Valuation report of shares of APL Engineering Service Private Limited

17th June 2013

1. Background:

APL Engineering Services Private Limited (APEPL) is a Company registered in Maharashtra.

The company' core business activities include providing services of integrated design, engineering, procurement, construction, installation and project management for all types of engineering project in any field of industrial, mechanical, electrical, civil, information technology, any type of process plants or any other branch of engineering and science and to act as advisors, analyzers, contractors and project management consultants to project pertaining to chemical, civil, mechanical, electrical, engineering and also for executing project relating to construction of building, both commercial and residential, roads, highways, bridges, cross country pipelines and all other structural project of this nature.

The company is a subsidiary of Amines & Plasticizers Limited (APL) which is engaged in business of manufacturing of chemical. The board of the APL has decided to do group restructuring by proposing the merger of APEPL into APL in view of the benefits arising from synergies of business operations & for optimum utilization of resources of both companies.

The Share holding pattern of both the Company namely is as under;

Name	APEPL
Indian Promoter & Group	100.00%
Institutional	-
Non Institutional including individuals	-
Total	**100%**

2. Objectives:

The objective of this 'Valuation Report' is to arrive at a fair value of Equity shares of APEPL for the proposed merger.

BHANDARI DASTUR GUPTA & ASSOCIATES
MUMBAI
FRN:119739W
Chartered Accountants

Source of Information:

2.1. Relevant extracts of the Memorandum and Articles of Association of APEPL.

2.2. The write-up denoting the activities and background of APEPL.

2.3. Audited Accounts for the year ended 31st March 2013 of APEPL.

2.4. Discussion with the management of the Companies in connection with the operation of the companies, future plan and prospect including capital expenditure, taxation and litigation related matter.

3. Valuation Methodologies:

The following valuation methodologies have been selected:

- Net Asset Value (Book Value Method)
- Profit Earning Capitalization Method
- Fair Value Method

3.1. Net Asset Value (Book Value Method)

Net Asset Value (NAV) can be arrived by calculating the equity shareholders' funds invested in the business as at the latest audited balance sheet date before proposed merger and deducting there from all current and likely contingent liabilities. Thus, the value is calculated by adding paid up equity capital plus free reserves.

Net Asset Value approach as elucidated in lines to follow has been adopted. The aptness of this approach is better appreciated in light of the fact that the shares are being valued for the purpose of group reorganization.

We enclose **Annexure "A"** showing the valuation based on the above method as per the latest audited balance sheet. The value per share is Nil as per NAV method of valuation.

3.2. Profit Earning Capitalization Method:

The Profit Earning Capitalization Method seeks to determine the net maintainable profits on the basis of the past performance of the Company, which is capitalized at the rate equivalent to the expected market rate of return for investment in a similar business.

The said method required averaging of the profits for the latest three years for which the audited accounts are available. However the company has commenced operation only in last year and had losses in all the past two year, accordingly this method is been ignored.

3.3. Fair Method Value:

For valuation of a company on 'going concern' basis, the book value is not considered suitable, thus fair value of shares is being arrived by taking the simple average of the value per share computed as per book value and Profit Earning Capitalization method. The objective of the valuation process is to make a best reasonable judgment of the value of the equity shares of the company.

In the current case, the value of shares as per NAV method is negative and the PECV method cannot be computed. Consequently, fair value of shares cannot be determines by using Fair Value Method of computation

4. Conclusion:

The proposed amalgamation is between Holding Company and Subsidiary Company. Further APEPL is a startup company and has just commenced its commercial operations. Thus, the fair value of shares of the company is considered at par with the paid up value of shares for the purpose of amalgamation. The fair value of shares is **INR 10.00** (Rupees Ten only) per fully paid up equity share.

5. Limitation:

This report is based on the information provided to us by the management of the Company and on a going concern basis. We have relied on the representations made to us by the management. We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.

Our work was not designed to verify the accuracy, reliability or achievability 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 of the information supplied to us.

For Bhandari Dastur Gupta & Associates
Chartered accountants
FRN No 119739W

BHANDARI DASTUR GUPTA & ASSOCIATES
MUMBAI
FRN:119739W
Chartered Accountants

Sunil Bhandari
Partner
Membership No. 047981
Mumbai, 17th June 2013.

Annexure "A"

Valuation of Shares of APL Engineering Service Private Limited as on March 31, 2013

Method of Valuation: Book Value Method

Sr. No.	Particulars		Amount (In Lacs)
1)	Face Value of Equity Share Capital		
	Number of shares	A	10.00
	Face Value per share	B	10.00
		C=AxB	100.00
2)	Reserves and Surplus		
	General Reserve	D	-
	Securities Premium Account	E	-
	Profit and Loss Account	F	(146.59)
		G=D+E+F	(146.59)
3)	Miscellaneous Expenditure, to the extent not written off		
	Deferred Revenue Expenditure		
	Preliminary Expenses		
		H	-
4)	Networth of the company	I=C+G-H	(46.59)
5)	**Net Asset Value per share**	**J=I/A**	**(4.66)**