance the industry or other enterprises by way of lending and advancing money.

**Key Products:-**

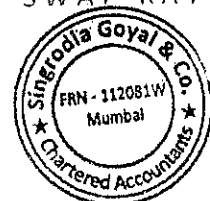
The Company is currently engaged to finance and make the investment in Share and Securities of various companies. The company is also involved in business of Derivative and generate the profit from such business and from share profit. However, now management of the Company has decided to stop investment activity and utilize all available funds towards some business activity to be carried on by the Company in future. Among various plans, one of the plan is to acquire some running business and have some strategic tie-up. Till the time any tie-up or acquisition or business plans are finalized, the management has decided to temporarily lend surplus money to the potential borrower for short period of time and subsequently use the money for business purpose.



**Constitution and Management:**

The present Board of Directors of the Company consists of the following directors:

<b>Name of Directors</b>	<b>Designation</b>	<b>Age</b>	<b>Experience</b>
Madan Lal Goyal	Director	65 Years	He is the main driving force having a rich experience of the Trading since more than Four Decades. He is heading the company, who is an entrepreneur and started his first establishment in early seventies. Due to his innovation and diversification and heading the new milestone in business by opening new ventures from time to time. Within this short span of time, quality graph has risen by leaps and bounds. And looking forward, the company is growing day-by-day.
Hari Prasad Agrawal	Director	46 Years	He is a post graduate & holds the position of a Director in the Company, having vast knowledge of finance controls supports the chairman. He is the financial head of the Company.
Manish Tiwari	Director	43 Years	He is, aged 43 years, Graduate with a Bachelors Degree in Commerce. He has very good knowledge in Finance and Account and also having vast Experience in other field of Business for 2 decades.
Dwarka Prasad Agarwal	Additional Director	42 Years	He is graduated with a Bachelor's Degree in Commerce. He has vast Knowledge in Finance and Account and also having vast Experience in trading mostly in field of cotton business.



Financial Performance:-

During the year ended March 31, 2012 Company achieved a total income aggregating to 310.60 lakh.as compared to 8.21 lakh in last year ended March 31, 2011. The Expense including employee cost amounted to 11.61 lakh in 2011-12. The Company has also earned a Net profit of Rs 267.25 lakh after providing Finance charges and Taxation in 2011-12 whereas company has earned a Net profit of Rs 0.85 lakh in F.Y. 2010-11

Working of Business Valuation

The business valuation of the Company has been based on the performance review of the Company for FY 2011-12. Based on the above, the valuation of the Company has been worked out as follows:

1. Net Asset Value Method (At Market Value)

In order to find the real value to the shareholders, the Net Asset value of the company has been determined at current prevailing market price of its existing assets of the business at relevant valuation date i. e. 31st March, 2012.

Under Net Asset Method (at market value basis), we have worked out the valuation of the business of the Company on the following basis:

- (a) For all assets & liabilities, Book value as on 31<sup>st</sup> March, 2012 is considered as Net Realizable Value.
- (b) All other assets have been taken at book values relying on management's representation that these assets are realizable at their book values in the ordinary course of business.

The valuation of the business of the Company under the NAV (at market value) method can be seen as follows:

Particulars		Amount (Lakhs Rs.)
<b><u>Non-Current Assets</u></b>	<b>A</b>	<b>114.94</b>
Fixed Assets		-
Non-Current Investment		-
Long Term Loans & Advances		114.94
Other Non-Current Assets		-



<b><u>Current Assets</u></b>	<b>B</b>	<b>919.62</b>
Current Investments		-
Inventories		-
Trade Receivables		-
Cash & Cash Equivalent		3.48
Short Term Loans & Advances		916.14
Other Current Assets		-
<b>Total Assets</b>	<b>C = A + B</b>	<b>1,034.56</b>
<b><u>Non-Current Liabilities</u></b>	<b>D</b>	<b>-</b>
Long Term Borrowings		-
Other Long Terms Liabilities		-
Long Term Provisions		-
<b><u>Current Liabilities</u></b>	<b>E</b>	<b>1.38</b>
Short Term borrowings		-
Trade Payables		-
Other Current Liabilities		0.43
Short Term Provisions		0.95
<b>Total Liabilities</b>	<b>F = D + E</b>	<b>1.38</b>
<b>Share Application Money</b>	<b>G</b>	<b>-</b>
<b>Book Value (31-March-12)</b>	<b>H = C - F - G</b>	<b>1,033.18</b>

## 2. Discounted Cash Flow Method

The Company is majorly having Investment income. In our opinion, this method shall not be suitable for such kind of business activity & hence, we have not considered this method of valuation for determining fair valuation of the Company.

## 3. EDIBTA multiple Method

The Company is majorly having Investment income. In our opinion, this method shall not be suitable for such kind of business activity & hence, we have not considered this method of valuation for determining fair valuation of the Company.



## **CHAPTER VII - SHARE EXCHANGE RATIO**

On the basis of the derived Value per shares based on the various Equity valuation models of each of the Four Companies and facts and circumstances of all the Four Companies taken together, were commend the valuation and exchange ratio at valued price per share arrived at above. The same is restated as under:

Sr. No.	Name of Company	Weighted Average Value (Rs. In Lacs)	No. of issued shares	Face Value (Rs.)	Value per share
1	Ganon Trading & Finance Co. Ltd.	1,033	9,331,000	10	11.07
2	Archana Hi-tech Consultants Ltd.	1,905	18,324,000	10	10.39
3	Vandana Hi-Tech Systems Ltd.	1,382	12,451,340	10	11.10
4	SPG Multi Trade Pvt. Ltd.	4,301	2,000,000	10	215.07

### **Amalgamation of Archana with Ganon**

In consideration of the above Value per share of the companies, we arrived at a ratio of 0.94 Equity share of Ganon for every Equity Shares of Archana. However we recommend a rounding off of the same and therefore we recommend that against every 1 (One) Equity Shares of Archana the shareholders of Archana be issued 1 (One) Equity Shares of Ganon. Accordingly, the shareholders of Archana, holding 18,324,000 Equity Shares, will be getting 18,324,000 Equity Shares of Ganon upon amalgamation.

### **Amalgamation of Vandana with Ganon**

In consideration of the above Value per share of the companies, we arrived at a ratio of 1 Equity share of Ganon for every 1 Equity Shares of Vandana. Therefore we recommend that against every 1 (One) Equity Shares of Vandana the shareholders of Vandana be issued 1 (One) Equity Shares of Ganon. Accordingly, the shareholders of Vandana, holding 12,451,340 Equity Shares, will be getting 12,451,340 Equity Shares of Ganon upon amalgamation.



**Amalgamation of SPG with Ganon**

Pursuant to the above Weighted Average Value Method, we arrived at a ratio of 19.42 Equity shares of Ganon for every 1 Equity Shares of SPG. However we recommend a rounding off of the same and therefore we recommend that against every 1 (One) Equity Shares of SPG the shareholders of SPG be issued 19 (Nineteen) Equity Shares of Ganon. Accordingly, the shareholders of SPG, holding 2,000,000 Equity Shares, will get 38,000,000 Equity Shares of Ganon upon amalgamation.

**For Singrodia Goyal & Co.**

Chartered Accountants

  
**Manoj Singrodia**

Partner

Membership No.: 45466

Date: Mumbai

Place: 25<sup>th</sup> January, 2013

**Note:**

*Our valuation is only for use of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its content.*





**CHAPTER VIII - DISCLAIMER, CAVEAT AND LIMITATIONS**

SG & Co has used reasonable skill and care in carrying out this assignment. In no event shall SG & Co be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or willful default on the part of the companies, its directors, employees or agents. We will also not be liable for any loss, damage, cost or expense arising in any way from the action taken by management or promoters on the basis of information provided by us. Valuations have been computed assuming a reasonably good economic and business environment with the factoring of all known risk factors. The methodology adopted may not be the sole criteria for valuing the business and may vary for different categories of stakeholders. The perspective and intrinsic business value build-up is based on current facts and our perceived achievable targets. The analysis is based on facts and business plans presented to us by the management of the Company, with no independent verification of the history. While utmost care has been taken in preparing the report, we make no guarantee, representation or warranty, whether express or implied and accept no responsibility or liability as to its accuracy or completeness of the data, being provided. All investment information and opinion are subject to change without notice.

Our work did not constitute an audit, due diligence or validation of financial statements of the company. Our work did not constitute independent valuation of any assets or liabilities of the company. Our views, findings or opinions, should not be construed to be a representation as to the future. Our report is being provided solely for the use of the companies, management for specific purposes and will be treated in strict confidence and shall not confer any rights or remedies upon any other person not intended therein.

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