VALUATION REPORT

DETERMINATION OF SHARE SWAP RATIO

[100] EQUITY SHARES OF SATIA INDUSTRIES LIMITED TO BE ISSUED IN EXCHANGE OF [286] EQUITY SHARES OF T.C. SPINNERS PRIVATE LIMITED

Date: February 03, 2017

PREPARED BY

SNMG & Co.

Chartered Accountants

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Part I- INTRODUCTION

1.1. Terms of Reference

Board of directors of SATIA INDUSTRIES LIMITED and T.C. SPINNERS PRIVATE LIMITED in their respective board meetings held on 13-08-2016 in principle approved the merger of T.C. SPINNERS PRIVATE LIMITED with SATIA INDUSTRIES LIMITED and in accordance with the provisions of the companies act, 2013, subject to finalization of the scheme, due diligence, statutory and other approvals. We have been mandated vide letter dated 15-08-2016 from SATIA INDUSTRIES LIMITED, to perform fair valuation of the SATIA INDUSTRIES LIMITED & T.C. SPINNERS PRIVATE LIMITED and recommend swap ratio for equity shares of SATIA INDUSTRIES LIMITED to be allotted to the Equity Shareholders respectively of T.C. SPINNERS PRIVATE LIMITED in pursuant to the proposed scheme of Merger (herein after referred to as '**Scheme**'). Accordingly, we have carried out a valuation of both the companies (SATIA INDUSTRIES LIMITED & T.C. SPINNERS PRIVATE LIMITED) as on March 31st, 2016 to determine the share swap ratio.

1.2. Source of Information and representations

For the purpose of carrying out the valuation, we have relied on the following information and documents made available to us by the management of SATIA INDUSTRIES LIMITED. The management of the company assisted by their respective finance and accounts personnel has furnished the required financial and other relevant information, explanations and data for this exercise.

- Audited financial statements for the year ended on 31st March 2016 of SATIA INDUSTRIES LIMITED & T.C. SPINNERS PRIVATE LIMITED;
- Management certified projections, for the financial years ended 2014 to 2024 of T.C. SPINNERS PRIVATE LIMITED
- Management certified projections, for the financial years ended 2014 to 2025 of SATIA INDUSTRIES LIMITED;
- Management representations and estimates in relation to the valuation;

- Shareholding pattern of the SATIA INDUSTRIES LIMITED & T.C. SPINNERS PRIVATE LIMITED as on 31st March 2016.
- Independent Valuer reports of Land, buildings and Plant & Machinery, as provided to us by the management for both the companies.
- Discussion with the Management.
- Market and economic information from secondary sources such as industry reports, press reports and other compilations.
- External Database - Capitaline.

Our report is subject to the Limitations and Indemnifications as set out in **Annexure A.**

Part II- ABOUT THE COMPANY

2.1 Background of the Company and Its businesses

❖ **SATIA INDUSTRIES LIMITED**

Satia Industries Ltd. ("SIL" or "Transferee Company") is a Company incorporated under the Companies Act 1956, having its registered office at Malout- Muktsar Road, Village Rupana -152032, District Muktsar, Punjab. Satia Industries was incorporated under the name of M/s Satia Paper Mills Ltd. on 26.11.1980 and certificate for commencement of business was issued on 03.01.1981 by the Registrar of Companies, Punjab, and Himachal Pradesh & Chandigarh. The name of the Company was subsequently changed to Satia Industries Ltd. And a fresh certificate of incorporation (consequent upon change of name) was issued by the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh on 11.08.2008

❖ **T.C. SPINNERS PRIVATE LIMITED**

T.C. Spinners Pvt. Ltd. ("TCSPL" or "Transferor Company") is an existing Company within the meaning of the Companies Act, 1956, having its registered office at Chandigarh-Ambala Highway, Lalru, Punjab. The Transferor Company was incorporated on 22nd

September, 2006 vide Certificate of Incorporation issued by the Registrar of Companies, Punjab, Himachal Pradesh & Chandigarh.

2.2 Capital Structure:

The share capital of the Transferor Company as on March 31, 2016 is as set out below:-

- T.C. SPINNERS PRIVATE LIMITED

Particulars	Amount in Rupees
Authorized Capital	
2,50,00,000 Equity Shares of Rs 10/- each	25,00,00,000
Total	**25,00,00,000**
Issued, Subscribed and Paid-Up	
2,26,02,450 Equity Shares of Rs. 10/- each	22,60,24,500
Total	**22,60,24,500**

- SATIA INDUSTRIES LIMITED

The share capital of the Transferee Company as on March 31, 2016 is as set out Below:

Particulars	Amount in Rupees
Authorized Capital	
2,20,00,000 Equity Shares of Rs 10/- each	22,00,00,000
Total	**22,00,00,000**
Issued, Subscribed and Paid -Up	
1,00,00,000 Equity Shares of Rs 10/- each	10,00,00,000
Total	**10,00,00,000**

PART III MERGER SCHEME

3.1 Merger Scheme

The board of both companies in their respective board meetings has proposed to merge T.C. SPINNERS PRIVATE LIMITED into SATIA INDUSTRIES LIMITED on the following key terms

- Merger of T.C. SPINNERS PRIVATE LIMITED into SATIA INDUSTRIES LIMITED on a Going Concern Basis.

3.2 Appointed Date

The appointed date of the proposed scheme of arrangement is 1st April 2016.

PART IV Methods of Valuation for Equity Shares: Generally Accepted

4.1Net Assets Value (NAV)

The Net Asset Value represents the value of the shares with reference to the value of the assets owned by the Company and liabilities on the valuation date. Generally historical cost (latest audited financial statements) of the assets/ liabilities is considered in arriving at the value per share. However in certain cases, the current / intrinsic values of assets/ liabilities may be considered in place of the historical values and due adjustments in the values thereof may be carried out in respect of fair value of investments, replacement cost of Plant & Machinery and fair value of Land & Building.

4.2Earnings Value

The earnings value method involves determination of the future earnings of the Company from its normal operations.

Discounted Cash Flow Method (DCF method) seeks to capture the discounted present value of the free cash flows generated by the business as a going concern. The DCF approach requires two basic estimates; the free cash generated by the business and the cost of capital. In developing the cash flow forecast, two additional factors need to be considered:

Length of the forecast; and

Determination of the perpetuity value of the business at the end of the forecast period.

The DCF focuses on the Free Cash Flows (FCFs) that the company can generate over a period of time. The underlying assumption of this method of valuation is that the value of a business can be measured by the present worth of the net cash benefit (being cash inflows less cash outflows) to be received over the period of forecast and beyond. The DCF has its foundation in the Present Value rule, where the value of any asset is the Present Value of its expected future cash flows.

The steps followed in applying this approach include projecting the expected cash flows of the business over a selected period of estimation and converting these cash flows to present value through discounting. The discounting process uses the Weighted Average Cost of Capital (WACC). Finally, the present value of the cash flows over the period of estimation and the present value of the terminal value, i.e., the value of the business at the end of the estimation period, are summed up to arrive at the total present Business/ Enterprise Value.

Free Cash Flows

Free Cash Flows (FCF) are arrived at as follows:

Earnings before Interest on Term Loan, Taxes, Depreciation and Amortization	A
Less: Taxation	B
Adjusted Cash Flows	C = A - B
Less: Increase in Working Capital	D
Less: Capital Expenditue	E
Free Cash Flows for the year	F = C - D - E

The FCFs are then discounted using the discounting factor to arrive at their Net Present Value (NPV).

The Discounting Factor

The discount rate applied to estimate the present value of explicit forecast period cash flows as also continuing value is taken at the weighted average cost of capital (WACC). One of the advantages of the DCF approach is that it permits the various elements that make up the discount factor to be considered separately, and thus, the effect of the variations in the assumptions can be modeled more easily.

The components of the **weighted average cost of capital** are:

Cost of Equity

The cost of equity is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows and is calculated using the Capital Asset Pricing Model (CAPM).

Cost of Debt

The cost of debt is the average interest rate on Long term debt (after tax) on the borrowings of the business being valued.

Terminal Value

At the end of the explicit forecast period, a terminal value is calculated to arrive at the value of the business at the end of the estimation period. The important assumption in calculating the terminal value is that there would be no material change in trends or economic outlook beyond the explicit forecast period.

This terminal value is then discounted to its present value (value at the time of valuation) using the discounting factor for the last year of the forecast horizon.

The net present value takes into account the cost of debt, cost of equity and target capital structure. It also takes into account the risks to which the enterprise is exposed. The discount rate is based on the overall risk perception of the company.

4.3Market Value

Market Value is considered for the purpose of valuation based on the prices quoted on the stock exchange having nationwide trading terminal. **This valuation method is applicable for quoted companies only**. The market value is determined by multiplying the quoted share price of the company by the number of issued shares. This valuation method broadly takes into account the investors' perceptions about the performance of the company and the management's capabilities to deliver a return on their investments. The price calculated here is based on the various principles set out by regulatory bodies for pricing in different circumstances. Though circumstances as laid down by regulatory are different from the objective of this valuation, only broad principle from the various regulatory guidelines has been captured to the extent relevant to pricing.

PART V VALUATION

5.1 Approach - Valuation for Equity shares

The exchange ratio is generally determined on the basis of relative share values of the companies under restructuring, **considering each company as an independent entity basis their historical financials, future estimates and industry segments.**

Each method discussed above carry different fundamental approaches and assumptions, which have greater or lesser relevance, and at times there is no relevance of a particular methodology to a given situation. Thus the methods to be adopted for a particular purpose must be judiciously chosen. The approaches in three aforesaid methods discussed above are as follows:-

SATIA INDUSTRIES

VALUATION SUMMARY

Particulars	Satia Industries Limited		
	Value		
Values	Per Share Value (INR)	Weight	Weighted value
Income Approach :- Discounted Cash Flow Method	52.28	1	17.43
Asset Approach :- Adjusted Net Asset value	165.73	1	55.24
Market Approach:-(Average of EV/ Sales & EV/PBDIT)	74.12	1	24.71
Weighted Average Value per share	97.38		

* Satia Industries stocks are listed on BSE and its share are not frequently traded hence the market price of Satia Industries is not considered.

ADJUSTED NAV

BALANCE SHEET AS ON 31.03.2016		In CR
Particulars	Book Value	Year Ended As On March 31.,2016
ASSETS		
Non-Current Assets		
- Tangible Assets	250.10	299.24
- Intangible Assets		
Capital Work In progress		23.36
Total Non Current Asset	Sub Total	322.60
Non Current Investment (Excluding T C Spanner)		**3.45**
Current Assets		
Current Investment		
Inventories		59.47
Trade Receivables		97.71
Cash and Cash Equivalerts		5.05
Short-term loans and advances		4.53
Other Current Assets		12.63
	Sub Total	179.38
Total Asset	**TOTAL**	**505.43**
Non-Current Liabilities		
Long-Term Borrowings		105.30
Deferred Tax Liablities (Net)		1.94
Other Long Term Liabilities		85.61
Long Term Provision		7.09
	Sub Total	199.94
Current Liabilities		
Short-Term Borrowings		66.66
Trade Payables		24.43
Other Current Liabilities		44.25
Short-Term Provision		4.41
Total CL	Sub Total	139.76
Total Liabilities	**TOTAL**	**339.71**
Net Worth (In Cr)		**165.73**
Number of shares (In Cr)		**1.00**
Value per share (INR)		**165.73**

❖ DISCOUNTED CASH FLOW -SATIA INDUSTTRIES LIMITED

Figures in Crores

Particulars	31-Mar-17 Projected	31-Mar-18 Projected	31-Mar-19 Projected	31-Mar-20 Projected	31-Mar-21 Projected	31-Mar-22 Projected	31-Mar-23 Projected	31-Mar-24 Projected	31-Mar-25 Projected	Sustainable Annualized Cash Flow for Perpetuity*
Period (Mid Year)	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9
PAT	15	15	15	19	23	24	24	24	23	23
Changes in Net block	(14)	2	31	26	23	19	17	14	12	-
Changes in Non Cash Working Capital	(31)	1	(1)	(11)	(11)	(6)	(1)	-	(7)	(5)
Changes in Long-Term Borrowings	24	(30)	(36)	(25)	(14)	(8)	(7)	(7)	-	-
Sum of cash flow	(6)	(12)	9	10	20	29	33	31	28	18
Discounting factor	0.91	0.75	0.62	0.51	0.42	0.35	0.29	0.24	0.19	0.18
FCFE	(5)	(9)	5	5	8	10	9	7	5	15
Sum of FCFE	52									
Add:-Book Value of NCI(Excluding T C Spanner Investments)	3.45									
ADD: Tax benefit of Dep O/S Net Block as on March 2025	2.74									
Sub:- PV of Total term liability O/S as on March 2025 to be repaid in 14 years	(5.88)									
Equity Value (In Cr)	52.28									
Number of shares (in Cr)	1.00									
Per share value	52.28									

*There are several ways to estimate a terminal value of cash flows, but one well-worn method is to value the company as a perpetuity using the Gordon Growth Model. The model uses this formula:

Annualized Sustainable Cash Flow/(Cost of Equity- Growth Rate)

Calculation of Cost of Equity	
Risk Free rate (ZCB 10 years)	7.48%
Beta (Releveled)	1.63
Market Rate of Return (return on BSE 500 since inception)	15.89%
Ke (Expected Return)	21.21%

To estimate the cost of equity, the Capital Asset Pricing Model ("CAPM") was utilized.The following formula expresses CAPM arithmetically: Rf + (Rm x B) + Rsp + A where: Rf = Risk free rate Rm = Equity risk premium B = Beta Each variable was determined as follows: The risk free rate of return (Rf) is the 10 year zero coupon yield The equity risk premium (Rm) measures the excess return of equity securities typically found in the BSE 500 index compared to the return of long-term government securities. Investors require this premium because equity securities are riskier than Treasury securities. Rm was adjusted to reflect risk characteristics specific to the industry in which the Company operates. This was accomplished by multiplying Rm by a beta coefficient (B), which was developed from betas of the Guideline Companies. A beta coefficient of 1.00 implies that a company's return varies directly with the overall market.

Calculation of relevered Beta	
Total DEBT	205.05
Total Equity	104.50
Tax Rate	21.64%
Beta	0.64
Relevered Beta	1.63

	Co_Code	Co_Name	Date	Debt-Equity Ratio[Latest]	BSE 500*	Beta unlivered
1	20	Internat. Paper	31-03-16	1.13	0.92	0.53
2	56	Balarpur Inds.	31-03-16	0.84	0.98	0.63
3	453	Pudumjee Pulp	31-03-16	0.43	1.72	1.34
4	503	Seshasayee Paper	31-03-16	0.77	1.21	0.81
5	607	West Coast Paper	31-03-16	1.38	1.59	0.83
6	1394	Shreyans Inds	31-03-16	0.52	1.37	1.02
7	2165	Star Paper Mills	31-03-16	0.18	1.66	1.49
8	4374	Shree Rama News	31-03-16	65.48	1.11	0.03
9	5772	JK Paper	31-03-16	2.40	1.44	0.56
10	6176	Mysore Paper	31-03-16	-	0.40	0.40
11	12122	T N Newsprint	31-03-16	1.77	1.41	0.65
12	15840	Emami Paper	31-03-16	2.17	1.37	0.48
					Median	0.64

Note on projected financial statements, various assumptions used to build projections by both companies.

- All Projections, trends, sales value, funding requirements and the working capital requirements are as per the management estimates and representations as provided to us.
- Cost of Equity (ke): Ke is been calculated based on CAPM model.
- Risk free rate is based on the Zero Coupon 3ond by the NSE for Ten Years

For Beta Calculation, the Peer Companies has been considered

MARKET APPROACH (INDUSTRY-PAPER LARGE)

EV/ PBIDT METHOD:-

	Co_Code	Co_Name	Date	Enterprise Value	EV to PBIDT
1	20	Internat. Paper	31-03-16	1,439.34	10.37
2	56	Ballarpur Inds.	31-03-16	2,182.07	na
3	453	Pudumjee Pulp	31-03-16	158.63	4.01
4	503	Seshasayee Paper	31-03-16	586.06	6.38
5	607	West Coast Paper	31-03-16	1,115.92	7.12
6	1394	Shreyans Inds.	31-03-16	91.49	4.05
7	2165	Star Paper Mills	31-03-16	63.94	2.56
8	4374	Shree Rama News.	31-03-16	650.84	na
9	5772	JK Paper	31-03-16	2,344.72	5.87
10	6176	Mysore Paper	31-03-16	308.71	na
11	12122	T N Newsprint	31-03-16	3,794.45	6.47
12	15840	Emami Paper	31-03-16	1,117.93	na
		median			6.13
		EV/PBIda Multiple*			6.13
		Ebitda(Excluding Other Income) (In CR.) as on March 31, 2016			53.53
		Multiple (Discount @ 20% for lack of Marketability & Liquidity)			4.90
		Enterprise Value(In CR.)			262.28
		Less: Borrowing(In CR.) as on March 31, 2016			205.05
		Add: Cash and cash equivalents as on March 31, 2016 (In CR.)			5.05
		Add:- Book Value of NCI (Excluding T C Spanner)			3.45
		Equity value(In CR.)			65.73
		Number of Common shares (In CR.)			1.00
		Per Share value (INR)			65.73

*Source- CapitalLine

EV/ SALES METHOD

	Co_Code	Co_Name	Date	Enterprise Value	Sales[Latest]	EV/Sales
1	20	Internat. Paper	31-03-16	1,439.34	1,230.75	1.17
2	56	Ballarpur Inds.	31-03-16	2,182.07	618.37	3.53
3	453	Pudumjee Pulp	31-03-16	158.63	12.23	NA
4	503	Seshasayee Paper	31-03-16	586.06	1,083.12	0.54
5	607	West Coast Paper	31-03-16	1,115.92	1,804.59	0.62
6	1394	Shreyans Inds.	31-03-16	91.49	412.90	0.22
7	2165	Star Paper Mills	31-03-16	63.94	288.64	0.22
8	4374	Shree Rama News.	31-03-16	650.84	385.07	1.69
9	5772	JK Paper	31-03-16	2,344.72	2,914.49	0.80
10	6176	Mysore Paper	31-03-16	308.71	397.05	0.78
11	12122	T N Newsprint	31-03-16	3,794.45	2,818.77	1.35
12	15840	Emami Paper	31-03-16	1,117.93	544.90	2.05
		Median				0.80
		EV/Sales Multiple*				0.80
		Sales(Excluding Other Income) (In CR.) as on March 31, 2016				433.61
		Multiple (Discount @ 20% for lack of Marketability & Liquidity)				0.64
		Enterprise Value(In CR.)				279.07
		Less: Borrowing(In CR.) as on March 31, 2016				205.05
		Add: Cash and cash equivalents as on March 31, 2016(In CR.)				5.05
		Add:- Book Value of NCI (Excluding T C Spanner)				3.45
		Equity value(In CR.)				82.52
		Number of Common shares (In CR.)				1.00
		Per Share value (INR)				82.52

T.C. SPINNERS PRIVATE LIMITED

❖ VALUATION SUMMARY

Particulars	T C Spanner		
	Value		
Values	Per Share Value (INR)	Weight	Weighted value
Income Approach :- Discounted Cash Flow Method	(0.36)	NA	NA
Asset Approach :- Adjusted Net Asset value	34.07	1	34.07
Market Approach:-(Average of EV/ Sales & EV/PBDIT)	(37.52)	NA	NA
Weighted Average Value per share	34.07		

▪ ADJUSTED NAV

BALANCE SHEET AS ON March 31, 2016		
Particulars	As On March 31, 2016	
ASSET	Book Value	Fair Value/ Book Value
NON CURRENT ASSETS		
FIXED ASSETS :		
Tangible Assets	929,115,225	1,413,098,435.99
Intangible Assets		-
Capital work-in-progress		-
Intangible assets under development		-
	Sub Total	1,413,098,435.99
Non-current Investment		-
CURRENT ASSETS		
Current Investment		-
Inventories		632,642,723.43
Trade Receivables		245,995,627.00
Cash and Cash Equivalents		69,130,653.00
Short-term loans and advances		52,166,210.00
Other Current Assets		36,608,046.55
Misc. Expenditure		412,401.00
	Sub Total	1,036,957,660.98
	TOTAL	2,450,056,096.97
NON CURRENT LIABILITIES		
Long Term Borrowings		340,154,267.00
Deferred tax Liabilities		10,173,038.00
Other Long Term Liabilities		472,514,764.00
Deferred Creditors		62,000,000.00
Long Term Provision		10,428,334.00
	Sub Total	895,270,403.00
CURRENT LIABILITIES		
Short Term Borrowings		427,008,141.00
Trade Payables		219,079,549.00
Other Current Liabilities		138,677,757.00
Short Term Provisions		-
	Sub Total	784,765,447.00
	TOTAL	1,680,035,850.00
Net worth		770,020,246.97
Number of shares		22,602,450.00
Nav		34.07

Discounted Cash Flow- T.C. SPINNERS PRIVATE LIMITED

Figures in Crores									
Particulars	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	Perpetuity
	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	
Year	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8
PAT	2.23	3.32	4.16	5.36	7.37	8.77	9.84	11.72	12.19
Changes in Tangible Assets	(5.28)	9.91	9.87	9.24	7.98	7.49	7.34	5.88	-
Changes in Intangible Assets	0.01	0.01	0.02	-	-	-	-	-	-
Changes in Non Cash Working Capital	(8.53)	(5.80)	(5.01)	(5.97)	(6.03)	(5.80)	(10.40)	(7.19)	(5.75)
Changes in Long-Term Borrowings	(2.25)	(6.32)	(8.32)	(6.05)	(5.13)	(5.13)	(3.80)	-	-
Changes in Other Long Term Liabilities	3.59	(4.09)	(5.13)	(6.62)	(6.99)	-	-	-	-
Changes in Deferred Creditors	0.80	0.19	(0.05)	-	-	-	-	-	-
Changes in Long Term Provision	-	-	-	-	-	-	-	-	-
Sum of cash flow	(9.44)	(2.78)	(4.46)	(4.05)	(2.80)	5.33	5.38	10.41	6.44
Discounting factor	0.88	0.67	0.52	0.40	0.31	0.24	0.18	0.14	0.12
FCFE	(8.28)	(1.87)	(2.31)	(1.61)	(0.86)	1.25	1.08	1.45	3.00
Sum of FCFE	(8.15)								
Add:- Cash as on March 31, 2016	0.92								
Add:- Tax benefit of dep	0.42								
Equity Value	(0.80)								
Number of shares	2.26								
Per share value	(0.36)								

Calculation of Cost of Equity (Ke)	
Risk free rate (ZCB 10 years)	7.48%
Beta (Relevered)	2.66
Market Rate of Return (return on BSE 500 since inception)	15.89%
Ke (Expected Return)	30.12%
Perpetuity Growth Rate	4.00%

Calculation of Relevered beta	
Total DEBT	124.46
Total Equity	26.99
Tax Rate	19.00%
Beta	0.57
Relevered Beta	2.69

Co_Code	Co_Name	Date	Enterprise Value	BSE 500*	Debt-Equity Ratio[Latest]	Beta unlivered
1186	Nahar Indl. Ent.	31-03-16	818.62	1.32	1.60	0.64
3178	Vippy Spinpro	31-03-16	14.48	0.81	0.30	0.68
3874	Citizen Yarns	31-03-16	3.65	0.49	-	0.49
4366	Dhanalaxmi Roto	31-03-16	0.29	0.56	0.23	0.49
					Median	0.57

MARKET APPROACH (Textile Cotton Yarn open ended spinning)

EV/ PBIDT METHOD:-

Co_Code	Co_Name	Date	Enterprise Value	EV to PBIDT
1186	Nahar Indl. Ent.	31-03-16	818.62	4.06
3178	Vippy Spinpro	31-03-16	14.48	1.97
3874	Citizen Yarns	31-03-16	3.65	na
4366	Dhanalaxmi Roto	31-03-16	0.29	0.12
	Median			1.97
	EV to PBIDT Multiple*			1.97
	PBITD (In CR.) as on March 31, 2016			16.69
	Multiple (Discount @ 20% for lack of Marketability & Liquidity)			1.576
	Enterprise Value(In CR.)			26.30
	Less: Borrowing(In CR.) as on March 31, 2016			124.46
	Add: Cash and cash equivalents as on March 31, 2016 (In CR.)			6.95
	Equity value(In CR.)			(91.21)
	Number of Common shares (In CR.)			2.26
	Per Share value (INR)			(40.36)

EV/ SALES METHOD

Co_Code	Co_Name	Date	Enterprise Value	Sales[Latest]	EV/Sales
1186	Nahar Indl. Ent.	31-03-15	818.62	1782.64	0.46
3178	Vippy Spinpro	31-03-15	14.48	87.76	0.16
3874	Citizen Yarns	31-03-15	3.65	1.48	2.47
4366	Dhanalaxmi Roto	31-03-15	0.29	49.73	0.01
	Median				0.31
	EV/Sales Multiple*				0.31
	Sales (Ex. Other Income)(In CR.) as on March 31, 2016				156.72
	Multiple(Discount @ 20% for lack of Marketability & Liquidity)				0.25
	Enterprise Value(In CR.)				39.13
	Less: Borrowing(In CR.) as on March 31, 2016				124.46
	Add: Cash and cash equivalents as on March 31, 2016(In CR.)				6.95
	Equity value(In CR.)				(78.38)
	Number of Common shares (In CR.)				2.26
	Per Share value (INR)				(34.68)

5.2 General Assumptions

For the purpose of this valuation, following assumptions have been considered:

- The companies under valuation are going concerns and will continue to remain so after the appointed date
- Value of Land and Buildings have been considered based on the reports of independent Valuers as made available to us by the management.

5.3 Valuation of Equity Shares

The valuation has been carried out on the basis of the methodology dealt herein above having regard to information base, management representation, key underlying assumptions and limitations. Based on the methodology dealt above and considering the fact that the business after the proposed Merger, of the specified companies are intended to be continued on a going concern basis, the valuation has been done under 'Net Asset Value and Discounted Cash Flow technique giving appropriate weights to the calculation under respective methods.

5.4 SWAP Ratio

- Equity Shares:

Based upon the aforesaid valuation,

100 Equity shares of Rs. 10 each of SATIA INDUSTRIES LIMITED to be issued in exchange of 286 equity shares of T.C. SPINNERS PRIVATE LIMITED of Rs. 10 each.

For SNMG & Co.
Chartered Accountants

CA Sushil Gupta

Partner

Dated: February 03, 2017

Place: New Delhi

APPENDIX A

Limitations of this report

- While carrying out the valuation we have relied upon and considered the information and representations made available by the management.
- We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects and nothing has come to our attention to cause us to believe that the facts and data taken for the purpose are not correct. We are neither required nor have we independently verified, or carried out a due diligence or detailed appraisal of the management's information, explanations and data submitted to us for the purpose of this valuation. We have reviewed these information and data for broad consistency.
- In the course of our analysis, we have received financial projections and other information from the management. While we have no reason to doubt their reasonableness/ accuracy, we can provide no assurance that the projections will be realized. Our work was limited by the quality and degree of data that was supplied to us. There could be material differences between the management estimates used in the financial projections and actual data results due to future economic and other uncertainties, many of which are outside management control. We have relied upon all documents, records and information provided by the management and considered them in the preparation of this report.
- It has been confirmed to us that there are no events and/or demands, decisions - legal or otherwise against the company, which are likely to affect materially the state of the balances of accounts as on the valuation date and/or the future profits of the Companies.
- This report has been prepared on the understanding that the management has drawn our attention to all the matters concerning the company's financial position and other matters, which may have an impact on the company's future business.

- Our views are necessarily based on economic, market, and other conditions currently in effect, and the information made available to us, as of the date hereof. It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise, or reaffirm the views expressed in the Report. Nothing contained within the Report is or should be relied upon as a promise or representation as to the future.
- For the purpose of this assignment, we have not attempted a detailed due diligence review for various aspects i.e. commercial, operational, financial, legal, environmental, etc.
- We have not audited or carried out any detailed analysis of the profitability and cash flow projections as made available to us by the management.
- No investigation of the title of the assets and liens/ encumbrances thereon has been made and owner's claim to the assets has been assumed to be valid.
- This report does not constitute an offer or invitation to any section of the public to subscribe for or to purchase any securities in or assets or liabilities of the above mentioned companies.
- While we have provided our recommendation of exchange ratio based on information available to us and within the scope of our limitations solely for the purpose of assisting the Board of Directors of the aforementioned companies in determining the Share Exchange ratio for the purpose of proposed restructuring and should not be used for any other purpose. The decision to agree upon the final share exchange ratio lies solely with the Board of Directors of the respective companies.
- This report is confidential for use of the persons to whom it is issued and may be produced before the shareholders, lenders of the respective companies, Registrar of Companies, Regional Director, NCLT where the scheme will be placed and any other government authorities and other statutory bodies in connection with the purpose outlined above. It must not be copied, disclosed, circulated or quoted without our prior consent.

Indemnification

- It has been agreed that in the particular circumstances of the case, liability of SNMG & Co., its partners, employees, affiliates and agents (in contract or tort or under statute or otherwise) for any economic loss or damage suffered by the client or any other party arising out of or in connection with this report, however the loss or damage is caused, including our negligence but not our willful default, shall not arise and client will indemnify and hold harmless SNMG & Co. and its partners, employees, affiliates and agents as concerns any such liability . In the event SNMG & Co. is requested pursuant to legal process to produce its documents relating to this engagement for the Client in judicial or administrative proceedings or otherwise to which SNMG & Co. is not party, the Client will reimburse us at standard billing rates for professional time and expenses, including reasonable attorney's fees, incurred in responding to such request.
- This report shall not create or give rise to, nor shall it be intended to create or give rise to any third party rights. No third party shall have any right to enforce or rely on any provision of this report, which does or may confer any right or benefit on any third party directly or indirectly, expressly or impliedly. The application of any legislation giving to or conferring on third parties contractual or other rights in connection with this report shall be excluded.