Annexure - 3

Shristi Infrastructure Development Corporation Limited

&

Vipani Hotels & Resorts Private Limited

Recommendation of equity share entitlement ratio for demerger of the Hospitality Division of Shristi Infrastructure Development Corporation Limited to Vipani Hotels & Resorts Private Limited

Prepared by
M. Kumar Jain & Co.
Chartered Accountants

SHRISTI INFRASTRUCTURE DEV. CORPN. LTD. KOLKATA

TABLE OF CONTENTS

SL. No	Particulars	Page No.
1.	Preliminary	3
2.	Scope and Purpose of Engagement	3
3.	Company Overview	3 - 4
4.	Sources of Information	4
5.	Exclusions and Limiting Conditions	5 -6
6.	Methodology	6 - 7
7.	Recommendation of Equity Share Entitlement Ratio	8

Note:

The information contained herein above is of a confidential nature and is intended for the exclusive use of the persons or concerns for whom it was prepared. Reproduction, publication or dissemination of all or portions hereof may not be made without prior approval from the firm mentioned above.

M. KUMAR JAIN & CO. KOLKATA CHARTERED ACCOUNTANTS

M. Kumar Jain & Co.
Chartered Accountants

1. PRELIMINARY

The managements of Shristi Infrastructure Development Corporation Limited (hereinafter referred to as **'SIDCL'** or the **'Demerged Company'**) and Vipani Hotels & Resorts Private Limited (hereinafter referred to as **'VHRPL'** or the **'Resulting Company'**) have appointed M. Kumar Jain & Co., Chartered Accountants for recommendation of equity share entitlement ratio for the proposed demerger of Hospitality Division (hereinafter referred to as 'Demerged Undertaking') of SIDCL to VHRPL under a Scheme of Arrangement ("**Scheme**") with effect from the Appointed Date of 01 January, 2017 ("**Appointed Date**"). SIDCL and VHRPL are collectively referred to as "Companies".

The equity share entitlement ratio for this report refers to number of equity shares of face value of Rs. 10/- of VHRPL which would be issued to the shareholders of SIDCL in addition to their equity shareholding in SIDCL ("Fair entitlement ratio").

2. PURPOSE OF ENGAGEMENT

Based on discussion with the Management, we understand that Demerged undertaking of SIDCL having a book value of Rs. 351.36 crore will vest in VHRPL under the said scheme of arrangement under Section 230 and 232 of the Companies Act, 2013 ("**the Act**") with effect from the proposed Appointed Date of 1st January 2017 subject to necessary approvals. As a consideration for this demerger, the shareholders of SIDCL would be issued equity shares of VHRPL. There will be no change in the shareholding pattern of the listed entity and the resulting Company as stated in the relevant SEBI circular.

For the aforesaid purpose, the management of SIDCL and VHRPL has appointed us to submit a report recommending the equity share entitlement ratio for the issue of equity shares of VHRPL to the shareholders of SIDCL.

Our report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.

3. Company Overview

3.1 Company Identification

a) **"SIDCL"** is a Company incorporated under the Companies Act 1956 and being a Company within the meaning of the Act, having its registered office at Plot No.X-1,2 &3, Block EP, Sector V, Salt Lake City, Kolkata 700091 in the State of West Bengal.

M. KUMAR JAIN & CO. KOLKATA CHARTERED ACCOUNTANTS

M. Kumar Jain & Co.
Chartered Accountants

SIDCL is listed with BSE Limited and Calcutta Stock Exchange. SIDCL is a well established infrastructure development and construction company, having interests primarily in the business of construction on contract basis for other parties and providing allied services, including consultancy; infrastructure development and real estate, including hospitality.

b) "VHRPL" is a Company incorporated under the Companies Act 1956 and being a Company within the meaning of the Act, having its registered office at D-2, 5th Floor, Saket Place, Saket, New Delhi -110017. The Company has applied to the Regional Director for change of registered office to Plot No. X-1,2 & 3, Block EP, Sector V, Salt Lake City, Kolkata 700091 in the state of West Bengal. VHRPL is engaged and is having interests in hospitality business. VHRPL is a wholly owned (100%) subsidiary of SIDCL.

3.2 Share Capital:

The Authorised, Issued, Subscribed and Paid-up Share Capital of SIDCL and VHRPL are as under:

Company	Authorised Share Capital	Issued, Subscribed and Paid up Share Capital
VHRPL	Rs.50,00,000/- divided into 5,00,000 Equity Shares of Rs.10/- each	Rs. 49,60,000 divided into 4,96,000 Equity Shares of Rs. 10/- each fully paid up.
SIDCL	Rs. 30,50,00,000/- divided into 3,05,00,000 Equity Shares of Rs.10 each	Rs.22,20,00,000/-divided into 2,22,00,000 Equity Shares of Rs.10 each fully paid up

4. SOURCES OF INFORMATION

The following sources of information were, inter alia, used in preparation of the report:

a. Memorandum and Articles of Association of both the Companies,
b. Annual report for last 3 years ended March, 2016 and
c. Unaudited financial statement for 9 months ended 31st December, 2016 of VHRPL and Demerged undertaking and Remaining Business of SIDCL,
d. Draft Scheme of Arrangement,
e. Shareholding pattern of both the Companies,
f. Financial projections for the period from 2017-18 to 2025-26 of the demerged undertaking of SIDCL and financial projections for the period from 2017-18 to 2029-30 of VHRPL.
g. Other relevant information provided by representatives of the in course of discussions with them or in soft copy,
h. Such other analysis, reviews and enquiries as we considered necessary,
i. Management Representation Letter.

M. KUMAR JAIN & CO. KOLKATA CHARTERED ACCOUNTANTS

M. Kumar Jain & Co.
Chartered Accountants

5. EXCLUSIONS AND LIMITING CONDITIONS

a. This Report is based on the information received from the sources mentioned herein above and discussions with the representatives of the Companies. This information has not been independently verified by us. We have assumed that the representatives of the Companies have furnished to us all the information which they are aware of concerning the financial statements and the respective liabilities, which may have an impact on our report. Further, we will not accept any responsibility for the accuracy or authenticity of the records or information provided to us. No investigation of the Companies' claim to title of assets has been made for the purpose of this report and the companies' claim to such rights has been assumed to be valid.

b. The assignment neither constitutes an audit of the books and records of the Companies under the Companies Act, 2013 (including any statutory modifications(s) thereof) nor involves us to conduct a financial or technical feasibility study. The information presented in this report does not reflect the outcome of any due diligence procedures, the outcome of which could change the information contained herein and, therefore, the report materially.

c. This report and the information contained herein are absolutely confidential and are intended for use of SIDCL and VHRPL in connection with proposed demerger as aforesaid. This report should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part for any other purpose. In addition, this report does not in any manner address the prices at which equity shares of the Companies will trade following consummation of the transaction and 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 transaction.

d. The determination of equity share entitlement ratio is not a precise science and the conclusion arrived at in many cases will be subjective and dependant on the exercise of individual judgment. There is, therefore, no indisputable single share entitlement ratio. While we have concluded on the reasonableness of the share entitlement 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 same.

e. The recommendation of equity share entitlement ratio expressed in this report does not in any way constitute guarantee regarding future performance of the SIDCL and VHRPL and obligate us to render a comprehensive business appraisal report, to give testimony, or attend court proceedings with regard to the subject business assets, properties or business interests.

f. This recommendation of equity share entitlement ratio is valid only for the purpose or purposes specified herein. It may not be valid for any other purpose or on any other date. Also, it may not be valid if done on behalf of any other entity.

M. KUMAR JAIN & CO. KOLKATA CHARTERED ACCOUNTANTS

M. Kumar Jain & Co.
Chartered Accountants

g. This report assumes that the undertaking will continue to operate as a going concern.

h. The report contemplates facts and conditions existing as of the date of this report. Events and conditions occurring after that date have not been considered, and we have no obligation to update our report for such events and conditions.

i. We have no present or contemplated future interest in the Companies, any personal interest with respect to the parties involved, or any other interest that might prevent us from performing an unbiased valuation. Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

6. METHODOLOGY

6.1 Arriving at the equity share entitlement ratio for the proposed demerger of demerged undertaking of SIDCL into VHRPL would require determining the relative values of demerged undertaking attributable to each equity share of SIDCL and the equity shares of VHRPL. These values are to be determined independently but on a relative basis.

There are several commonly used and accepted methods for determining the Entitlement ratio for the proposed demerger of demerged undertaking of SIDCL into VHRPL which have been considered in the present case, to the extent relevant and applicable, including:

a) Market price method,
b) Comparable companies quoted multiples method,
c) Discounted cash flows method, and
d) Net asset value method.

There are a large number of factors to consider when estimating the value of any Company/business or its assets. These factors vary for each valuation depending on the unique circumstances of the Company/business or its assets and general economic conditions that exist at the effective date of the valuation.

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 using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner based on our previous experience of assignments of a similar nature.

6.2 Market price method

Under the "Market" Approach, the market price of equity shares as quoted on a recognized stock exchange is normally considered as the fair value of the equity shares of that Company

M. KUMAR JAIN & CO. KOLKATA CHARTERED ACCOUNTANTS

M. Kumar Jain & Co.
Chartered Accountants

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.

Further, in the case of a merger/demerger, where there is a question of evaluating the shares of one Company against those of another, the volume of transactions and the number of shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

Therefore, Market price method has not been considered for valuation of equity shares of SIDCL. Further, since the shares of VHRPL are not listed, the market approach has not been considered for this valuation.

6.3 Comparable companies quoted multiples method

Under this method, the valuation multiples of similar or comparable publicly-traded companies are applied to value a target company. 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 difference between the circumstances.

There are no comparable quoted companies of similar size, stage, growth profile etc. as that of target Companies. Therefore, this method is not suitable for valuation of Equity Shares.

6.4 Discounted cash flows method

Under the Discounted cash flows method for Free Cash Flow to Firm, the business is valued by discounting its projected free cash flows for the explicit forecast period and the perpetuity value, if any thereafter.

The free cash flows represent the cash available for distribution to the owners. The free cash flows in the explicit period are discounted by the cost of equity. The cost of equity is an appropriate rate of discount to calculate the present value of the future cash flows as it considers return on equity.

6.5 Net asset value method

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. This method is mainly used in case where the asset base dominates earning capability.

6.6 We have used average of Discounted cash flows method and Net asset value method for valuation of demerged undertaking of SIDCL and DCF method for valuation of VHRPL which have been considered appropriate by us.

M. KUMAR JAIN & CO. KOLKATA CHARTERED ACCOUNTANTS

M. Kumar Jain & Co.
Chartered Accountants

7. RECOMMENDATION OF EQUITY SHARE ENTITLEMENT RATIO

The basis of demerger of the Demerged undertaking of SIDCL into VHRPL would have to be determined after taking into consideration all the facts and methods mentioned here in above. Though different values have been arrived at under each of the above applicable methods, for the purposes of recommending the equity share entitlement ratio of equity shares, it is necessary to arrive at a single value of the Demerged undertaking attributable to each equity share of SIDCL and VHRPL. It is, however, important to note that in doing so, we are not attempting to arrive at the absolute equity values of the Demerged undertaking and VHRPL but at their relative values to facilitate the determination of the equity share entitlement ratio. For the purpose, it is necessary to give appropriate weights to the values arrived at under each method.

The equity share equity share entitlement ratio has been arrived at on the basis of a relative equity valuation of the Demerged undertaking attributable to each equity share of SIDCL and VHRPL based on the applicable various methods explained here in above and various qualitative factors relevant to each Company and the business dynamics and growth potentials of the businesses, having regard to information base, key underlying assumptions and limitations.

We have independently applied applicable methods discussed above and arrived at their assessment of value per share of the Demerged undertaking attributable to each equity share of SIDCL and VHRPL. To arrive at the consensus on the equity share entitlement ratio for the proposed demerger, suitable rounding off have been done in the values arrived at by us.

In the light of above and on consideration of all the relevant factors and circumstances as discussed here in above, we consider that the equity share entitlement ratio for the proposed demerger of the Demerged undertaking of SIDCL into VHRPL of 5 (five) fully paid up equity shares having face value of Rs. 10/- each of VHRPL for every 1 (one) fully paid up equity share of Rs. 10/- each held in SIDCL will be fair and reasonable.

M. Kumar Jain & Co.
Chartered Accountants
Firm Registration No. 315182E

(CA. Sanjeev Kumar Gupta)
Partner
Membership No.407221

M. KUMAR JAIN & CO. KOLKATA CHARTERED ACCOUNTANTS

Dated: 14th February, 2017