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**Valuation cum exchange ratios Report for
Proposed Schemes of Arrangement
U/s. 391 & 394 of the Companies Act, 1956**

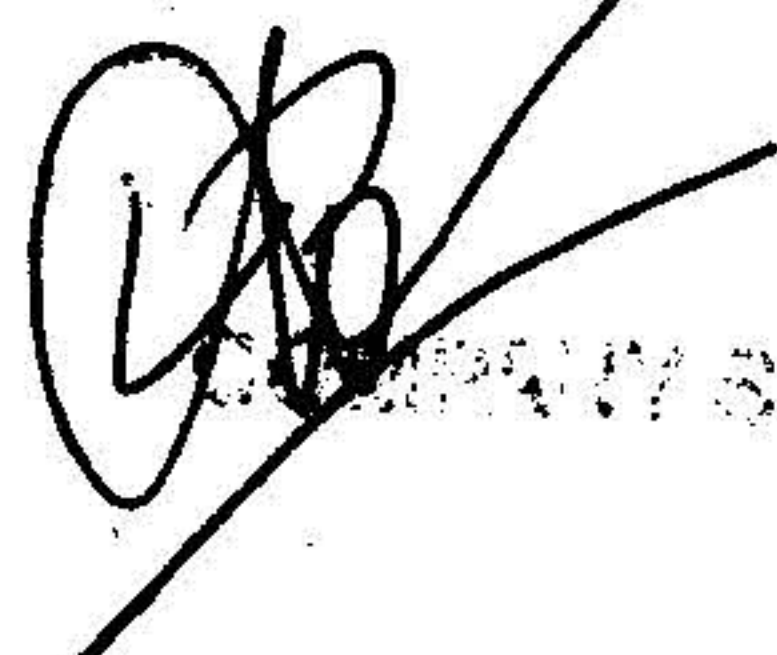
between

MARSHALL SONS & COMPANY (INDIA) LIMITED

AND

AUROMAA MANUFACTURING INDUSTRIES LIMITED

MARSHALL SONS & CO. (I) LTD.



COMPANY SECRETARY

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This valuation report has been submitted by Salarpuria & Partners and has been solely for the purpose of Scheme of Arrangement and not for any other purpose. The report is confidential and for the use of persons to whom it is issued. This report has the limited scope identified in it.



1. **TERMS AND CONTEXT OF OUR APPOINTMENT :**

MARSHALL SONS & COMPANY (INDIA) LIMITED vide their letter dated 30th May, 2016 has appointed us to study and give Valuation-Cum-Exchange Ratio Report on the issue of Equity Share Capital in AUROMAA MANUFACTURING INDUSTRIES LIMITED to the existing shareholders of MARSHALL SONS & COMPANY (INDIA) LIMITED in lieu of transfer of CHENNAI DIVISION to AUROMAA MANUFACTURING INDUSTRIES LIMITED pursuant to the proposed "Schemes of Arrangement" ("Schemes") under section 391 and 394 of the Companies Act, 1956.

2. **INFORMATION BASE AND REPRESENTATIONS :**

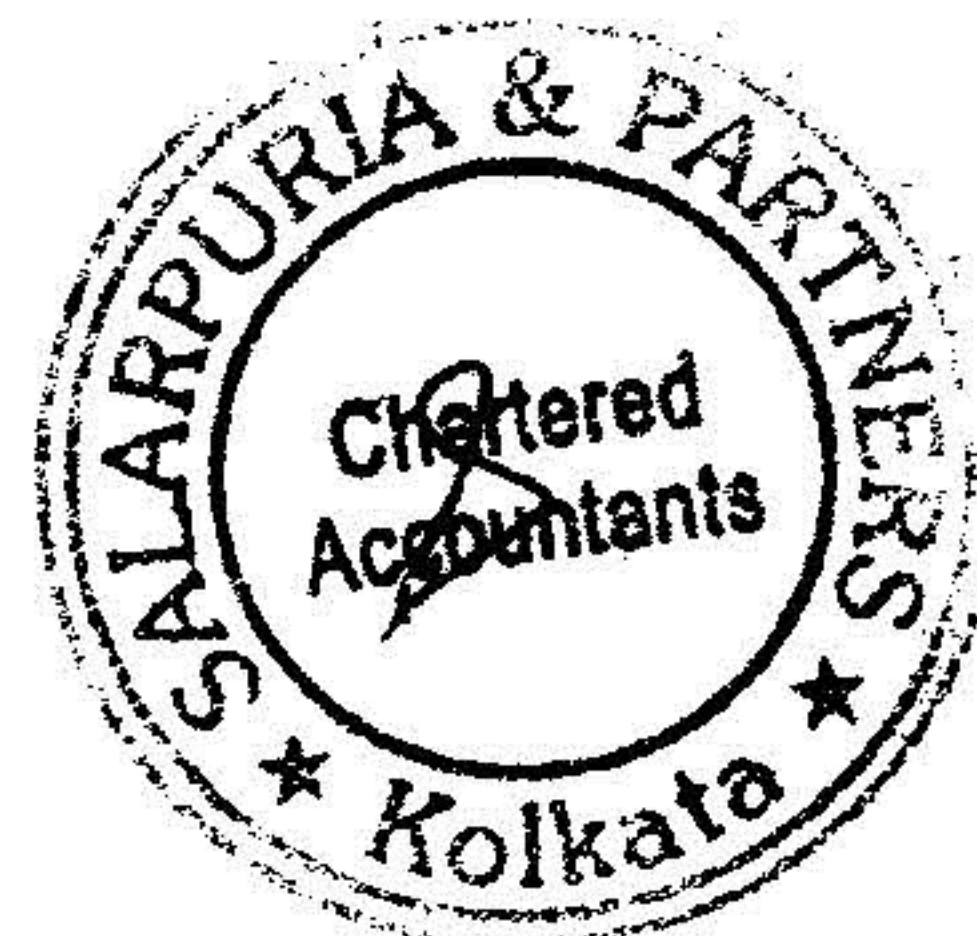
For the purpose of this assignment, we have relied on the following information and documents made available to us by MARSHALL SONS & COMPANY (INDIA) LIMITED:-

- Audited Accounts for the year ended 31st March, 2015 and 31st March, 2016 of MARSHALL SONS & COMPANY (INDIA) LIMITED.
- Certified Statement of Accounts of CHENNAI DIVISION as on 31st March, 2016.
- It has been informed to us that there are no events and/or demand decisions - legal or otherwise against the companies which have arisen subsequent to 31.03.2016 and are likely to effect materially, the state of affairs of accounts as on 31.03.2016 and/or the future maintainable profits or net worth.
- Memorandum & Articles of Association of MARSHALL SONS & COMPANY (INDIA) LIMITED and AUROMAA MANUFACTURING INDUSTRIES LIMITED.
- Capital structure and provisional and unaudited accounts of AUROMAA MANUFACTURING INDUSTRIES LIMITED.
- Draft scheme of arrangements U/s.391 & 394 of the Companies Act, 1956.

3. **KEY UNDERLYING ASSUMPTIONS :**

For the purpose of this report we have assumed that :

- The Company/Unit is a going concern and will continue to remain so. Accordingly, historical figures (without revaluation) as disclosed in the accounts submitted to us have primarily been considered for the purpose of this report.
- For the purpose of this assignment we have relied upon and accepted the information and representations made available to us by the management.



4. **BRIEF ANTECEDENTS :**

i) **MARSHALL SONS & COMPANY (INDIA) LIMITED:**

A. **HISTORY OF THE COMPANY :**

MARSHALL SONS & COMPANY (INDIA) LIMITED, the company was incorporated on 27th October, 1919 under the Companies Act, 1913. The company is having its Registered Office at 24, Rue-Debassyns, De-Richmond, Pondicherry 605001.

The company has an Authorized Equity Share Capital of ₹ 1,75,00,000/- divided into 17,50,000 Equity Shares of ₹ 10/- each and Authorized Cumulative Redeemable Preference share capital of ₹ 25,00,000/- divided into 25,000 13.5% Cumulative Preference shares of ₹ 100/- each; Issued Subscribed and Paid-up Capital consists of 9,07,310 Equity Shares of ₹ 10/- each amounting to ₹ 90,73,100/-.

The company is incorporated with the main objects being to carry on the business of manufacturers, traders of machineries and equipments required in construction, tea, transport and various other industries and construction of such other machineries and equipments. Presently, the company is not operating in its main business but engaged in renting of properties.

B. **MANAGEMENT AND ORGANISATIONS :**

The Board of Directors consists of Four Directors and One Managing Director.

Its day to day affairs are being looked after by the Board of Directors or the Committee formed by Board of Directors.

COMPOSITION OF BOARD OF DIRECTORS AS ON 31.03.2016:

Sl. No.	Name	Designation
1.	Mrs. Pramila Bajoria	Director
2.	Mr. Saikat Basu	Director
3.	Mr. Ramesh Kumar Ganeriwala	Director
4.	Ms. Gita Purushotham Patel	Director
5.	Mr. Mahendra Kumar Bajoria	Managing Director



ii) AUROMAA MANUFACTURING INDUSTRIES LIMITED

A. HISTORY OF THE COMPANY :

A company registered under the Companies Act, 2013, having its Registered Office at 24, Rue-Debassyns, De-Richmond, Pondicherry 605001.

The company has an Authorized Share Capital of ₹ 1,00,00,000/- divided into 10,00,000 equity shares of ₹ 10/- each. The issued, subscribed and paid up capital is ₹51,00,000/- divided into 5,10,000 Equity Shares of ₹ 10/- each fully paid.

The company is incorporated for the purpose of undertaking manufacturing activities.

B. MANAGEMENT AND ORGANISATIONS :

The Board of Directors consists of Three Directors and One Additional Director.

Its day to day affairs are being looked after by the Board of Directors or the Committee formed by Board of Directors.

COMPOSITION OF BOARD OF DIRECTORS AS ON 31.03.2016:

Sl. No.	Name	Designation
1.	Mr. Gaurav Bajoria	Director
2.	Mr. Anant Bajoria	Director
3.	Mr. Nirmal Chandra	Director

5. PROPOSAL :

MARSHALL SONS & COMPANY (INDIA) LIMITED in proposing a "Scheme of Arrangement" under the provisions of Section 391 & 394 of the Companies Act 1956 for hiving off its "CHENNAI DIVISION" with all its Assets & Liabilities (including all properties and assets, movable and immovable, real and personal, corporeal and incorporeal, in possession, or in reversion, present and contingent of whatsoever nature, wherever situated, as on the Appointed date and all plant and machinery, computers, vehicles, equipment, furniture, sundry debtors, inventories, work in progress, finished goods, cash & bank balances, investments, bills of exchange, deposits and loans and advances and other assets as appearing in the books of accounts; as well as liabilities in the form of secured loans, advances from customers, duties & taxes, sundry creditors and other liabilities of the CHENNAI DIVISION) as reflected in the Certified Statement of Accounts of the unit as on 31.03.2016 in Annexure 'A' and all other interests or rights in or arising out of or relating to the Chennai Division along with all rights, powers, interests, charges, privileges, benefits, entitlements, industrial and other licenses, registrations, permits, quotas, patents, trademarks, liberties, easements and advantages, appertaining to the Chennai division to AUROMAA MANUFACTURING INDUSTRIES LIMITED w.e.f. 01.04.2016, together with the benefit of all contracts and engagements and all books, papers, documents and records including agreements entered into by the demerged company with other parties for purchase



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of property and secured loans, advances from customers, duties and taxes, sundry creditors and other liabilities of Demerged Company relating to and/or arising out of Chennai division of Demerged company. With effect from the aforesaid date 'CHENNAI DIVISION' OF MARSHALL SONS & COMPANY (INDIA) LIMITED shall pursuant to Section 394(2) of the Act and without any further Act or deed be transferred to and vested in and be deemed to have been transferred to and vested in AUROMAA MANUFACTURING INDUSTRIES LIMITED. The Scheme envisages AUROMAA MANUFACTURING INDUSTRIES LIMITED issuing equity shares to the existing shareholders of MARSHALL SONS & COMPANY (INDIA) LIMITED in consideration for the transfer of assets and liabilities of CHENNAI DIVISION as stated in the scheme.

6. BASIS OF VALUATION :

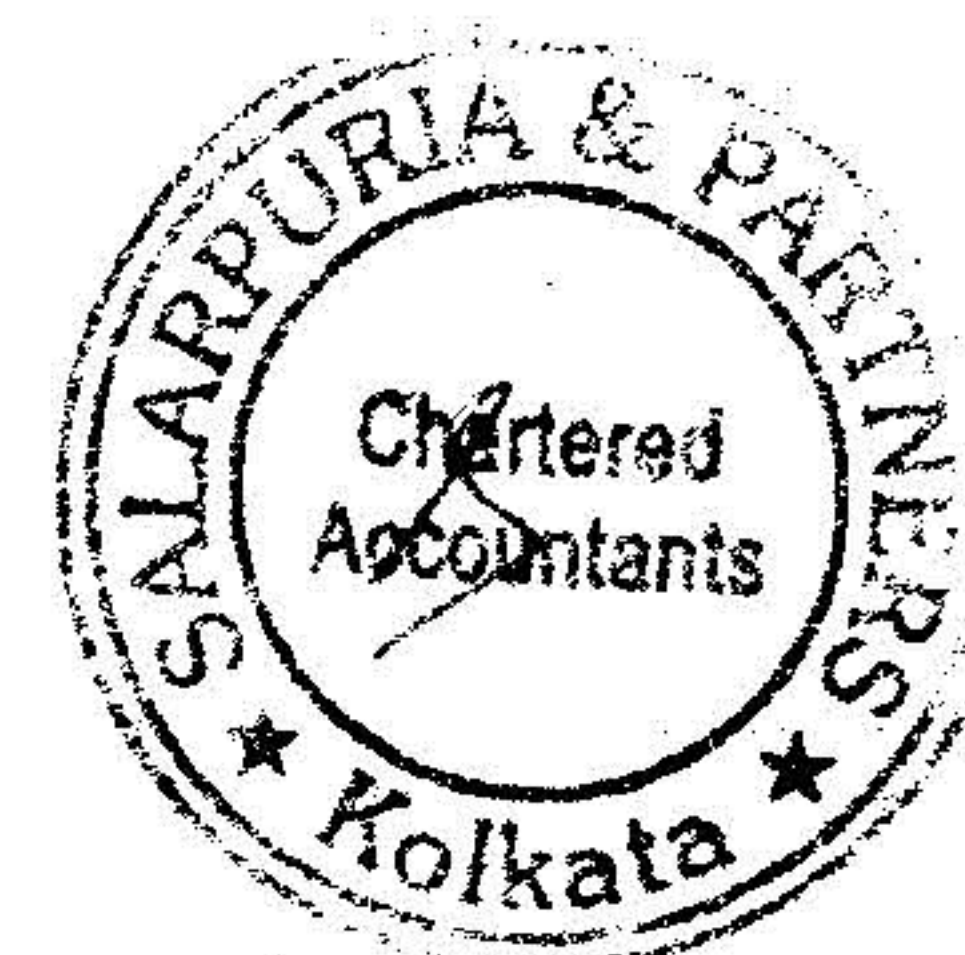
Based on the representation and assumptions given above, the following basis has been duly examined before arriving at a particular method of valuation for the purpose of determining exchange ratios for the "Scheme".

a) NET ASSET VALUE METHOD :

- The Net Asset Value method is calculated to compare the net worth of the Unit (which is to be demerged) with the net worth of the company (before demerger) on the basis of historical figures in books of accounts save and except revaluation reserve and deferred tax assets as on 31st March, 2016. However contingent liability relating to provident fund dues of penalty pertaining to Chennai division as on 31st March, 2016 is considered. The difference between Total Assets and Liabilities represents the net worth of Unit/Company.
- The objective of the valuation process is to make a reasonable judgment of the value of Unit/Company as going concern. Since the Unit of the company involved here is doing Business as going concern, so it is prudent to consider historical figures (without revaluation) for the purpose of calculation.

b) PROFIT EARNING CAPACITY VALUE METHOD (PECV) :

- Profit earning capacity value method will be calculated by capitalizing the average of Profit after tax for last 3 years. By adopting this method we find out a value of Business on its earning capacity and objection is to arrive a true / realistic estimate of further maintainable earning of the business.
- The crux of estimating "Profit Earning Capacity Value" lies in the assessment of future maintainable earnings of the business while the past trends in Profits and Profitability would serve as a guide. It shouldn't be overlooked that the valuation is for the future and that it is the future maintainable stream of earnings that is for greater significance in the process of valuation. All relevant factors that have a bearing on the future maintainable earnings of the business must therefore be given due consideration.



- In the present case of demerger of "CHENNAI DIVISION" as per information & explanation given to us that as per Statement of Accounts of MARSHALL SONS & COMPANY (INDIA) LIMITED, the unit has not earned Profit from last 3 years taken into the consideration. Hence, it is not possible to arrive at any profit earning ratio.
- In view of above this method has not been considered for the purpose of determining valuation cum exchange ratios for issue of shares under said schemes.

c) **DISCOUNTED CASH FLOW METHOD (DCF METHOD) :**

- Discounted Cash Flow Method is being calculated by capitalizing the future cash flow/earnings of unit/company.
- The cash flow forecast is based on past experience and carries synergistic elements in it. In simple exercise considering time value of money the growth rate can be introduced and on forecasted cash flows or projected earning a suitable discounting rate can be given for earnings of say next five years and net present value arrived after discounting can be compared for the purpose of arriving valuation cum exchange ratio of the Scheme.
- So discounted cash flow method or future earning approach may give better and fairer valuation of the business of company/unit. It should not be overlooked that the valuation is for the future and that it is the future maintainable stream of earning that in for greater significance in the process of valuation.
- As per management due to changing scenario in view of proposed scheme it is not possible to give future projections of the unit to be demerged and of the company (MARSHALL SONS & COMPANY (INDIA) LIMITED) after demerger. So we have not considered this method.

7. **THE RATIONALE :**

For the purpose of arriving at the fair ratio of equity shares to be issued by AUROMAA MANUFACTURING INDUSTRIES LIMITED under the Schemes of Arrangement, we have examined the various details, data, accounts and statements furnished and explanation and information given to us and have considered comparison of net worth of the unit to be transferred to the new company with the net worth of the new company (AUROMAA MANUFACTURING INDUSTRIES LIMITED) to be appropriate and relevant.

We have also considered the following factors to arrive at a fair and justified exchange ratio with number of shares to be issued:

- Comparison of the net worth of the "CHENNAI DIVISION" with the net worth of MARSHALL SONS & COMPANY (INDIA) LIMITED to arrive at the share exchange ratio.



- Control to be exercised by the shareholders of two companies would continue to be the same and rights of shareholders are not being affected.
- To avoid / minimize the problem of issuing fractional share certificates, under the scheme if any.

8. OUR RECOMMENDATION :

Having regard to the information base and representation supplemented by rational for the proposed "Schemes of Arrangement" as mentioned under Para (7) and on the basis of Net Worth of "CHENNAI DIVISION" (as given to us by management) and Net Worth of MARSHALL SONS & COMPANY (INDIA) LIMITED (as per Audited Accounts as on 31.03.2016 provided to us by the management) and as per calculations as enclosed in Annexure 'A' :

We are of opinion that the allotment of shares in AUROMAA MANUFACTURING INDUSTRIES LIMITED to the Equity Shareholders of MARSHALL SONS & COMPANY (INDIA) LIMITED will be as follows:

CONSIDERING NET WORTH BASIS :

For every 2 Equity Shares of ₹ 10/- each fully paid upheld in MARSHALL SONS & COMPANY (INDIA) LIMITED will be allotted 1 Equity Share of ₹ 10/- each fully paid up of AUROMAA MANUFACTURING INDUSTRIES LIMITED in the proposed 'Scheme of Arrangement' on consideration towards transfer of 'CHENNAI DIVISION'.

9. CAVEAT :

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will be of necessity subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions, which have to be made. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

FOR SALARPURIA & PARTNERS
CHARTERED ACCOUNTANTS
Firm ICAI Reg. No.302113E

Sarvesh Kumar Singh

Singh
Chartered Accountant
Membership No. - 069367
Partner

PLACE : Kolkata

DATE : 06/06/16



ANNEXURE -A

CHENNAI DIVISION OF MARSHALL SONS & CO. (INDIA) LTD.
STATEMENT OF ACCOUNTS AS ON 31.03.2016

	AMOUNT ₹
TOTAL ASSETS	
Freehold Land	78,11,227
Building	7,55,486
Furniture & Fixtures	3,798
Motor Vehicles	9,835
Advances	2,71,733
Net worth	<u>88,52,079</u>



