

Dated: 21 October 2020

To

**The Board of Directors,**

**Indo Count Industries Limited**

Office No. 1, Plot No. 266,  
Village Alte, Kumbhoj Road,  
Taluka Hatkanangale,  
Kolhapur - 416109 Maharashtra,  
India

**AND**

**Pranavaditya Spinning Mills Limited**

2, Plot No. 266,  
Village Alte Kumbhoj Road,  
Taluka Hatkanangale  
Kolhapur Maharashtra -416109  
India

**Sub: Recommendation of Fair Exchange Ratio for the proposed amalgamation of Pranavaditya Spinning Mills Limited into Indo Count Industries Limited**

**Ladies and Gentlemen,**

We, A Z R & Associates, Chartered Accountants, (hereinafter referred to as the "Valuer" or "AZR" or "We") refer to the engagement letter dated 09 September 2020 wherein we have been retained as Valuer jointly by Indo Count Industries Limited (hereinafter referred to as "ICIL" or "Transferee Company") and Pranavaditya Spinning Mills Limited (hereinafter referred to as "PSML" or "Transferor Company") for the recommendation of fair exchange ratio for the proposed amalgamation of PSML into ICIL (collectively referred to as the "Clients" or the "Companies") as per the draft Scheme of Amalgamation (referred to as "the Scheme").

Accordingly, we have prepared the Report for recommendation of the fair exchange ratio of equity shares as at 20 October 2020 ("Valuation Date") for the proposed amalgamation of PSML into ICIL ("Proposed Amalgamation").

The fair exchange ratio for the Report refers to number of equity shares of face value of INR 2/- each of ICIL, which would be issued to the equity shareholders of PSML in lieu of number of equity shares of face value INR 10/- each held by them in PSML, pursuant to the Proposed Amalgamation.

Our deliverable for this engagement would be a fair exchange ratio report (the "Report").



Office: L-64 Basement, Lajpar Nagar- II, New Delhi -110 024, Delhi  
Ph. : +91-11-2982364 | M:+91-9999989682 | Email: info@azrindia.com | www.azrindia.com

## **BACKGROUND, PURPOSE, SCOPE AND DESCRIPTION OF THE REPORT**

Indo Count Industries Limited (hereinafter referred to as "ICIL" or the "Transferee Company") is a public company, limited by shares, incorporated under the Indian Companies Act, 1956, under corporate identification number (CIN) L72200PN1988PLC068972 and having its registered office at Office No. 1, Plot No. 266, Village Alte, Kumbhoj Road, Taluka Hatkanangale, Kolhapur - 416109 Maharashtra, India. The Transferee Company was incorporated in the year 1988 as Vishnu Aluminium Limited and subsequently, name was changed to Indo Count Industries Limited. The equity shares of the Transferee Company are listed on the BSE Limited and National Stock Exchange of India Limited (together the "Stock Exchanges"). The Transferee Company holds 1,43,41,280 equity shares of Rs 10/- each of the Transferor Company constituting 74.53% of the total paid up equity share capital of the Transferor Company. The Transferee Company is engaged in the business of manufacturing of home textiles and its products broadly falls under the categories of Bed Sheets, Pillow Cover and Comforter. As per the audited financials for the year ended 31 March 2020, ICIL reported revenue from operations of INR 20,801.3 mn and Profit After Tax ("PAT") of INR 731.0 mn.

Pranavaditya Spinning Mills Limited (hereinafter referred to as "PSML" or the "Transferor Company") is a public company, limited by shares, incorporated under the Companies Act, 1956, under corporate identification number (CIN) L17119PN1990PLC058139 and having its registered office at Office No. 2, Plot No. 266, Village Alte, Kumbhoj Road, Taluka Hatkanangale, Kolhapur – 416109, Maharashtra, India. The equity shares of the Transferor Company are listed on BSE Limited. The Transferor Company is a subsidiary of the Transferee Company. The Transferor Company is authorised to carry on the inter alia the business of manufacturing of cotton yarn. As per the audited financials for the year ended 31 March 2020, PSML reported revenue from operations of INR 694.1 mn and PAT of INR (-) 26.8 mn.

We understand that the Companies are contemplating the merger in nature of amalgamation of PSML into ICIL. Accordingly, the valuation of equity shares of both the companies is required for compliance with Section 232 of the Companies Act, 2013 ("Purpose").

We further understand that as per the draft Scheme, PSML is proposed to be amalgamated into ICIL. As a consideration for the Proposed Amalgamation, equity shareholders of PSML would be issued equity shares of ICIL, in lieu of their shareholdings in PSML.

For the aforementioned Purpose, the Board of Directors of the Companies have jointly appointed us to recommend a fair exchange ratio, for the issue of ICIL's equity shares to the equity shareholders of PSML, to be placed before the Board of Directors of the Companies.

The scope of our services is to conduct a relative valuation of equity shares of the Companies and report a fair exchange ratio for the Proposed Amalgamation in accordance with internationally accepted valuation standards/methods and valuation standards issued by ICAI Registered Valuer Organisation (RVO).

### **Valuation Bases**

The valuation bases used for the Report is 'Relative Value'. As per IVS 103 issued by ICAI RVO, in transactions of the nature of merger or amalgamation of companies or merger or demerger of businesses, the consideration is often discharged primarily by issue of securities in the nature equity of the acquirer or transferee entity with reference to an exchange ratio or entitlement ratio, considering the relative values. Such relative values are generally arrived at by applying an appropriate valuation approach or a combination of valuation approaches.



**Special Assumption/Aspects Considered in the Report**

We have considered the following special assumptions/aspects for the valuation:

- (a) Any capital infusion in either of the Companies from the date of our Report till the Proposed Amalgamation becomes effective would not have a material impact on the recommendation of the fair exchange ratio only if (a) it is immaterial or (b) it occurs at or around the fair values as computed in the Report.
- (b) Till the Proposed Amalgamation becomes effective, neither Companies would declare any dividends which are materially different from those already factored in the calculations. Similarly, there should not be any other change in capital structure due to buybacks etc., different from those already factored in the calculations, which can impact the recommendation of the fair exchange ratio.
- (c) We have been informed that there are no unusual/abnormal events in the Companies since the latest accounts provided to us which would materially impact their operating/financial performance.
- (d) In case of PSML, we have been given to understand that the as on Valuation Date the production has been stopped and the workers have availed voluntary retirement scheme (VRS)/separation scheme.

We have relied on the above while arriving at the fair exchange ratio for the Proposed Amalgamation.

The Report is our deliverable for the above engagement.

The Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.

**SOURCES OF INFORMATION**

In connection with this exercise, we have relied upon the following information provided by the Management of the Companies (the "Management")/from public domain. We have been given to understand that the information provided are accurate and that the Management was duly authorised to provide the same.

1. Historical financial and Market Price information:

- **PSML:**

- Audited financials for years ended 31 March 2020
- Unaudited limited review P&L and Balance sheet (without notes) for the 3-month period ended 30 June 2020
- Unaudited limited review P&L and Balance sheet (without notes and schedules) for the 6-month period ended 30 Sep 2020
- Historical and current trading price and volume of equity shares on stock exchanges
- Details of the industrial land situated at Hatkanangale, Village - Alate, Maharashtra,
- Fixed Assets Register as on the Valuation Date,
- Shareholding pattern as at 30 September 2020,

- **ICIL:**

- Unaudited limited view P&L and Balance sheet (without notes and schedules) for the 3-month period ended 30 June 2020



- Historical and current trading price and volume of equity shares on stock exchanges
- 2. Draft Scheme of Amalgamation under Section 230 to 232 of the Companies Act, 2013
- 3. Other information and explanations as required by us which have been provided by Management.

Besides the above listing, there may be other information provided by the Companies which may not have been perused by us in any detail, if not considered relevant for our defined scope.

The Companies have been provided with the opportunity to review the draft Report (excluding the recommended fair exchange ratio) as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Report.

**SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services.

The Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement; (ii) the Report Date, (iii) trading price and volume near the Report Date, and (iii) the unaudited balance sheet of PSML as at 30 September 2020.

We have been informed that the business activities of the ICIL have been carried out in the normal and ordinary course between the Valuation Date and the date of issue of the Report and that no material changes have occurred in their respective operations and financial position during this period. Similarly, we have also been informed that there are no material changes in the position of assets and liabilities of PSML between the 30 September 2020 and the Report Date/ Valuation Date.

The recommendation contained herein is not intended to represent the fair exchange ratio at any time other than the Valuation Date. A valuation of this nature is necessarily based on financial, economic and other conditions in general and industry trends in particular as in effect on and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect the Report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm the Report.

The recommendation rendered in the Report only represent our recommendation based upon information furnished by the Companies and gathered from public domain (and analysis thereon). Our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

The determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into accounts all the relevant factors. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the fair exchange ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the fair exchange ratio of the equity shares of the Companies. The final responsibility for the determination of the fair exchange ratio at which the Proposed Amalgamation shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their own assessment of the Proposed Amalgamation and input of other advisors.

We have assumed that the Proposed Amalgamation will be consummated on the terms set forth in the Scheme document and that the final version of the Scheme Document will not change in any material respect from the draft version we have reviewed for the purpose of the valuation.



We have not independently audited or otherwise verified the financial information provided to us. Accordingly, we do not express any opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Our conclusion is based on the information given by/on behalf of the Companies. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operations, and that the Companies will be managed in a competent and responsible manner. Further, the Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited/unaudited balance sheet of the Companies. Our conclusion of value assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Report Date.

The Report does not address the relative merits of the Proposed Amalgamation as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The fee for the engagement is not contingent upon the results reported.

We will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other party to the Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. The Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for its purpose.

The Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the Proposed Amalgamation, without our prior written consent. We express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Amalgamation.

### **SHAREHOLDING PATTERN**

#### **ICIL**

The shareholding pattern of ICIL India as at 30 September 2020 was as follows:

Shareholding pattern	Number of shares	Stake (%)
Promoter and Promoter Group	116,346,750	58.94
Public -Institutional	17,148,816	8.69
Public- Non Institutional	63,904,104	32.37
<b>Total</b>	<b>197,399,670</b>	<b>100.00</b>

Source: Capitaline



**PSML**

The shareholding pattern of PSML as at 30 September 2020 was as follows:

Shareholding pattern	Number of shares	Stake (%)
Promotor & Promoter Group	14,341,280	74.53
Public- Institutional	-	-
Public- Non Institutional	4,900,000	25.47
<b>Total</b>	<b>19,241,280</b>	<b>100.00</b>

Source: Capitaline

**APPROACH - FAIR EXCHANGE RATIO FOR THE PROPOSED AMALGAMATION**

The Companies contemplate the Proposed Amalgamation of PSML into ICIL. Arriving at the fair exchange ratio for the Proposed Amalgamation would require determining the relative value of the equity shares of the Companies. These values are to be determined independently, but on a relative basis for the Companies, without considering the effect of the Proposed Amalgamation.

There are several commonly used and accepted methods under the market, income and asset approaches of valuation for determining value of equity shares for determination of the fair exchange ratio for the Proposed Amalgamation which have been considered in the present case, to the extent relevant and applicable, and subject to availability of information, including:

1. Market Approach
  - a) Market Price method
  - b) Comparable Companies' Multiples method
2. Income Approach: Discounted Cash Flow (DCF) method
3. Cost Approach: Net Asset Value method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond our control. In performing our analysis, we made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of the Companies.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at by using usual and conventional methodologies adopted for mergers of a similar nature and our reasonable judgment, in an independent and bona fide manner based on previous experiences of assignments of a similar nature.

**Market Price method**

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.



The Pricing formula provided in Regulations 164 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') in pricing of preferential issue, incase of frequently traded shares, has been considered for arriving at the value per equity share of the Companies under the market price Method. Though, we have adopted this method in case of PSML, considering that the shares of PSML are not frequently traded on stock exchange, we have given very low weight to this method.

The market price is considered as higher of following:

- (a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding 20 October 2020; or
- (b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding 20 October 2020

In addition to the above existing provision of pricing, the additional option under regulation 164B of ICDR in pricing of preferential issue, incase of frequently traded shares, has been also considered. As per regulation 164B, in case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twelve weeks preceding the relevant date; or
- b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date

Therefore, we have also considered higher of following for determination of the Market Price:

- (a) higher of average of the weekly high and low of the volume weighted average price during the 12 weeks preceding 20 October 2020 and average of weekly high and low of the volume weighted average price during the 2 weeks preceding 20 October 2020
- (b) higher of average of the weekly high and low of the volume weighted average price during the 26 weeks preceding 20 October 2020 and average of weekly high and low of the volume weighted average price during the 2 weeks preceding 20 October 2020

In the present case, the equity shares of ICIL are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) and the equity shares of PSML are listed on BSE. The shares of ICIL are shares being regularly and freely traded on both the stock exchanges, whereas the shares of PSML are very thinly and infrequently traded on BSE. In case of ICIL, the share price on the NSE has been considered, as the trading volumes are higher at NSE as compared to BSE.

#### **Comparable Companies' Multiples ("CCM") method**

Under this method, value of equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.



**Discounted Cash Flows (“DCF”) method**

Under the DCF method the projected free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flows is the value of the firm for equity shareholders.

Using the DCF analysis involves determining the following:

*Estimating future free cash flows:*

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company’s equity capital, factoring in the minimum solvency required as per law.

*Appropriate discount rate to be applied to cash flows i.e. the cost of equity:*

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely equity shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

**Net Asset Value (“NAV”) method**

In case of Net Assets Method, the value is determined by dividing the Net Assets of the Company by the number of shares. The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

**MAJOR FACTORS THAT WERE TAKEN INTO ACCOUNT DURING VALUATION**

- Latest shareholding pattern of the Companies
- Trading volume and market price of the shares of the Companies
- Fair value of the assets of PSML

**BASIS FOR FAIR EXCHANGE RATIO FOR THE PROPOSED AMALGAMTION**

The basis for the fair exchange ratio of the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the above methods considered, for the purposes of recommending the fair exchange ratio of equity shares, it is necessary to arrive at a final value for both Companies’ shares. It is however important to note that in doing so, we are attempting to arrive at the relative values of the Companies to facilitate the determination of the fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approach /method.

The fair exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies after considering suitability of various approaches / methods explained herein earlier and based on the Market Price method for ICIL and Market Price method and Adjusted NAV method for PSML, along with various qualitative factors relevant to each company and the business dynamics having regard to information base, key underlying assumptions and limitations.

We have independently applied methods discussed above, as considered appropriate and arrived at value per share of the Companies.

The computation of fair exchange ratio for the Proposed Amalgamation is tabulated below:





Valuation approach	ICIL		PSML	
	Weight	Value per equity share (INR)	Weight (%)	Value per equity share (INR)
Cost Approach: NAV Method*	NA	0%	90%	17.2
Income Approach: DCF Method**	NA	0%	NA	0%
Market Approach: Market Price Method***	100%	124.1	10%	11.2
Relative Value per Share		124.1		16.6
Fair exchange ratio (Rounded off)	2:15			

NA= Not Applicable

\* We have not used NAV method of Cost Approach in case of ICIL as its shares are frequently traded on stock exchanges. However, in case of PSML, we have used NAV method and given higher weight to it as the shares of PSML are traded infrequently on the stock exchange.

\*\* We have not considered the DCF method as the Companies are listed on the Stock Exchanges and information related to the future profit and loss account, balance sheet and cash flows is price sensitive and not made available to us.

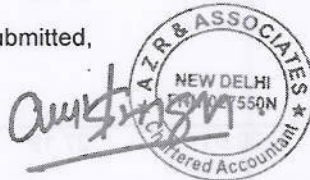
\*\*\*We have used only Market Price method in case of ICIL as its shares are frequently traded on stock exchanges. In case of PSML though we have used Market Price method, we have given very low weight to it as the shares of PSML are traded infrequently on the stock exchange.

Detailed workings are given in Annexure A.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following fair exchange ratio for the Proposed Amalgamation:

- 2 equity shares of ICIL of INR 2/- each fully paid-up for every 15 equity shares of PSML of INR10/- each fully paid-up.

Respectfully submitted,



**CA Amit K Singh, Managing Partner**  
A Z R & Associates  
(Chartered Accountants)  
FRN: 027550N

42

**Annexure A**

**A. Computation of equity share value of ICIL**

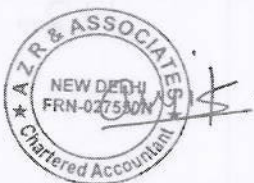
**Market Price method**

Period	Weekly Maximum (Volume weighted)	Weekly Minimum (Volume weighted)	Average of Maximum and Minimum price	Source
26 Weeks	63.4	56.3	59.8	Table A.1
12 Weeks	93.5	83.4	88.4	
2 Weeks	131.0	117.1	124.1	

As per the pricing formula provided in Regulations 164(1) and 164B of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') to arrive at the value per equity share of the Companies under the market price Method, higher of the above three has been considered. Hence, we have considered INR 124.1 per share.

Table A.1

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
April 22, 2020	28.0	Wednesday	28.86	27.08	26
April 23, 2020	28.9	Thursday			
April 24, 2020	27.7	Friday			
April 27, 2020	27.1	Monday			
April 28, 2020	28.3	Tuesday			
April 29, 2020	29.5	Wednesday	29.61	27.19	25
April 30, 2020	29.6	Thursday			
May 4, 2020	28.3	Monday			
May 5, 2020	27.2	Tuesday			
May 6, 2020	25.9	Wednesday	25.93	24.32	24
May 7, 2020	25.4	Thursday			
May 8, 2020	24.8	Friday			
May 11, 2020	24.3	Monday			
May 12, 2020	24.4	Tuesday			
May 13, 2020	25.6	Wednesday	28.2	25.63	23
May 14, 2020	26.9	Thursday			
May 15, 2020	28.2	Friday			
May 18, 2020	27.5	Monday			
May 19, 2020	26.5	Tuesday			
May 20, 2020	25.3	Wednesday	25.59	25.18	22
May 21, 2020	25.2	Thursday			
May 22, 2020	25.2	Friday			
May 26, 2020	25.6	Tuesday			
May 27, 2020	25.3	Wednesday	28.13	25.29	21
May 28, 2020	25.5	Thursday			
May 29, 2020	26.0	Friday			
June 1, 2020	26.8	Monday			
June 2, 2020	28.1	Tuesday			



Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
June 3, 2020	29.8	Wednesday	40.17	29.75	20
June 4, 2020	31.2	Thursday			
June 5, 2020	34.7	Friday			
June 8, 2020	40.2	Monday			
June 9, 2020	40.0	Tuesday			
June 10, 2020	38.6	Wednesday	44.28	38.62	19
June 11, 2020	40.5	Thursday			
June 12, 2020	44.3	Friday			
June 15, 2020	41.4	Monday			
June 16, 2020	38.7	Tuesday			
June 17, 2020	40.1	Wednesday	40.97	40.12	18
June 18, 2020	40.3	Thursday			
June 19, 2020	40.8	Friday			
June 22, 2020	41.0	Monday			
June 23, 2020	40.2	Tuesday			
June 24, 2020	39.9	Wednesday	39.93	37.58	17
June 25, 2020	38.9	Thursday			
June 26, 2020	38.7	Friday			
June 29, 2020	37.6	Monday			
June 30, 2020	37.8	Tuesday			
July 1, 2020	37.1	Wednesday	40.39	37.11	16
July 2, 2020	38.5	Thursday			
July 3, 2020	40.1	Friday			
July 6, 2020	39.7	Monday			
July 7, 2020	40.4	Tuesday			
July 8, 2020	40.7	Wednesday	43.47	39.27	15
July 9, 2020	43.5	Thursday			
July 10, 2020	42.0	Friday			
July 13, 2020	40.2	Monday			
July 14, 2020	39.3	Tuesday			
July 15, 2020	40.7	Wednesday	41.19	40.29	14
July 16, 2020	40.3	Thursday			
July 17, 2020	40.8	Friday			
July 20, 2020	40.7	Monday			
July 21, 2020	41.2	Tuesday			
July 22, 2020	45.5	Wednesday	68.94	45.45	13
July 23, 2020	54.9	Thursday			
July 24, 2020	61.2	Friday			
July 27, 2020	68.9	Monday			
July 28, 2020	68.3	Tuesday			
July 29, 2020	65.0	Wednesday	68.87	65.02	12
July 30, 2020	66.7	Thursday			
July 31, 2020	66.1	Friday			
August 3, 2020	65.5	Monday			
August 4, 2020	68.9	Tuesday			
August 5, 2020	73.5	Wednesday	74.64	66.82	11
August 6, 2020	74.6	Thursday			
August 7, 2020	71.9	Friday			
August 10, 2020	69.4	Monday			
August 11, 2020	66.8	Tuesday			



**A Z R & Associates**  
Chartered Accountants

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
August 12, 2020	65.6	Wednesday	68.96	64.12	10
August 13, 2020	64.7	Thursday			
August 14, 2020	64.1	Friday			
August 17, 2020	66.6	Monday			
August 18, 2020	69.0	Tuesday			
August 19, 2020	70.0	Wednesday	78.13	70.04	9
August 20, 2020	71.2	Thursday			
August 21, 2020	74.7	Friday			
August 24, 2020	78.1	Monday			
August 25, 2020	77.3	Tuesday			
August 26, 2020	76.6	Wednesday	76.95	70.61	8
August 27, 2020	77.0	Thursday			
August 28, 2020	74.3	Friday			
August 31, 2020	70.6	Monday			
September 1, 2020	71.2	Tuesday			
September 2, 2020	71.4	Wednesday	80.31	69.78	7
September 3, 2020	69.8	Thursday			
September 4, 2020	72.3	Friday			
September 7, 2020	75.4	Monday			
September 8, 2020	80.3	Tuesday			
September 9, 2020	78.6	Wednesday	93.02	78.57	6
September 10, 2020	82.5	Thursday			
September 11, 2020	84.4	Friday			
September 14, 2020	87.8	Monday			
September 15, 2020	93.0	Tuesday			
September 16, 2020	97.1	Wednesday	100.79	89.77	5
September 17, 2020	94.2	Thursday			
September 18, 2020	99.8	Friday			
September 21, 2020	100.8	Monday			
September 22, 2020	89.8	Tuesday			
September 23, 2020	95.3	Wednesday	100.73	90.37	4
September 24, 2020	90.4	Thursday			
September 25, 2020	93.4	Friday			
September 28, 2020	100.5	Monday			
September 29, 2020	100.7	Tuesday			
September 30, 2020	101.0	Wednesday	117.43	101.04	3
October 1, 2020	108.8	Thursday			
October 5, 2020	117.4	Monday			
October 6, 2020	116.5	Tuesday			
October 7, 2020	111.8	Wednesday	120.78	109.67	2
October 8, 2020	110.3	Thursday			
October 9, 2020	109.7	Friday			
October 12, 2020	113.5	Monday			
October 13, 2020	120.8	Tuesday			
October 14, 2020	124.6	Wednesday	141.14	124.61	
October 15, 2020	130.6	Thursday			
October 16, 2020	128.9	Friday			
October 19, 2020	133.2	Monday			
October 20, 2020	141.1	Tuesday			



45

**B. Computation of equity share value of PSML**

Valuation Method	Adjusted NAV	Market Price
Value Equity per Share (INR)	17.2	11.2
Weight	90%	10%
<b>Weighted Equity Value per Share (INR)</b>	<b>16.6</b>	

**Market Price method**

Period	Weekly Maximum (Volume weighted)	Weekly Minimum (Volume weighted)	Average of Maximum and Minimum price	Source
26 Weeks	11.4	10.9	11.2	Table B.1
12 Weeks	10.7	10.0	10.4	
2 Weeks	10.5	10.1	10.3	

As per the pricing formula provided in Regulations 164(1) and 164B of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') to arrive at the value per equity share of the Companies under the market price Method, higher of the above three has been considered. Hence, we have considered INR 11.2 per share. Though, we have adopted this method in case of PSML, considering that the shares of PSML are not frequently traded on stock exchange, we have given very low weight (10%) to this method.

**Table B.1**

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
May 7, 2020	14.7	Thursday	14.7	14.7	26
May 11, 2020		Monday			
May 12, 2020		Tuesday			
May 13, 2020	14.0	Wednesday	14.0	14.0	25
May 14, 2020		Thursday			
May 15, 2020		Friday			
May 18, 2020		Monday			
May 19, 2020		Tuesday			
May 20, 2020	14.0	Wednesday	14.0	14.0	24
May 21, 2020		Thursday			
May 22, 2020		Friday			
May 25, 2020	14.0	Monday	14.0	14.0	23
May 26, 2020		Tuesday			
May 27, 2020	13.7	Wednesday	13.7	13.7	22
May 28, 2020		Thursday			
May 29, 2020		Friday			
June 2, 2020		Tuesday			
June 8, 2020	13.4	Monday	13.4	12.5	21
June 9, 2020		Tuesday			
June 10, 2020	12.1	Wednesday	12.1	11.0	20
June 11, 2020		Thursday			
June 12, 2020		Friday			
June 15, 2020	10.9	Monday	10.9	10.0	19
June 16, 2020		Tuesday			
June 22, 2020	10.9	Monday	10.9	10.7	18
June 23, 2020		Tuesday			



**A Z R & Associates**  
Chartered Accountants

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
June 24, 2020	11.4	Wednesday	11.4	10.9	17
June 26, 2020	10.9	Friday			
June 29, 2020	11.1	Monday			
July 1, 2020	10.7	Wednesday	10.7	9.9	16
July 2, 2020	10.3	Thursday			
July 3, 2020	9.9	Friday			
July 6, 2020	10.1	Monday			
July 7, 2020	10.4	Tuesday			
July 8, 2020	11.0	Wednesday	11.0	10.4	15
July 9, 2020	10.8	Thursday			
July 10, 2020	10.4	Friday			
July 13, 2020	11.0	Monday			
July 16, 2020	11.4	Thursday	11.4	11.4	14
July 24, 2020	11.4	Friday	11.4	11.4	13
July 27, 2020	11.4	Monday			
July 30, 2020	10.8	Thursday	10.8	10.3	12
July 31, 2020	10.3	Friday			
August 3, 2020		Monday			
August 4, 2020		Tuesday			
August 5, 2020		Wednesday	10.3	10.3	11
August 6, 2020		Thursday			
August 7, 2020		Friday			
August 11, 2020	10.3	Tuesday			
August 12, 2020	9.8	Wednesday	11.3	9.8	10
August 13, 2020	11.0	Thursday			
August 14, 2020	11.3	Friday			
August 18, 2020	11.0	Tuesday			
August 19, 2020	10.7	Wednesday	10.7	9.7	9
August 20, 2020	10.2	Thursday			
August 21, 2020	9.7	Friday			
August 24, 2020	9.7	Monday			
August 25, 2020	9.7	Tuesday			
August 26, 2020	10.4	Wednesday	10.4	9.6	8
August 27, 2020	10.1	Thursday			
August 28, 2020	9.6	Friday			
August 31, 2020	9.9	Monday			
September 1, 2020	10.0	Tuesday			
September 7, 2020	10.2	Monday	10.2	10.2	7
September 9, 2020	10.7	Wednesday	10.7	9.7	6
September 10, 2020	10.5	Thursday			
September 11, 2020	9.7	Friday			
September 14, 2020	10.0	Monday			
September 15, 2020	9.7	Tuesday			
September 16, 2020	9.5	Wednesday	10.0	9.5	5
September 21, 2020	10.0	Monday			



Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
September 23, 2020	11.0	Wednesday	11.9	11.0	4
September 24, 2020	11.5	Thursday			
September 25, 2020	11.9	Friday			
September 28, 2020	11.9	Monday			
September 29, 2020	11.3	Tuesday			
September 30, 2020	11.0	Wednesday	11.3	10.2	3
October 1, 2020	11.3	Thursday			
October 5, 2020	10.7	Monday			
October 6, 2020	10.2	Tuesday			
October 7, 2020		Wednesday	10.6	10.2	2
October 8, 2020	10.6	Thursday			
October 9, 2020	10.2	Friday			
October 13, 2020	10.5	Monday Saturday			
October 14, 2020	10.0	Wednesday	10.3	10.0	1
October 15, 2020	10.3	Thursday			
October 16, 2020		Friday			
October 19, 2020	10.3	Monday			
October 20, 2020	10.3	Tuesday			



48

**Adjusted Net Asset Value method**

We have used the adjusted NAV method for valuation, wherein the value of the land, which is the major asset of PSML, has been estimated at current market value using guideline/circle rates. The building being very old, the carrying value of the building has been assumed to be fair value. All other assets and liabilities have been taken at book value to estimate the adjusted NAV. The Following table shows the NAV and Adjusted NAV as of valuation date,

Particulars	INR MN	
	Book Value	Fair Value
<b>A. ASSETS</b>		
<b>Non Current Assets</b>		
Property, Plant and Equipment <sup>Note 1</sup>	247.4	333.6
Deferred Tax Assets (Net)	22.3	22.3
Other Non-Current Assets	0.1	0.1
<b>Total Non-Current Assets</b>	<b>269.8</b>	<b>356.1</b>
<b>Current Assets</b>		
Inventories	0.9	0.9
<b>Financial Assets</b>		
(i) Trade Receivables		
(ii) Cash and Cash Equivalents	2.2	2.2
(iii) Bank Balances other than (i) above	8.8	8.8
Loans	0.0	-
Current Tax assets	17.0	17.0
Other Current Assets	12.6	12.6
<b>Total Current Assets</b>	<b>41.5</b>	<b>41.5</b>
<b>Total ASSETS</b>	<b>311.3</b>	<b>397.6</b>
<b>B. EQUITY AND LIABILITIES</b>		
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>		
<b>Financial Liabilities</b>		
(i) Trade Payables due to		
-Micro & Small Enterprises	-	-
-Other than Micro & Small Enterprises	57.2	57.2
(ii) Other Financial Liabilities	0.0	0.0
Other Current Liabilities	8.9	8.9
<b>Total -Current Liabilities</b>	<b>66.2</b>	<b>66.2</b>
<b>Adjusted Net Asset Value</b>	<b>245.1</b>	<b>331.4</b>
Total equity Shares ( in MN)	19.2	19.2
<b>NAV per share (in INR)</b>	<b>12.7</b>	<b>17.2</b>

**Note 1:**

**Computation of Adjusted Book Value of Property, Plant and Equipment**

Particulars	Net Book Value (INR MN)	Fair Value (INR MN)
Land <sup>Note 2</sup>	84.6	170.8
Building	63.9	63.9
Computer	0.1	0.1
Furniture & fixtures	0.3	0.3
Plant & machinery	95.6	95.6
Vehicles	0.8	0.8
Electrical & installations	1.1	1.1
Office equipment	0.3	0.3
Lab equipment	0.7	0.7
<b>Total</b>	<b>247.5</b>	<b>333.6</b>

**Note 2:** for valuation of land we have considered the guideline/circle rates as fair value. The guideline rate is INR 5.02 mn per acre.





**AMIT KUMAR SINGH**  
REGISTERED VALUER – SECURITIES AND FINANCIAL ASSETS  
(REG. NO. IBBI/RV/06/2019/12357)  
INSOLVENCY AND BANCROPTCY BOARD OF INDIA  
E-MAIL: amit@amitksingh.in

**Dated: 21 October 2020**

To

**The Board of Directors,**

**Indo Count Industries Limited**

Office No. 1, Plot No. 266,  
Village Alte, Kumbhoj Road,  
Taluka Hatkanangale,  
Kolhapur - 416109 Maharashtra,  
India

**AND**

**Pranavaditya Spinning Mills Limited**

2, Plot No. 266,  
Village Alte Kumbhoj Road,  
Taluka Hatkanangale  
Kolhapur Maharashtra -416109  
India

**Sub: Recommendation of Fair Exchange Ratio for the proposed amalgamation of  
Pranavaditya Spinning Mills Limited into Indo Count Industries Limited**

**Ladies and Gentlemen,**

I, Amit Kumar Singh, Registered Valuer registered with the Insolvency & Bankruptcy Board of India vide registration no. IBBI/RV/06/2019/12357 (hereinafter referred to as the "Valuer" or "I" or "me") refer to the engagement letter dated 09 September 2020 wherein I have been retained as Valuer jointly by Indo Count Industries Limited (hereinafter referred to as "ICIL" or "Transferee Company") and Pranavaditya Spinning Mills Limited (hereinafter referred to as "PSML" or "Transferor Company") for the recommendation of fair exchange ratio for the proposed amalgamation of PSML into ICIL (collectively referred to as the "Clients" or the "Companies") as per the draft Scheme of Amalgamation (referred to as "the Scheme").

Accordingly, I have prepared the Report for recommendation of the fair exchange ratio of equity shares as at 20 October 2020 ("Valuation Date") for the proposed amalgamation of PSML into ICIL ("Proposed Amalgamation").

The fair exchange ratio for the Report refers to number of equity shares of face value of INR 2/- each of ICIL, which would be issued to the equity shareholders of PSML in lieu of number of equity shares of face value INR 10/- each held by them in PSML, pursuant to the Proposed Amalgamation.

My deliverable for this engagement would be a fair exchange ratio report (the "Report").



Corp. Office: G-47, Jalvayu Vihar, Sector-29, Faridabad-121008, Haryana  
Ph. +91-129-2500013, M:+91-9990867861  
Email: amit@amitksingh.in

50

## **BACKGROUND, PURPOSE, SCOPE AND DESCRIPTION OF THE REPORT**

Indo Count Industries Limited (hereinafter referred to as "ICIL" or the "Transferee Company") is a public company, limited by shares, incorporated under the Indian Companies Act, 1956, under corporate identification number (CIN) L72200PN1988PLC068972 and having its registered office at Office No. 1, Plot No. 266, Village Alte, Kumbhoj Road, Taluka Hatkanangale, Kolhapur - 416109 Maharashtra, India. The Transferee Company was incorporated in the year 1988 as Vishnu Aluminium Limited and subsequently, name was changed to Indo Count Industries Limited. The equity shares of the Transferee Company are listed on the BSE Limited and National Stock Exchange of India Limited (together the "Stock Exchanges"). The Transferee Company holds 1,43,41,280 equity shares of Rs 10/- each of the Transferor Company constituting 74.53% of the total paid up equity share capital of the Transferor Company. The Transferee Company is engaged in the business of manufacturing of home textiles and its products broadly falls under the categories of Bed Sheets, Pillow Cover and Comforter. As per the audited financials for the year ended 31 March 2020, ICIL reported revenue from operations of INR 20,801.3 mn and Profit After Tax ("PAT") of INR 731.0 mn.

Pranavaditya Spinning Mills Limited (hereinafter referred to as "PSML" or the "Transferor Company") is a public company, limited by shares, incorporated under the Companies Act, 1956, under corporate identification number (CIN) L17119PN1990PLC058139 and having its registered office at Office No. 2, Plot No. 266, Village Alte, Kumbhoj Road, Taluka Hatkanangale, Kolhapur – 416109, Maharashtra, India. The equity shares of the Transferor Company are listed on BSE Limited. The Transferor Company is a subsidiary of the Transferee Company. The Transferor Company is authorised to carry on the inter alia the business of manufacturing of cotton yarn. As per the audited financials for the year ended 31 March 2020, PSML reported revenue from operations of INR 694.1 mn and PAT of INR (-) 26.8 mn.

I understand that the Companies are contemplating the merger in nature of amalgamation of PSML into ICIL. Accordingly, the valuation of equity shares of both the companies is required for compliance with Section 232 of the Companies Act, 2013 ("Purpose").

I further understand that as per the draft Scheme, PSML is proposed to be amalgamated into ICIL. As a consideration for the Proposed Amalgamation, equity shareholders of PSML would be issued equity shares of ICIL, in lieu of their shareholdings in PSML.

For the aforementioned Purpose, the Board of Directors of the Companies have jointly appointed me to recommend a fair exchange ratio, for the issue of ICIL's equity shares to the equity shareholders of PSML, to be placed before the Board of Directors of the Companies.

The scope of my services is to conduct a relative valuation of equity shares of the Companies and report a fair exchange ratio for the Proposed Amalgamation in accordance with internationally accepted valuation standards/methods and valuation standards issued by ICAI Registered Valuer Organisation (RVO).

### **Valuation Bases**

The valuation bases used for the Report is 'Relative Value'. As per IVS 103 issued by ICAI RVO, in transactions of the nature of merger or amalgamation of companies or merger or demerger of businesses, the consideration is often discharged primarily by issue of securities in the nature equity of the acquirer or transferee entity with reference to an exchange ratio or entitlement ratio, considering the relative values. Such relative values are generally arrived at by applying an appropriate valuation approach or a combination of valuation approaches.



**Special Assumption/Aspects Considered in the Report**

I have considered the following special assumptions/aspects for the valuation:

- (a) Any capital infusion in either of the Companies from the date of my Report till the Proposed Amalgamation becomes effective would not have a material impact on the recommendation of the fair exchange ratio only if (a) it is immaterial or (b) it occurs at or around the fair values as computed in the Report.
- (b) Till the Proposed Amalgamation becomes effective, neither Companies would declare any dividends which are materially different from those already factored in the calculations. Similarly, there should not be any other change in capital structure due to buybacks etc., different from those already factored in the calculations, which can impact the recommendation of the fair exchange ratio.
- (c) I have been informed that there are no unusual/abnormal events in the Companies since the latest accounts provided to me which would materially impact their operating/financial performance.
- (d) In case of PSML, I have been given to understand that the as on Valuation Date the production has been stopped and the workers have availed voluntary retirement scheme (VRS)/separation scheme.

I have relied on the above while arriving at the fair exchange ratio for the Proposed Amalgamation.

The Report is my deliverable for the above engagement.

The Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.

**SOURCES OF INFORMATION**

In connection with this exercise, I have relied upon the following information provided by the Management of the Companies (the "Management")/from public domain. I have been given to understand that the information provided are accurate and that the Management was duly authorised to provide the same.

1. Historical financial and Market Price information:

- **PSML:**

- Audited financials for years ended 31 March 2020
- Unaudited limited review P&L and Balance sheet (without notes) for the 3-month period ended 30 June 2020
- Unaudited limited review P&L and Balance sheet (without notes and schedules) for the 6-month period ended 30 Sep 2020
- Historical and current trading price and volume of equity shares on stock exchanges
- Details of the industrial land situated at Hatkanangale, Village - Alate, Maharashtra,
- Fixed Assets Register as on the Valuation Date,
- Shareholding pattern as at 30 September 2020,

- **ICIL:**

- Unaudited limited view P&L and Balance sheet (without notes and schedules) for the 3-month period ended 30 June 2020
- Historical and current trading price and volume of equity shares on stock exchanges



2. Draft Scheme of Amalgamation under Section 230 to 232 of the Companies Act, 2013
3. Other information and explanations as required by me which have been provided by Management.

Besides the above listing, there may be other information provided by the Companies which may not have been perused by me in any detail, if not considered relevant for my defined scope.

The Companies have been provided with the opportunity to review the draft Report (excluding the recommended fair exchange ratio) as part of my standard practice to make sure that factual inaccuracy/omissions are avoided in my Report.

#### **SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS**

Provision of valuation opinions and consideration of the issues described herein are areas of my regular practice. The services do not represent accounting, assurance, accounting / tax due diligence, consulting or tax related services.

The Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of my engagement; (ii) the Report Date, (iii) trading price and volume near the Report Date, and (iii) the unaudited balance sheet of PSML as at 30 September 2020.

I have been informed that the business activities of the ICIL have been carried out in the normal and ordinary course between the Valuation Date and the date of issue of the Report and that no material changes have occurred in their respective operations and financial position during this period. Similarly, I have also been informed that there are no material changes in the position of assets and liabilities of PSML between the 30 September 2020 and the Report Date/ Valuation Date.

The recommendation contained herein is not intended to represent the fair exchange ratio at any time other than the Valuation Date. A valuation of this nature is necessarily based on financial, economic and other conditions in general and industry trends in particular as in effect on and the information made available to me as of, the date hereof. Events occurring after the date hereof may affect the Report and the assumptions used in preparing it, and I do not assume any obligation to update, revise or reaffirm the Report.

The recommendation rendered in the Report only represent my recommendation based upon information furnished by the Companies and gathered from public domain (and analysis thereon). My recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

The determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the valuer and judgment taking into accounts all the relevant factors. There is, therefore, no indisputable single exchange ratio. While I have provided my recommendation of the fair exchange ratio based on the information available to me and within the scope and constraints of my engagement, others may have a different opinion as to the fair exchange ratio of the equity shares of the Companies. The final responsibility for the determination of the fair exchange ratio at which the Proposed Amalgamation shall take place will be with the Board of Directors of the Companies who should take into account other factors such as their own assessment of the Proposed Amalgamation and input of other advisors.

I have assumed that the Proposed Amalgamation will be consummated on the terms set forth in the Scheme document and that the final version of the Scheme Document will not change in any material respect from the draft version I have reviewed for the purpose of the valuation.

I have not independently audited or otherwise verified the financial information provided to me. Accordingly, I do not express any opinion or offer any form of assurance regarding the truth and fairness



of the financial position as indicated in the financial statements. My conclusion is based on the information given by/on behalf of the Companies. The Management has indicated to me that they have understood that any omissions, inaccuracies or misstatements may materially affect my valuation analysis/results.

The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all their areas of operations, and that the Companies will be managed in a competent and responsible manner. Further, the Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited/unaudited balance sheet of the Companies. My conclusion of value assumes that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Report Date.

The Report does not address the relative merits of the Proposed Amalgamation as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

The fee for the engagement is not contingent upon the results reported.

I will not be liable for any losses, claims, damages or liabilities arising out of the actions taken, omissions of or advice given by any other party to the Companies. In no event shall I be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or willful default on part of the Companies, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. The Report is not a substitute for the third party's own due diligence/ appraisal/ enquiries/ independent advice that the third party should undertake for its purpose.

The Report is subject to the laws of India.

Neither the Report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the Proposed Amalgamation, without my prior written consent. I express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Amalgamation.

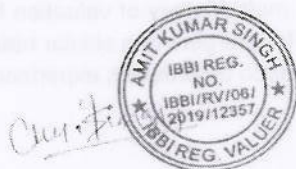
## SHAREHOLDING PATTERN

### ICIL

The shareholding pattern of ICIL India as at 30 September 2020 was as follows:

Shareholding pattern	Number of shares	Stake (%)
Promoter and Promoter Group	116,346,750	58.94
Public -Institutional	17,148,816	8.69
Public- Non Institutional	63,904,104	32.37
<b>Total</b>	<b>197,399,670</b>	<b>100.00</b>

Source: Capitaline



**PSML**

The shareholding pattern of PSML as at 30 September 2020 was as follows:

Shareholding pattern	Number of shares	Stake (%)
Promotor & Promoter Group	14,341,280	74.53
Public- Institutional	-	-
Public- Non Institutional	4,900,000	25.47
<b>Total</b>	<b>19,241,280</b>	<b>100.00</b>

Source: Capitaline

**APPROACH - FAIR EXCHANGE RATIO FOR THE PROPOSED AMALGAMATION**

The Companies contemplate the Proposed Amalgamation of PSML into ICIL. Arriving at the fair exchange ratio for the Proposed Amalgamation would require determining the relative value of the equity shares of the Companies. These values are to be determined independently, but on a relative basis for the Companies, without considering the effect of the Proposed Amalgamation.

There are several commonly used and accepted methods under the market, income and asset approaches of valuation for determining value of equity shares for determination of the fair exchange ratio for the Proposed Amalgamation which have been considered in the present case, to the extent relevant and applicable, and subject to availability of information, including:

1. Market Approach
  - a) Market Price method
  - b) Comparable Companies' Multiples method
2. Income Approach: Discounted Cash Flow (DCF) method
3. Cost Approach: Net Asset Value method

It should be understood that the valuation of any company or its assets is inherently subjective and is subject to certain uncertainties and contingencies, all of which are difficult to predict and are beyond my control. In performing my analysis, I made numerous assumptions with respect to industry performance and general business and economic conditions, many of which are beyond the control of the Companies. In addition, this valuation will fluctuate with changes in prevailing market conditions, the conditions and prospects, financial and otherwise, of the Companies, and other factors which generally influence the valuation of the Companies.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purposes, it cannot be too strongly emphasized that a valuer can only arrive at one value for one purpose. My choice of methodology of valuation has been arrived at by using usual and conventional methodologies adopted for mergers of a similar nature and my reasonable judgment, in an independent and bona fide manner based on previous experiences of assignments of a similar nature.

**Market Price method**

The market price of an equity share as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.



The Pricing formula provided in Regulations 164 (1) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') in pricing of preferential issue, incase of frequently traded shares, has been considered for arriving at the value per equity share of the Companies under the market price Method. Though, I have adopted this method in case of PSML, considering that the shares of PSML are not frequently traded on stock exchange, I have given very low weight to this method.

The market price is considered as higher of following:

- (a) average of the weekly high and low of the volume weighted average price during the 26 weeks preceding 20 October 2020; or
- (b) average of weekly high and low of the volume weighted average price during the 2 weeks preceding 20 October 2020

In addition to the above existing provision of pricing, the additional option under regulation 164B of ICDR in pricing of preferential issue, incase of frequently traded shares, has been also considered. As per regulation 164B, in case of frequently traded shares, the price of the equity shares to be allotted pursuant to the preferential issue shall be not less than higher of the following:

- a) the average of the weekly high and low of the volume weighted average price of the related equity shares quoted on the recognised stock exchange during the twelve weeks preceding the relevant date; or
- b) the average of the weekly high and low of the volume weighted average prices of the related equity shares quoted on a recognised stock exchange during the two weeks preceding the relevant date

Therefore, I have also considered higher of following for determination of the Market Price:

- (a) higher of average of the weekly high and low of the volume weighted average price during the 12 weeks preceding 20 October 2020 and average of weekly high and low of the volume weighted average price during the 2 weeks preceding 20 October 2020
- (b) higher of average of the weekly high and low of the volume weighted average price during the 26 weeks preceding 20 October 2020 and average of weekly high and low of the volume weighted average price during the 2 weeks preceding 20 October 2020

In the present case, the equity shares of ICIL are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) and the equity shares of PSML are listed on BSE. The shares of ICIL are shares being regularly and freely traded on both the stock exchanges, whereas the shares of PSML are very thinly and infrequently traded on BSE. In case of ICIL, the share price on the NSE has been considered, as the trading volumes are higher at NSE as compared to BSE.

#### **Comparable Companies' Multiples ("CCM") method**

Under this method, value of equity shares of a company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.



### **Discounted Cash Flows (“DCF”) method**

Under the DCF method the projected free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flows is the value of the firm for equity shareholders.

Using the DCF analysis involves determining the following:

#### *Estimating future free cash flows:*

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's equity capital, factoring in the minimum solvency required as per law.

#### *Appropriate discount rate to be applied to cash flows i.e. the cost of equity:*

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely equity shareholders). The opportunity cost to the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

### **Net Asset Value (“NAV”) method**

In case of Net Assets Method, the value is determined by dividing the Net Assets of the Company by the number of shares. The asset-based valuation technique is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis.

### **MAJOR FACTORS THAT WERE TAKEN INTO ACCOUNT DURING VALUATION**

- Latest shareholding pattern of the Companies
- Trading volume and market price of the shares of the Companies
- Fair value of the assets of PSML

### **BASIS FOR FAIR EXCHANGE RATIO FOR THE PROPOSED AMALGAMTION**

The basis for the fair exchange ratio of the Proposed Amalgamation would have to be determined after taking into consideration all the factors and methods mentioned hereinabove. Though different values have been arrived at under each of the above methods considered, for the purposes of recommending the fair exchange ratio of equity shares, it is necessary to arrive at a final value for both Companies' shares. It is however important to note that in doing so, I am attempting to arrive at the relative values of the Companies to facilitate the determination of the fair exchange ratio. For this purpose, it is necessary to give appropriate weights to the values arrived at under each approach /method.

The fair exchange ratio has been arrived at on the basis of a relative equity valuation of the Companies after considering suitability of various approaches / methods explained herein earlier and based on the Market Price method for ICIL and Market Price method and Adjusted NAV method for PSML, along with various qualitative factors relevant to each company and the business dynamics having regard to information base, key underlying assumptions and limitations.

I have independently applied methods discussed above, as considered appropriate and arrived at value per share of the Companies.





The computation of fair exchange ratio for the Proposed Amalgamation is tabulated below:

Valuation approach	ICIL		PSML	
	Weight	Value per equity share (INR)	Weight (%)	Value per equity share (INR)
Cost Approach: NAV Method*	NA	0%	90%	17.2
Income Approach: DCF Method**	NA	0%	NA	0%
Market Approach: Market Price Method***	100%	124.1	10%	11.2
Relative Value per Share		124.1		16.6
Fair exchange ratio (Rounded off)	2:15			

NA= Not Applicable

\* I have not used NAV method of Cost Approach in case of ICIL as its shares are frequently traded on stock exchanges. However, in case of PSML, I have used NAV method and given higher weight to it as the shares of PSML are traded infrequently on the stock exchange.

\*\* I have not considered the DCF method as the Companies are listed on the Stock Exchanges and information related to the future profit and loss account, balance sheet and cash flows is price sensitive and not made available to me.

\*\*\*I have used only Market Price method in case of ICIL as its shares are frequently traded on stock exchanges. In case of PSML though I have used Market Price method, I have given very low weight to it as the shares of PSML are traded infrequently on the stock exchange.

Detailed workings are given in Annexure A.

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, I recommend the following fair exchange ratio for the Proposed Amalgamation:

- 2 equity shares of ICIL of INR 2/- each fully paid-up for every 15 equity shares of PSML of INR 10/- each fully paid-up.

Respectfully submitted,



**CA Amit K Singh,**  
Registered Valuer – Securities And Financial Assets  
(REG. NO. IBBI/RV/06/2019/12357)

58

**Annexure A**

**A. Computation of equity share value of ICIL**

**Market Price method**

Period	Weekly Maximum (Volume weighted)	Weekly Minimum (Volume weighted)	Average of Maximum and Minimum price	Source
26 Weeks	63.4	56.3	59.8	Table A.1
12 Weeks	93.5	83.4	88.4	
2 Weeks	131.0	117.1	124.1	

As per the pricing formula provided in Regulations 164(1) and 164B of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') to arrive at the value per equity share of the Companies under the market price Method, higher of the above three has been considered. Hence, I have considered INR 124.1 per share.

Table A.1

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
April 22, 2020	28.0	Wednesday	28.86	27.08	26
April 23, 2020	28.9	Thursday			
April 24, 2020	27.7	Friday			
April 27, 2020	27.1	Monday			
April 28, 2020	28.3	Tuesday			
April 29, 2020	29.5	Wednesday	29.61	27.19	25
April 30, 2020	29.6	Thursday			
May 4, 2020	28.3	Monday			
May 5, 2020	27.2	Tuesday			
May 6, 2020	25.9	Wednesday	25.93	24.32	24
May 7, 2020	25.4	Thursday			
May 8, 2020	24.8	Friday			
May 11, 2020	24.3	Monday			
May 12, 2020	24.4	Tuesday			
May 13, 2020	25.6	Wednesday	28.2	25.63	23
May 14, 2020	26.9	Thursday			
May 15, 2020	28.2	Friday			
May 18, 2020	27.5	Monday			
May 19, 2020	26.5	Tuesday			
May 20, 2020	25.3	Wednesday			
May 21, 2020	25.2	Thursday			
May 22, 2020	25.2	Friday			
May 26, 2020	25.6	Tuesday			
May 27, 2020	25.3	Wednesday	28.13	25.29	21
May 28, 2020	25.5	Thursday			
May 29, 2020	26.0	Friday			
June 1, 2020	26.8	Monday			
June 2, 2020	28.1	Tuesday			



Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
June 3, 2020	29.8	Wednesday	40.17	29.75	20
June 4, 2020	31.2	Thursday			
June 5, 2020	34.7	Friday			
June 8, 2020	40.2	Monday			
June 9, 2020	40.0	Tuesday			
June 10, 2020	38.6	Wednesday	44.28	38.62	19
June 11, 2020	40.5	Thursday			
June 12, 2020	44.3	Friday			
June 15, 2020	41.4	Monday			
June 16, 2020	38.7	Tuesday			
June 17, 2020	40.1	Wednesday	40.97	40.12	18
June 18, 2020	40.3	Thursday			
June 19, 2020	40.8	Friday			
June 22, 2020	41.0	Monday			
June 23, 2020	40.2	Tuesday			
June 24, 2020	39.9	Wednesday	39.93	37.58	17
June 25, 2020	38.9	Thursday			
June 26, 2020	38.7	Friday			
June 29, 2020	37.6	Monday			
June 30, 2020	37.8	Tuesday			
July 1, 2020	37.1	Wednesday	40.39	37.11	16
July 2, 2020	38.5	Thursday			
July 3, 2020	40.1	Friday			
July 6, 2020	39.7	Monday			
July 7, 2020	40.4	Tuesday			
July 8, 2020	40.7	Wednesday	43.47	39.27	15
July 9, 2020	43.5	Thursday			
July 10, 2020	42.0	Friday			
July 13, 2020	40.2	Monday			
July 14, 2020	39.3	Tuesday			
July 15, 2020	40.7	Wednesday	41.19	40.29	14
July 16, 2020	40.3	Thursday			
July 17, 2020	40.8	Friday			
July 20, 2020	40.7	Monday			
July 21, 2020	41.2	Tuesday			
July 22, 2020	45.5	Wednesday	68.94	45.45	13
July 23, 2020	54.9	Thursday			
July 24, 2020	61.2	Friday			
July 27, 2020	68.9	Monday			
July 28, 2020	68.3	Tuesday			
July 29, 2020	65.0	Wednesday	68.87	65.02	12
July 30, 2020	66.7	Thursday			
July 31, 2020	66.1	Friday			
August 3, 2020	65.5	Monday			
August 4, 2020	68.9	Tuesday			
August 5, 2020	73.5	Wednesday	74.64	66.82	11
August 6, 2020	74.6	Thursday			
August 7, 2020	71.9	Friday			
August 10, 2020	69.4	Monday			
August 11, 2020	66.8	Tuesday			



60

**AMIT KUMAR SINGH**  
REGISTERED VALUER – SECURITIES AND FINANCIAL ASSETS

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
August 12, 2020	65.6	Wednesday	68.96	64.12	10
August 13, 2020	64.7	Thursday			
August 14, 2020	64.1	Friday			
August 17, 2020	66.6	Monday			
August 18, 2020	69.0	Tuesday			
August 19, 2020	70.0	Wednesday	78.13	70.04	9
August 20, 2020	71.2	Thursday			
August 21, 2020	74.7	Friday			
August 24, 2020	78.1	Monday			
August 25, 2020	77.3	Tuesday			
August 26, 2020	76.6	Wednesday	76.95	70.61	8
August 27, 2020	77.0	Thursday			
August 28, 2020	74.3	Friday			
August 31, 2020	70.6	Monday			
September 1, 2020	71.2	Tuesday			
September 2, 2020	71.4	Wednesday	80.31	69.78	7
September 3, 2020	69.8	Thursday			
September 4, 2020	72.3	Friday			
September 7, 2020	75.4	Monday			
September 8, 2020	80.3	Tuesday			
September 9, 2020	78.6	Wednesday	93.02	78.57	6
September 10, 2020	82.5	Thursday			
September 11, 2020	84.4	Friday			
September 14, 2020	87.8	Monday			
September 15, 2020	93.0	Tuesday			
September 16, 2020	97.1	Wednesday	100.79	89.77	5
September 17, 2020	94.2	Thursday			
September 18, 2020	99.8	Friday			
September 21, 2020	100.8	Monday			
September 22, 2020	89.8	Tuesday			
September 23, 2020	95.3	Wednesday	100.73	90.37	4
September 24, 2020	90.4	Thursday			
September 25, 2020	93.4	Friday			
September 28, 2020	100.5	Monday			
September 29, 2020	100.7	Tuesday			
September 30, 2020	101.0	Wednesday	117.43	101.04	3
October 1, 2020	108.8	Thursday			
October 5, 2020	117.4	Monday			
October 6, 2020	116.5	Tuesday			
October 7, 2020	111.8	Wednesday	120.78	109.67	2
October 8, 2020	110.3	Thursday			
October 9, 2020	109.7	Friday			
October 12, 2020	113.5	Monday			
October 13, 2020	120.8	Tuesday			
October 14, 2020	124.6	Wednesday	141.14	124.61	
October 15, 2020	130.6	Thursday			
October 16, 2020	128.9	Friday			
October 19, 2020	133.2	Monday			
October 20, 2020	141.1	Tuesday			



*Chaitanya*

**Computation of equity share value of PSML**

Valuation Method	Adjusted NAV	Market Price
Value Equity per Share (INR)	17.2	11.2
Weight	90%	10%
<b>Weighted Equity Value per Share (INR)</b>	<b>16.6</b>	

**Market Price method**

Period	Weekly Maximum (Volume weighted)	Weekly Minimum (Volume weighted)	Average of Maximum and Minimum price	Source
26 Weeks	11.4	10.9	11.2	Table B.1
12 Weeks	10.7	10.0	10.4	
2 Weeks	10.5	10.1	10.3	

As per the pricing formula provided in Regulations 164(1) and 164B of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 ('ICDR') to arrive at the value per equity share of the Companies under the market price Method, higher of the above three has been considered. Hence, I have considered INR 11.2 per share. Though, I have adopted this method in case of PSML, considering that the shares of PSML are not frequently traded on stock exchange, I have given very low weight (10%) to this method.

**Table B.1**

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
May 7, 2020	14.7	Thursday	14.7	14.7	26
May 11, 2020		Monday			
May 12, 2020		Tuesday			
May 13, 2020	14.0	Wednesday	14.0	14.0	25
May 14, 2020		Thursday			
May 15, 2020		Friday			
May 18, 2020		Monday			
May 19, 2020		Tuesday			
May 20, 2020		Wednesday			
May 21, 2020	Thursday	24			
May 22, 2020	Friday				
May 25, 2020	Monday				
May 26, 2020	Tuesday	23			
May 27, 2020	Wednesday				
May 28, 2020	Thursday				
May 29, 2020	Friday				
June 2, 2020	13.7	Tuesday	13.7	13.7	22
June 8, 2020	13.4	Monday	13.4	12.5	21
June 9, 2020	12.5	Tuesday	12.1	11.0	20
June 10, 2020	12.1	Wednesday			
June 11, 2020	11.8	Thursday			
June 12, 2020	11.0	Friday	10.9	10.0	19
June 15, 2020	10.9	Monday			
June 16, 2020	10.0	Tuesday	10.9	10.7	18
June 22, 2020	10.9	Monday			
June 23, 2020	10.7	Tuesday			



**AMIT KUMAR SINGH**  
REGISTERED VALUER – SECURITIES AND FINANCIAL ASSETS

Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
June 24, 2020	11.4	Wednesday	11.4	10.9	17
June 26, 2020	10.9	Friday			
June 29, 2020	11.1	Monday			
July 1, 2020	10.7	Wednesday	10.7	9.9	16
July 2, 2020	10.3	Thursday			
July 3, 2020	9.9	Friday			
July 6, 2020	10.1	Monday			
July 7, 2020	10.4	Tuesday			
July 8, 2020	11.0	Wednesday	11.0	10.4	15
July 9, 2020	10.8	Thursday			
July 10, 2020	10.4	Friday			
July 13, 2020	11.0	Monday			
July 16, 2020	11.4	Thursday	11.4	11.4	14
July 24, 2020	11.4	Friday	11.4	11.4	13
July 27, 2020	11.4	Monday			
July 30, 2020	10.8	Thursday	10.8	10.3	12
July 31, 2020	10.3	Friday			
August 3, 2020		Monday			
August 4, 2020		Tuesday			
August 5, 2020		Wednesday	10.3	10.3	11
August 6, 2020		Thursday			
August 7, 2020		Friday			
August 11, 2020	10.3	Tuesday			
August 12, 2020	9.8	Wednesday	11.3	9.8	10
August 13, 2020	11.0	Thursday			
August 14, 2020	11.3	Friday			
August 18, 2020	11.0	Tuesday			
August 19, 2020	10.7	Wednesday	10.7	9.7	9
August 20, 2020	10.2	Thursday			
August 21, 2020	9.7	Friday			
August 24, 2020	9.7	Monday			
August 25, 2020	9.7	Tuesday			
August 26, 2020	10.4	Wednesday	10.4	9.6	
August 27, 2020	10.1	Thursday			
August 28, 2020	9.6	Friday			
August 31, 2020	9.9	Monday			
September 1, 2020	10.0	Tuesday			
September 7, 2020	10.2	Monday	10.2	10.2	7
September 9, 2020	10.7	Wednesday	10.7	9.7	6
September 10, 2020	10.5	Thursday			
September 11, 2020	9.7	Friday			
September 14, 2020	10.0	Monday			
September 15, 2020	9.7	Tuesday			
September 16, 2020	9.5	Wednesday	10.0	9.5	
September 21, 2020	10.0	Monday			



Date	Average Price	Day	Weekly Maximum	Weekly Minimum	Week
September 23, 2020	11.0	Wednesday	11.9	11.0	4
September 24, 2020	11.5	Thursday			
September 25, 2020	11.9	Friday			
September 28, 2020	11.9	Monday			
September 29, 2020	11.3	Tuesday			
September 30, 2020	11.0	Wednesday	11.3	10.2	3
October 1, 2020	11.3	Thursday			
October 5, 2020	10.7	Monday			
October 6, 2020	10.2	Tuesday			
October 7, 2020		Wednesday	10.6	10.2	2
October 8, 2020	10.6	Thursday			
October 9, 2020	10.2	Friday			
October 13, 2020	10.5	Monday Saturday			
October 14, 2020	10.0	Wednesday	10.3	10.0	1
October 15, 2020	10.3	Thursday			
October 16, 2020		Friday			
October 19, 2020	10.3	Monday			
October 20, 2020	10.3	Tuesday			



64

**Adjusted Net Asset Value method**

I have used the adjusted NAV method for valuation, wherein the value of the land, which is the major asset of PSML, has been estimated at current market value using guideline/circle rates. The building being very old, the carrying value of the building has been assumed to be fair value. All other assets and liabilities have been taken at book value to estimate the adjusted NAV. The Following table shows the NAV and Adjusted NAV as of valuation date,

Particulars	INR MN	
	Book Value	Fair Value
<b>A. ASSETS</b>		
<b>Non Current Assets</b>		
Property, Plant and Equipment <sup>Note 1</sup>	247.4	333.6
Deferred Tax Assets (Net)	22.3	22.3
Other Non-Current Assets	0.1	0.1
<b>Total Non-Current Assets</b>	<b>269.8</b>	<b>356.1</b>
<b>Current Assets</b>		
Inventories	0.9	0.9
Financial Assets		
(i) Trade Receivables		
(ii) Cash and Cash Equivalents	2.2	2.2
(iii) Bank Balances other than (i) above	8.8	8.8
Loans	0.0	-
Current Tax assets	17.0	17.0
Other Current Assets	12.6	12.6
<b>Total Current Assets</b>	<b>41.5</b>	<b>41.5</b>
<b>Total ASSETS</b>	<b>311.3</b>	<b>397.6</b>
<b>B. EQUITY AND LIABILITIES</b>		
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>		
Financial Liabilities		
(i) Trade Payables due to		
-Micro & Small Enterprises	-	-
-Other than Micro & Small Enterprises	57.2	57.2
(ii) Other Financial Liabilities	0.0	0.0
Other Current Liabilities	8.9	8.9
<b>Total -Current Liabilities</b>	<b>66.2</b>	<b>66.2</b>
<b>Adjusted Net Asset Value</b>	<b>245.1</b>	<b>331.4</b>
Total equity Shares ( in MN)	19.2	19.2
<b>NAV per share (in INR)</b>	<b>12.7</b>	<b>17.2</b>

**Note 1:**

**Computation of Adjusted Book Value of Property, Plant and Equipment**

Particulars	Net Book Value (INR MN)	Fair Value (INR MN)
Land <sup>Note 2</sup>	84.6	170.8
Building	63.9	63.9
Computer	0.1	0.1
Furniture & fixtures	0.3	0.3
Plant & machinery	95.6	95.6
Vehicles	0.8	0.8
Electrical & installations	1.1	1.1
Office equipment	0.3	0.3
Lab equipment	0.7	0.7
<b>Total</b>	<b>247.5</b>	<b>333.6</b>

**Note 2:** for valuation of land I have considered the guideline/circle rates as fair value. The guideline rate is INR 5.02 mn per acre.

