Annexure - 3

SPV GLOBAL TRADING LIMITED
&
RMIL METAL INDUSTRIES PVT. LTD
&
RASHTRIYA METAL INDUSTRIES LIMITED

Recommendation on Fair Share Entitlement Ratio for Proposed Composite Scheme of Arrangement

Prepared By:

NISHANT SONI AND ASSOCIATES

CHARTERED ACCOUNTANT I REGISTERED VALUER

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2nd November, 2020

[redacted]

RE: Recommendation of Fair Share Entitlement Ratio for the purpose of Proposed Composite Scheme of Arrangement between SPV Global Trading Limited, RMIL Metal Industries Private Limited and Rashtriya Metal Industries Limited

Dear Sir/Madam,

We refer to our engagement letter to give recommendation of share entitlement ratio for the proposed Composite Scheme of Arrangement between SPV Global Trading Limited ("SPV" or "Demerged Company") and RMIL Metal Industries Private Limited ("RMIPL" or "Resulting Company / Transferor Company") and Rashtriya Metal Industries Limited ("RMIL" or "Transferee Company") and their respective shareholders and creditors under sections 230 to 232 read with section 66 of the Companies Act, 2013 and other applicable provisions of Companies Act, Rules And Regulations thereunder (hereinafter referred to as 'Scheme').

The Appointed Date for the scheme is 01st October, 2020, as per the proposed Scheme provided by the Management.

As presented in the attached Valuation Report for Share entitlement, our mandate is to determine the Share Swap Ratio for the proposed Composite Scheme of Arrangement.

We have considered all methods as prescribed by Valuation standards board constituted by ICAI RVO to determine the fair value of the equity shares of SPV, RMIPL & RMIL. Based on the results of the valuation approach and the methodology that we adopted and considering other relevant data, the Share Entitlement Ratio recommended is as follows:

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1 *"For every 2 (Two) Equity Shares of the Demerged Company held by an Eligible Member, either:*

- ***19 (Nineteen) fully paid-up Equity Shares of the Transferee Company of Rs. 10/- (Rupees Ten) each at a face value of Rs. 10/- (Rupees Ten) each;***

  or

- ***104 (One Hundred and Four) fully paid-up Non-Participatory Preference Shares of the Transferee Company at issue price Rs. 100/- (Rupees Hundred only) each."***

2 ***"1 (One) Equity Share of Transferee Company of Rs.10/- each fully paid up may be issued to the shareholders of the Transferor Company for every 77 (Seventy-Seven) Equity Shares of Transferor Company of Rs.10/- each fully paid up."***

Please note that the above-mentioned value or estimates and all other related comments in the report should be read in conjunction with the assumptions and limiting conditions as set forth in the following section.

This valuation report is not intended for general circulation or publication and it is not to be reproduced or used for any purpose without our prior written consent other than for the purpose stated in the report. We do not accept any responsibility for its use outside this purpose.

We shall be happy to discuss this report with the board of directors, any other approved committees or any other authorised officials of the Company, as may be required.

In case any clarification is required with respect to our report, please let us know.

Respectfully submitted,

For **Nishant Soni and Associates**
Chartered Accountants
Firm Registration No. 137278W
IBBI Valuer Reg No - IBBI/RV/06/2019/10745
UDIN: 20149316AAAAGA9304

NISHANT P SONI
Digitally signed by NISHANT P SONI

Nishant Soni
Proprietor
Membership No. 149316
Place - Mumbai.

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PROPOSED COMPOSITE SCHEME OF ARANGEMENT

Between

SPV GLOBAL TRADING LIMITED

&

RMIL METAL INDUSTRIES PRIVATE LIMITED

&

RASHTRIYA METAL INDUSTRIES LIMITED

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Introduction, Purpose and Rationale for Valuation

Nishant Soni and Associates, Chartered Accountants, (hereinafter referred to as 'NSA') and a registered Valuer under Institute of Chartered Accountants of India - Registered Valuer Organization and with Insolvency and Bankruptcy Board of India has been jointly engaged by **SPV Global Trading Limited** ("SPV" or "Demerged Company") and **RMIL Metal Industries Private Limited** ("RMIPL" or "Resulting Company / Transferor Company") and **Rashtriya Metal Industries Limited** ("RMIL" or "Transferee Company") to determine the Fair Share Entitlement Ratio under the Composite Scheme of Arrangement between them.

Purpose & Rationale

The management of the Demerged Company has proposed to Demerge its Metal Business Undertaking into the Resulting Company and immediately upon this Scheme becoming effective, the Resulting / Transferor Company would amalgamate with the Transferee Company. The management of all the Companies have proposed that the shareholders of the Demerged Company and the Transferor Company shall receive the consideration in form of shares from the Transferee Company upon the Scheme becoming effective.

Hence, NSA has been given to understand that it shall issue its report considering the present Scheme, where the valuation and the fair share entitlement ratio needs to consider the value available to the shareholders of the Demerged Company and the Transferor Company.

The purpose of this report is to determine the fair value of the Demerged Undertaking and indicative swap ratio of shares to comply with the requirements of the relevant provisions of the Companies Act, 2013 and the Income Tax Act, 1961 and The Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

Assumptions and Limiting Conditions

Our report is subject to the limitations detailed herein after:

1. The share entitlement analysis recommendation contained herein represents the analysis done for the date on which we were appointed and not for any other time of the year.

2. The scope of our work has been limited to the extent of arriving at the fair entitlement ratio as explained above. We have no responsibility to update this report for events and circumstances after the date of this report.

3. Our work was not designed to verify the accuracy or reliability of the information provided to us and nothing in this report should be taken to imply that we have conducted procedures, audits or investigations in an attempt to verify or confirm any information supplied to us.

4. This report is issued on the understanding that the management of the Companies have drawn our attention to all matters concerning the financial and legal position of the businesses, which may have an impact on our reporting, including any significant changes that have taken place or are likely to take place in future.

5. We have no present or planned future interest in the Companies and the fee for this report is not contingent upon the values reported therein.

6. We do not express any opinion as to any tax or other consequences that might arise from the Scheme, nor does our opinion address any legal, tax, regulatory or accounting matters.

7. Our report should not be construed as our opinion or certifying the compliance of the Scheme with provisions of any law prevalent as on the reporting date.

Company Overview

SPV Global Trading Limited (the **"SPV"** or **"Demerged Company"**) was originally incorporated as "Tarrif Cine & Finance Limited" on 5th February 1985 under the Companies Act, 1956 in Maharashtra. Name of the Demerged Company was changed to "SPV Global Trading Limited" w.e.f. 26th April 2019 pursuant to Certificate of Incorporation obtained from the Registrar of Companies, Mumbai. The Corporate Identity Number of the Demerged Company is L27100MH1985PLC035268, having its registered Office situated at 28/30, Anant Wadi, Bhuleshwar, Mumbai - 400002, Maharashtra. It is, *inter alia*, engaged in the Manufacturing and Trading of Non-Ferrous Metals, Copper and Copper scrap along with holding certain other assets. The shares of Demerged Company are listed on Bombay Stock Exchange (BSE). However, it was suspended for some years. Presently, SPV is thinly traded on BSE after revocation of its suspension.

The Capital Structure of SPV as on 31st March 2020 and as on Appointed Date is as under:

Particulars	Amount (in Rs.)
Authorized Share Capital	
250,000 Equity Shares of 10/- each	25,00,000
Total	**25,00,000**
Issued, Subscribed and Paid up Share Capital	
245,000 Equity Shares of 10/- each.	24,50,000
Total	**24,50,000**

RMIL Metal Industries Private Limited (the "RMIPL" or **"Resulting Company"** or **"Transferor Company"**) is a Private Limited Company incorporated on 16th October 2019 under the Companies Act, 2013 in Maharashtra. The Corporate Identity Number of the Transferor Company is U27320MH2019PTC331757. Registered Office of RMIPL is situated at 308-312, Meadows, Sir M.V. Road, Sahar Plaza Complex, J.B. Nagar, Andheri - East, Mumbai - 400059, Maharashtra. It is, inter alia, incorporated with the objective to engage in the business of copper and allied metal and their scrap. It has not commenced any business activities.

<u>**The Capital Structure of RMIPL as on 31st March 2020 and as on Appointed Date is as under:**</u>

Particulars	Amount (in Rs.)
Authorized Share Capital 10,000 Equity Shares of 10/- each.	100,000
Total	100,000
Issued, Subscribed and Paid up Share Capital 10,000 Equity Shares of 10/- each.	100,000
Total	100,000

Rashtriya Metal Industries Limited (the "RMIL" or "**Transferee Company**") is a Public Limited Company incorporated under the Companies Act, 1913 on 28th November, 1946 and has its registered office at 308-312, Meadows, Sir M.V. Road, Sahar Plaza Complex, J.B. Nagar, Andheri - East, Mumbai, Maharashtra - 400059. The Corporate Identity Number of the Transferee Company is U99999MH1946PLC005378. The Transferee Company is engaged in manufacturing of Copper and Copper Alloy Strips. It is one of the premier producers of specialty cold rolled strips in a wide range of copper alloys. The Transferee Company is subsidiary of the Demerged Company holding 50.501% shares.

<u>**The Capital Structure of RMIL as on 31st March 2020 and as on Appointed Date is as under:**</u>

Particulars	Amount (in Rs.)
Authorized Share Capital 53,50,000 Equity Shares of 10/- each 2,00,000 Preference shares of 100/- each	 53,500,000 20,000,000
Total	73,500,000
Issued, Subscribed and Paid up Share Capital 45,13,012 Equity Shares of 10/- each	4,51,30,120
Total	4,51,30,120

Sources of Information

For the purposes of undertaking this exercise, we have relied on the following sources of information and documents received from the management:

1. Audited Financial Statements of SPV, RMIL and RMIPL as on 31st March, 2020.

2. Limited review report of SPV, RMIPL and RMIL as on 30th September, 2019.

3. Shareholding pattern of SPV, RMIL and RMIPL as on 30th September, 2020.

4. Financial Projections of RMIL and Identified Metal Business Undertaking of SPV for half year ended 2020-21, FY 2021-22, FY 2022-23, FY 2023-24, FY 2024-25 and FY 2025-26.

5. Draft Composite Scheme of Arrangement between SPV, RMIPL, RMIL and their respective shareholders and creditors under section 230-232 read with section 66 of Companies Act 2013 and other applicable provisions of Companies Act, Rules and Regulations thereunder.

6. Discussions with the Management on various issues relevant for the valuation including the prospects and outlook for the industry expected growth rate and other relevant information.

7. Discussion with Management including Management Representation Letter dated 25th October 2020.

8. Such other information and explanations as we have required, and which have been provided by the management.

The management of all the Companies have been provided with the opportunity to review the draft Report (excluding the recommended Share Entitlement Ratio) as a part of our standard practice to make sure that factual inaccuracies / omissions are avoided in our final Report.

Approach to Valuation

The goal of a valuation method is to best approximate the business' actual fair market value. Fair market value has been defined as the price at which property passes between a willing buyer and seller, neither under any compulsion to buy or sell, and both with knowledge of all relevant facts.

The selection of method to be used must be made under the most appropriate method rule. The most appropriate method is that method, which, under the fact and circumstances of the transaction under review, provides the most reliable valuation.

In determining the reliability of a method, the most important factors to be taken into account are the coverage and reliability of the available data. Other factors such as conditions prevailing in the market, potential of the industry and business to grow, extent and reliability of adjustment that may be required in applying the method shall also be taken into account.

Selection of the most appropriate approach

As mentioned earlier, the valuation is performed to derive the value of equity shares. The valuation has been derived using the methodology that is widely acceptable method. Further, such valuation is also required by Management independently for the purpose of understanding the fair value of the business and its shares pricing.

Three business valuation approaches

1. Asset Approach
2. Market Approach
3. Income Approach

1. ASSET APPROACH:

This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding and investment business. Net asset values OR Costing Method, which are of great relevance in industries such as utilities, manufacturing and transport that are dependent on physical infrastructure and assets, may not have particular significance in industries such as information technology, pharmaceutical that are driven by intangibles not recorded in the books. The asset valuation is a good indicator of the entry barrier that exists in a business.

Some of the most common techniques of valuation considered under this approach are to value a business enterprise on the basis of book value of the assets or at adjusted book value of the assets or at Replacement value.

Book value: This is simply a value based upon the accounting books of the business. In simple term, Assets less liabilities equal to the owners' equity, which is the "Book Value" of the business. For mature firms with predominantly fixed assets, little or no growth opportunities and no potential for excess returns, the book value of the assets may yield a reasonable measure of the true value of these firms. For firms with significant growth opportunities in businesses where they can generate excess returns, book values will be very different from true value.

Adjusted book value: This method involves reviewing each and every assets and liability on the company's balance sheet and adjusting it to reflect its estimated market value. Depending on the mix of assets owned by the company, other types of appraisers (e.g., real estate, machinery and equipment) might need to be consulted as part of the valuation process. In addition, it is important to consider intangible items that might not necessarily be reflected on the balance sheet, but which might have considerable value to a user, such as trade names, patents, etc. The unrecorded and contingent liabilities are also considered at their fairly estimated value.

Replacement value: This method is mainly used for valuing asset-heavy businesses such as hotels/motels and natural resources (mining) businesses. The asset valuation methodology essentially estimates the cost of replacement of the tangible assets of the business. The replacement cost takes into account the market value of various assets or the expenditure required to create the infrastructure exactly similar to that of a company being valued. Since the replacement methodology assumes the value of business as if a new business is set, this methodology may not be relevant for valuing a going concern.

2. INCOME APPROACH

The Income Approach derives an estimate of value based on the sum of the present value of expected economic benefits associated with the asset or business (Economic benefits have two components: cash flow (or dividends) and capital appreciation). Under the Income Approach, the appraiser may select a single period capitalization method (Profit earning capacity value method) or a multi-period discounted future income method.

Profit earning capacity value method:

- The basis of this approach is to find the normalised earning capacity of the business and to capitalise it on the basis of appropriate rate considering the business fundamentals of business cycle, safety, return and time. In this method, future maintainable profit of the company is calculated. Alternately, an appropriate multiple can be used with the normalised earnings to arrive at fair estimation of business value (Market Price per Share "MPS").

- The important task is to determine two factors:
  i. Normalised Profit after Tax (PAT) and
  ii. Rate of capitalisation or multiple for capitalisation

- The average annual maintainable PAT should be representative and is generally determined based on average past earnings, or future projected earnings where the past earnings are not representative of the future earning potential of the business.

- The capitalization rate is taken based on P/E Multiple (MPS/EPS) of the industry on the rate of return expected by the equity shareholders of the company.

Discounted Free Cash Flow Method (DCF)

- DCF methodology expresses the present value of a business as a function of its future cash earnings capacity. This methodology works on the premise that the value of a business is measured in terms of future cash flow streams, discounted to the present time at an appropriate discount rate. It recognises that money has a time value by discounting future cash flows at an appropriate discount factor.

- This method is used to determine the present value of a business on a going concern assumption. The DCF methodology depends on the projection of the future cash flows and the selection of an appropriate discount factor.

- When valuing a business on a DCF basis, the objective is to determine a net present value of the cash flows ("CF") arising from the business over a future select period of time (say 5 years or visible period), which period is called the explicit forecast period. Free cash flows are defined to include all inflows and outflows associated with the project prior to debt service, such as taxes, amount invested in working capital and capital expenditure. Under the DCF methodology, value must be placed both on the explicit cash flows as stated above, and the ongoing cash flows a company will generate after the explicit forecast period. The latter value, also known as terminal value, is also to be estimated.

- The future cash flows can be projected, the less sensitive the valuation is to inaccuracies in the assumed terminal value. Therefore, the longer the period covered by the projection, the less reliable the projections are likely to be. For this reason, the approach is used to value businesses, where the future cash flows can be projected with a reasonable degree of reliability. For example, in a fast-changing market like telecom or even automobile, the explicit period typically cannot be more than 5 years. Any projection beyond that would mostly be speculation.

- The discount rate applied to estimate the present value of explicit forecast period free cash flows as also continuing value, is taken at the "Weighted Average Cost of Capital" (WACC). One of the advantages of the DCF approach is that it permits the various elements that make up the discount factor to be considered separately, and thus, the effect of the variations in the assumptions can be modeled more easily. The principal elements of WACC are cost of equity (which is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows), the post-tax cost of debt and the target capital structure of the company (a function of debt to equity ratio). In turn, cost of equity is derived, on the basis of capital asset pricing model (CAPM), as a function of risk-free rate, Beta (an estimate of risk profile of the company relative to equity market) and equity risk premium assigned to the subject equity market.

- Value obtained by using DCF method gives us the Enterprise Value; and adjustment for the loans as on the valuation date gives us the Equity Value.

This method is generally used when there is reasonable certainty on the timing, quantum and quality of the cash flows, which has its close coupling with the underlying assets (e.g. in case of a manufacturing company).

<u>VALUATION OF SURPLUS ASSETS</u>
In case company holds any asset, which is surplus to its business and expansion plans, and they are material in quantum, then such assets are to be valued at its estimated net realizable value instead of book value.
Value of such surplus assets are then added to the overall valuation of the Company.

3. MARKET APPROACH

<u>Comparable Analysis ("Comps")</u>

Comparable company analysis (also called "trading multiples" or "peer group analysis" or "equity comps" or "public market multiples") is a relative valuation method in which you compare the current value of a business to other similar businesses by looking at trading multiples like P/E, EV/EBITDA, or other ratios. Multiples of EBITDA are the most common valuation method.

The "comps" valuation method provides an observable value for the business, based on what companies are currently worth. Comps are the most widely used approach, as they are easy to calculate and always current. The logic follows that, if company X trades at a 10-times P/E ratio, and company Y has earnings of $2.50 per share, company Y's stock must be worth $25.00 per share (assuming its perfectly comparable).

Precedent Transactions

Precedent transactions analysis is another form of relative valuation where you compare the company in question to other businesses that have recently been sold or acquired in the same industry. These transaction values include the take-over premium included in the price for which they were acquired.

These values represent the en bloc value of a business. They are useful for M&A transactions but can easily become stale-dated and no longer reflective of the current market as time passes. They are less commonly used.

Valuation Workings

To derive the value of the Equity Shares, we have computed Future Cash Flow to the Equity (FCFE) till financial year ending March 2025 and discounted the same based on the Cost of Equity (K_e) to arrive at the Present Equity Value of the Company.

A. Assumptions & Calculations applied to derive fair equity value of RMIL:

a. Risk Free Rate (Rf): It is 6.48% derived from 15-years Indian Govt bond Yield as on 30th September 2020.

b. Market Return (Rm): It is 10.25%, based on the 15-years NSE return (Nifty 50) as on 30th September 2020.

c. BETA (β): Systematic risk is measured in the CAPM by a factor known as beta. Since there are no comparable listed peers of similar size and structure in this space and also considering the outbreak of global pandemic of COVID-19 which has affected business around the globe, we have reasonably considered beta of 1.50.

d. Cost of Equity (K_e): It reflects the return expected by the investor for investing in the equity of the Company. Capital Asset Pricing Method (CAPM) is commonly used by analyst to determine the K_e; it illustrates the return expected by an investor over and above risk-free rate for taking additional risk (Systematic risk). It is further increased Company Specific Risk Discount.

   Company Specific Risk Discount: The shares of the company are not listed on any of the recognized stock exchange and therefore does not enjoy the liquidity. Several listed entities in the metal industry operates at a much larger scale and hence enjoys economies of scale and benefit of product diversification as opposed to RMIL which majorly operates into copper and related products. Considering the above we have reasonably assumed Company Specific Risk Discount of 1.50%.

   K_e is arrived at 13.64% using CAPM formulated as under:

   K_e = Rf + β * (Rm – Rf) + (Company Specific Risk)

e. Tax Rate: Tax rate is assumed to be 34.94% (including surcharge and cess).

f. Terminal Value (TV): As it is not possible to forecast cash flow infinitely, hence after specific years, terminal value of the company is calculated. It reflects the value of the company at that point of time, which is further, discounted to derive the present value.

   Terminal value can be calculated using one of the following 3 methods.

a) Liquidation method
b) Multiple earning method
c) Constant growth method

In our case we used constant growth model, as follows:
TV = (FCFEn (1+ g))/ (Ke - g)

Growth (g) for TV constant growth model: We have taken growth for determining TV on constant growth model basis @ 3%.

INR in Lacs

Discounted Cash Flow Statement *Free Cash Flow to Equity Model*

	Particulars		Projected					
			Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26
	Net Profit After Tax		759	1,383	2,104	2,127	2,506	2,912
Add:	Depreciation		413	736	751	742	742	742
Add/(Less):	Net Working Capital Changes		653	(381)	(1,023)	(934)	(997)	(1,110)
Less:	Capex		-	-	-	-	-	-
	Free Cash Flows to Equity		**1,825**	**1,738**	**1,832**	**1,935**	**2,251**	**2,544**
	Duration (In Months)		6	12	12	12	12	12
	Ke	13.64%						
	Discounting Factor		0.94	0.83	0.73	0.64	0.56	0.50
	Present value of FCFE		**1,712**	**1,435**	**1,331**	**1,237**	**1,266**	**1,259**

Summation of PVs	8,239
Terminal Value	12,192
Surplus liquid funds	4,271
Fair Equity Value	**24,703**
Total number of shares outstanding	4,513,012
Fair equity value per share	**547.37**

B. **Assumptions & Calculations applied to derive fair equity value of Metal Business of SPV:**

The Metal Business of SPV can be classified into two parts namely:

i. Trading in Non-Ferrous Metals, Copper, Copper alloys and their scraps; and
ii. Investment in RMIL which is engaged in manufacturing of Copper and Copper Alloy strips

To arrive at the fair value of Metal Business (excluding Investment in RMIL), DCF method is used taking into consideration the following assumptions:

a) Risk Free Rate (Rf): It is 6.48% derived from 15-years Indian Govt bond Yield as on 30th September 2020.

b) Market Return (Rm): It is 10.25%, based on the 15-years NSE return (Nifty 50) as on 30th September 2020.

c) BETA (β): Systematic risk is measured in the CAPM by a factor known as beta. We have considered beta of 1.50 since there are no comparable listed peers of similar size and structure in this space.

d) Cost of Equity (K_e): It reflects the return expected by the investor for investing in the equity of the Company. Capital Asset Pricing Method (CAPM) is commonly used by analyst to determine the K_e; it illustrates the return expected by an investor over and above risk-free rate for taking additional risk (Systematic risk). It is further increased by Liquidity premium and Scale of Operation Premium.

Illiquidity Discount: Since the Company's share are very thinly traded on stock exchange, the shares are highly illiquid & hence Illiquidity discount of 1% is assumed.

Company Specific Risk Discount: The Company has started the business activity recently and the scale of operations are not very large and hence, additional discount of 1% is assumed.

K_e is arrived at 14.14% using CAPM formulated as under:

K_e = Rf + β * (Rm – Rf) + (Illiquidity Discount) + (Company Specific Risk)

e) Tax Rate: Tax rate is assumed to be 25.17% (including surcharge and cess).

f) Terminal Value (TV): As it is not possible to forecast cash flow infinitely, hence after specific years, terminal value of the company is calculated. It reflects the value of the company at that point of time, which is further, discounted to derive the present value.

Terminal value can be calculated using one of the following 3 methods.

a) Liquidation method
b) Multiple earning method
c) Constant growth method

In our case we used constant growth model, as follows`
TV = (FCFEn (1+ g))/ (Ke – g)

Growth (g) for TV constant growth model: We have taken growth for determining TV on constant growth model basis @ 1%.

INR in Lacs

Discounted Cash Flow Statement - Trading Business — *Free Cash Flow to Equity Model*

	Particulars		Projected					
			Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Mar-26
	Net Profit After Tax		(11.66)	15.37	16.28	16.90	17.81	18.41
Add:	Depreciation		-	-	-	-	-	-
Add/(Less):	Net Working Capital Changes		15.83	7.27	7.63	8.01	8.41	8.83
Less:	Capex		-	-	-	-	-	-
	Free Cash Flows to Equity		**4.17**	**22.63**	**23.91**	**24.92**	**26.22**	**27.24**
	Duration (In Months)		6	12	12	12	12	12
	Ke	14.14%						
	Discounting Factor		0.94	0.82	0.72	0.63	0.55	0.48
	Present value of FCFE		**3.91**	**18.56**	**17.18**	**15.69**	**14.46**	**13.16**

Summation of PVs	82.95
Terminal Value	101.20
Fair Equity Value of Trading Business (A)	**184.15**
No. of shares invested in RMIL	2,279,410
Fair equity value per share	547.37
Fair Equity value of Investment in RMIL (B)	**12,476.71**
Fair Equity Value of Metal Business [A+B]	**12,660.85**
Total number of shares outstanding	245,000
Fair equity value per share of Metal Business	**5,167.70**

C. Fair Equity Value of RMIPL:

The present issued, subscribed and paid up share capital of RMIPL is 10,000 equity shares of Rs. 10/- each fully paid up. The Company is a non-operating company and does not have any commercial operations since inception. As fair value of Demerged Undertaking is considered separately and fair share entitlement ratio for shareholders of the Demerged Company is provided, the existing value of RMIPL would indicate the value available to the shareholders of RMIPL. Accordingly, fair value of equity shares of RMIPL have been calculated based on NAV method.

Calculation of FMV of Equity Shares of RMIL Metal Industries Private Limited as per Net Asset Valuation (NAV) method as on September 30th, 2020

Particulars		(INR)
Total Non-Current Assets	A	-
Add: Net Current Assets		
Current Assets:		
Cash & Bank Balances		99,115
Total Current Assets	B	99,115
Less: Current Liabilities:		
Trade Payables		27,981
Total Current Liabilities	C	27,981
Total Net Current Assets (B-C)	D	71,134
Fair Equity Value (A + D)		71,134
No. of Equity Shares Outstanding		10,000
FMV per Equity Share		7.11

Recommendation on Share Entitlement Ratio

1 Computation of fair share entitlement ratio between SPV & RMIL

Valuation Approach	Metal Business of SPV		RMIL	
	Value per share	Weight	Value per share	Weight
Asset Approach	-	0%	-	0%
Income Approach	5,167.70	100%	547.37	100%
Market Approach	-	0%	-	0%
Relative Value per Share	5,167.70		547.37	
Exchange Ratio - Equity			9.44	
Exchange Ratio (rounded off)	2		19	
Exchange Ratio - Preference	2		104	

Share Entitlement Ratio:
As suggested in the draft Scheme provided to us, we recommend the same to be fair and reasonable. The share entitlement ratio is reproduced herein:

*"For every **2 (Two)** Equity Shares of the Demerged Company held by an Eligible Member, at the election of such Eligible Member by way of delivering the Election Notice in accordance with Clause 16.2 and subject to the Share Exchange, either:*

- *19 **(Nineteen)** fully paid-up Equity Share of the Transferee Company of Rs. 10/- (Rupees Ten) each at a face value of Rs.10/- (Rupees Ten) each;*
  or
- *104 **(One Hundred and** Four) fully paid-up 10% Optionally-Convertible Non-Participatory Preference Share of the Transferee Company at Rs.100/- (Rupees One Hundred only) each, which shall have a face value of Rs. 10/- (Rupees Ten only) each at a premium of Rs. 90/- (Rupees Ninety only) per share.*

Terms of Preference shares: NSA being a valuer does not comment on the terms and conditions relating to the issue of Preference Shares.

Notes:

Income Approach: Metal Business of SPV and RMIL are operating companies and therefore capable of generating sustainable future cash flows and hence, we have adopted Discounted Cash Flow methodology to arrive at the fair value of equity shares of SPV and RMIL.

Asset Approach: Asset values reflected in books of accounts do not usually include intangible assets enjoyed by the business and are generally not a true indicator of the future distributable cash/profit generating ability of the businesses which is widely regarded as the true determination of value of assets for most of the industries. The asset values recorded in books of accounts are also impacted by accounting policies which may be discretionary at times. Hence, Asset Approach has not been adopted.

Market Approach: In the present case, although SPV is a listed entity on BSE, it is not frequently and actively traded in the open market. Hence, the value per share of SPV based on the market price is not considered. Further, since RMIL is not listed on any recognized exchange, the use of Market price method is not possible. We could not find any transaction in comparable companies / businesses in India in recent times where credible and sufficient information about the transaction is available in public domain. Therefore, we have not adopted Market Approach.

2 Computation of fair share entitlement ratio between RMIL & RMIPL

Valuation Approach	RMIPL		RMIL	
	Value per share	Weight	Value per share	Weight
Asset Approach	7.11	100%	-	0%
Income Approach	-	0%	547.37	100%
Market Approach	-	0%	-	0%
Relative Value per Share	7.11		547.37	
Exchange Ratio (rounded off)	77		1	

Share Entitlement Ratio:

In addition to issue of shares to the shareholders of Demerged Company above, upon Amalgamation of Transferor Company with the Transferee Company, the remaining existing shareholders of the Transferor Company shall be issued and allotted shares. As suggested in the draft Scheme provided to us, we recommend the same to be fair and reasonable. The share entitlement ratio is reproduced herein:

1 (One) equity share of Transferee Company of Rs.10/- each fully paid up shall be issued to the shareholders of the Transferor Company for every 77 (Seventy-Seven) equity shares of Transferor Company of Rs.10/- each fully paid up.

Notes:

Asset Approach: RMIPL is a non-operating company with the major assets being cash & cash equivalents, and as the same is proposed to be immediately dissolved as a going concern pursuant to immediate amalgamation of RMIPL in to RMIL, hence the Net Asset Approach was considered appropriate for valuation of equity shares of RMIPL.

Income Approach: RMIPL is a non-operating company and hence traditional approach of valuation through Discounted Cash Flows (DCF) has its drawbacks while conducting valuation. Thus, we have not considered DCF as a valuation methodology in this case.

Market Approach: In the present case, RMIPL is not a listed entity on any recognized stock exchange. Hence, the value per share of RMIPL based on the market price cannot be considered. We could not find any transaction in comparable companies / businesses in India in recent times where credible and sufficient information about the transaction is available in public domain. Thus, we have not adopted Market Approach as a valuation methodology in this case.

Distribution of Report

Our value analysis report has been solely prepared for use by the management. Further, the Company is not entitled to submit such report to Government Authorities as disclosures differs from such reporting. Our reports should not be distributed for any other purpose except as mentioned above or to any other person without our written consent. In no event shall we be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the management of the company. In no circumstances shall the liability of Nishant Soni & Associates, its proprietor or employees relating to services provided in connection with the engagement exceed the amount paid to us in respect of the fees charged for those services. The report is complied with Valuation standards prescribed by Institute of Chartered Accountants of India (ICAI) by Valuation Standard Board (VSBs).