Determination of Share Entitlement Ratio for the purpose of merger of

Precious Trading & Investments Limited with and into

Sheth Developers Private Limited

Prepared by:
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Paras K. Savla
Registered Valuer
Asset Class – Securities or Financial Assets
505, Rajhans, Gaodevi Road,
Thane 400602

September 07, 2019

The information contained herein is of a confidential nature and is intended for the exclusive use of the persons for whom it was prepared

Paras K. Savla
Registered Valuer

Confidential

Date: 07.09.2019

To,

The Board of Directors
Sheth Developers Private Limited
Ground and Third Floor, Prius Infinity,
Paranjape B Scheme, Subhash Road,
Vile Parle (East) Mumbai – 400057

The Board of Directors
Precious Trading &Investments Limited
Ground and Third Floor, Prius Infinity,
Paranjape B Scheme, Subhash Road,
Vile Parle (East) Mumbai – 400057

Dear Sirs,

Sub: Determination of share entitlement ratio for the proposed scheme of arrangement between "Precious Trading & Investments Limited" and "Sheth Developers Private Limited".

I have been appointed to undertake valuation of Sheth Developers Private Limited ('SDPL" or "Transferee company") and Precious Trading Investments Limited ("PTIL" or "Transferor company") (collectively referred to as "companies") for recommending the share entitlement ratio in this report ("Report") for the proposed scheme of arrangement (The Scheme") as on March 31, 2019 ("valuation date"), as required under Section 230 read with Section 232 and other relevant provisions of the Companies Act 2013 and as per SEBI circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 and in accordance with the terms of engagement.

1. **Brief Background of Transferor Company [PTIL]**

- The Transferor Company is a listed public limited liability company, incorporated under the provisions of the Companies Act, 1956, bearing corporate identity number L51900MH1983PLC029176, having its registered office at Ground and Third Floor, Prius Infinity, Paranjape B Scheme, Subhash Road, Vile Parle (East) Mumbai - 400057, Maharashtra.

- The Transferor Company was incorporated under the name and style of "Precious Trading & Investments Limited" on January 24, 1983 and the equity shares of the Transferor Company are listed on the Bombay Stock Exchange ('BSE').It is, inter alia, engaged in the business of investing in other companies.

- Capital Structure as on March31, 2019.

Particulars	Rs.
Authorised Share Capital	
2,50,000 equity shares of Rs 10 each	25,00,000
Issued Share capital	
2,40,000 equity shares of Rs 10 each	24,00,000

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- Shareholding Pattern as on March 31, 2019.

Particulars	No. of equity shares held	% of holding
Promoters holding		
Sheth Developers Private Limited	1,79,970	74.99
Public holding	60,030	25.01
Total shareholding	**2,40,000**	**100.00**

- PTIL's investments include equity shares in Sheth Developers and Realtors (India) Limited ("SDRIL") and in Sheth Shelters Private Ltd ("SSPL"). The company also holds preference shares in SSPL.

2. **Brief Background of Transferee Company [SDPL]**

- The Transferee Company is a private limited liability company, incorporated under the provisions of the Companies Act, 1956, bearing corporate identity number U45200MH1993PTC070335, having its registered office at Ground and Third floor, Prius Infinity, Paranjape B Scheme, Subhash Road, Vile Parle (East), Mumbai - 400057, Maharashtra.

- The Transferee Company was originally incorporated as a public limited company under the name and style of "Sheth Developers Limited" on January 6, 1993, which later converted to a private company as "Sheth Developers Private Limited" vide fresh certificate of incorporation dated March 24, 2003, issued consequent to the conversion of the Transferee Company into a private limited company.

- The Transferee company, inter alia, is engaged in the business of builders, contractors, erectors constructors of buildings, houses, apartments, structures for residential, industrial, commercial, institutional or Developer of Co-operative Housing Societies. The company has certain operating real estate projects as well as several downstream investments in subsidiaries and associates.

- Capital Structure as on March 31, 2019.

Particulars	Rs. in lakhs
Authorised Share capital	
10,00,000 Equity Shares of Rs. 100/- each	1,000
31,00,000 6% Redeemable Non-Cumulative Non-Participating Preference Shares of Rs 10/- each	310
Issued Share capital	
10,00,000 Equity Shares of Rs. 100/- each	1,000
29,77,200 Preference shares of Rs 10/- each	297.72

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- SDPL's major investments include investment in equity shares of Precious Trading &Investments Limited ("PTIL"), Sheth Infrastructure Private Limited (SIPL), Sheth Estate (International) Limited (SEIL) and in ShethShelters Private Ltd ("SSPL").

- The Transferee Company and the Transferor Company are related parties as the Transferee Company is the promoter of Transferor Company and holds 74.99% of the equity share capital of the Transferor Company.

3. Valuation Background and Purpose

- I have been informed that the Board of Directors of the both companies are considering a scheme of arrangement for merger of PTIL with and into SDPL with effect from "April 01, 2019" ("Appointed Date")in accordance with the provisions of section 230 to 232 of Companies Act, 2013, Section 2(18) of the Income Tax Act, 1961 and other applicable provisions subject to necessary approvals.

- SDPL is the holding company of PTIL and holds 74.99% of the equityshare capital of PTIL.

- In consideration of the merger of PTIL with and into SDPL, 10% Redeemable Cumulative Non-Participating Preference Shares of Rs 10/- each of SDPL would be issued to equity shareholders of PTIL, except SDPL, in exchange for its equity share in PTIL.

4. Sources of Information

For the purpose of valuation exercise, we have relied upon the following sources of information as provided to us by the management of the company

(a) Audited Financial Statements of PTIL for the period ended March 31, 2019.
(b) Audited financial statements of SDPL as on March 31, 2019.
(c) Audited Financial statements of its investment companies SSPL and SDRIL as on March 31, 2019
(d) Valuation report dated 19.01.2019 of SDRIL as on December 31, 2018, issued by R V Shah and Associates, Chartered Accountants.
(e) Draft scheme of arrangement
(f) Discussions with management and including Management Representation Letter dated 04.09.2019.
(g) Other relevant details regarding the Companies such as their history, past and present activities, future plans and prospects, existing shareholding pattern and other relevant information and data, including information in the public domain.
(h) Such other information and explanations as we have required and which have been provided by the Management.
(i) Discussions with the Management on various issues relevant for the valuation including the prospects and outlook for the industry expected growth rate and other relevant information.

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(j) Such other information and explanations as we have required and which have been provided by the Management.

The Management has been provided with the opportunity to review the Draft Report (excluding the recommended Share Exchange Ratio) as a part of our standard practice to make sure that factual inaccuracies/omissions are avoided in our final report.

5. **Valuation Base**

As per Indian Valuation Standard 102 issued by The Institute of Chartered Accountants of India, Valuation Base means the indication of the type of value being used in engagement. In this engagement, Fair Value as determined shall be considered as the valuation base.

6. **Valuation Approach**

i. The valuation exercise involves selecting a method suitable for the purpose of valuation, by the exercise of judgment by the valuer, based on the facts and circumstances as applicable to the business of the company to be valued.

ii. As mentioned earlier, the present valuation exercise is being undertaken in order to derive the fair share entitlement ratio for the purpose of the merger of PTIL with SDPL.

7. **Valuation Methodology**

i. Valuation by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions. There can, therefore, be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness. The International Accounting Standard Board (IASB), which is the independent standard setting body of the IFRS Foundation, has set out two internationally accepted valuation methodologies for arriving at the fair value of a share namely, the income approach and the market approach

ii. For the purpose of determining fair value, a valuer may, therefore, use any of the approaches as per the generally / internationally accepted valuation methodologies which in its opinion are most appropriate based on the facts of each valuation.

iii. The internationally / generally accepted valuation methodologies have been discussed hereinafter, along with the reasons for the choice of approach used based on the facts of the company.

(A) **Market Approach**

Under this approach the valuation is done on the basis of the quoted market price of the

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company in case it is a publicly-traded company, or publicly traded comparable businesses / date is reviewed in order to identify a peer group similar to the subject company and then their multiples are applied to the entity being valued to determine the fair value. Usually under the market-based approach, the methods that maybe applied are Market Price Method, Comparable Multiple Method (CMM), Comparable Transaction Method (CTM) or Price of Recent Investment Method (PORI). Under CMM method various multiple like EV/Sales, EV/EBITDA, P/BV P/E, Price/Sales can be used to value a business depending upon the facts and circumstances of the cases.

In the present case, although PTIL is a listed entity on BSE, it is not frequently and actively traded in the open market. Hence, the value per share of PTIL based on the market price is not considered. As the company does not have an established track record, all the key financial indicators are not completely reliable for valuation purpose thus, a steady state of operations and profitability was not achieved as on valuation date. Accordingly, the Market Approach was not considered appropriate for the determination of the fair value of the business.

(B) **Asset Approach**

Under this approach, the book value / replaceable value / realizable value of the underlying assets of the company is determined to arrive at the value of the business, depending on the facts and circumstances applicable to a company. Usually, under the asset-based approach, the methods that maybe applied are Net Book Value Method, Net Replaceable Value, Net Realizable Value.

PTIL is a relatively non-operating company with the major assets being an investment in the equity shares and preference shares of companies, hence the Net Asset Approach was considered appropriate for valuation of share of PTIL.

(C) **Income Approach**

Usually, under the Income-Based Approach, the methods that maybe applied are Discounted Cash Flow (DCF) Method or the Price Earning Capacity Value (PECV) Method.

Under DCF approach, the future free cash flows of the business are discounted to the valuation date to arrive at the present value of the cash flows of the business or capitalized using a discount rate depending on the capital structure of the company. This approach also takes into account the value of the business in perpetuity by the calculation of terminal value using the exit multiple method or the perpetuity growth method, whichever is appropriate.

Under PECV method, the average earning on the basis of the past 3-5 year are first determined, adjustments are then made for any exceptional transactions or items of non-recurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided

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depending upon various factors such as the earning trend in the industries, P/E prevailing in the industries etc. Under PECV method of valuation the average earning of 3-5 years is adjusted for any exceptional transaction or items of non-recurring nature. After this, the normalized earnings are then capitalized at an appropriate discount rate.

The management of PTIL is of the view that since PTIL is mainly an investment company and is a relatively non-operating company, it is not possible to ascertain future cash flows. In absence of future cash flows, Discounted Cash Flow method of valuation is not adopted.

8. **Recommendation of Fair Share Entitlement Ratio for the proposed scheme of arrangement**

i. Our exercise is to work out the relative value of shares to facilitate the determination of a fair share entitlement ratio.

ii. The fair share entitlement ratio has been arrived at on the basis of an equity valuation of the Transferor Company based on the approach/method explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the Companies, having regard to the information bases, key underlying assumptions and limitations

iii. SDPL holds 74.99% of the equity share capital of PTIL and accordingly, and 10% Redeemable Cumulative Non-Participating Preference Shares of Rs 10/- each will be issued to outside shareholders.

iv. In the ultimate analysis, the valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors. E.g. present and prospective competition, yield on comparable securities and market sentiments, etc. which are not evident from the face of balance sheets but which will strongly influence the worth of a share. This concept is also recognised in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 2019 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

> *"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the share, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is art, not an exact science. Mathematical certainty is not demanded nor indeed is it possible."*

In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, a share entitlement

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In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, a share entitlement ratio of 1,231:1 shall be considered as fair. Hence,1,231 10% Redeemable Cumulative Non-Participating Preference Shares of Rs 10/- each of SDPL will be issued to the shareholders of PTIL for every 1 shareof PTIL.

This conclusion is subject to the Statement of Assumptions and Limiting Conditions stated in Annexure-II. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

In accordance with my standard practice, the Management has been provided with an opportunity to review factual information in my draft Certificate to ensure that factual inaccuracies, omissions etc. are avoided in my final Certificate.Istate that I am independent of the shareholders, directors and management of SDPL and PTILand do not have any financial association with the shareholders, directors and management of SDPL and PTIL other than receipt of fees in connection with the professional services provided. My fee for the engagement is not contingent upon the results reported.

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Encl.

1. Annexure-I - Valuation Summary
2. Annexure-II - Statement of Assumptions and Limiting Conditions

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Annexure I - Valuation Summary

Determination of fair share entitlement ratio

Particulars	Value
Value per equity share of PTIL (A)	12,311
Value per preference share of SDPL (B)	10
Fair Entitlement Ratio (A/B)	**1,231 : 1**

A. Value per equity share of PTIL:

Valuation Approach	Value	Weights [%]	Value per share
Asset Approach	12,311	100	12,311
Income Approach	N.A	-	-
Market Approach	N.A	-	-
Relative Value per share of PTIL			**12,311**

Value per share is calculated as per the NAV method based (Asset Approach)based on the audited financial statements as on 31.03.2019.

Particulars	Note	Rs. in lakhs
Investments		
i. 1,37,70,000 Equity Shares of SDRIL	1	28,543.83
ii. 1 Equity Share of SSPL (at cost)	2	-
iii. 4,38,400 6% Redeemable Non-Cumulative Non Participating Preference shares of SSPL of Rs 10 each and Rs 190 premium	3	876.80
Cash and Cash equivalents		0.75
Inter-company advance –SDPL		126.50
Trade Payables		(0.43)
Short Term Provisions		(0.23)
Equity Value		**29,547.27**
No of outstanding shares		2,40,000
Value per share of PTIL (Rs. / share)		**Rs.12,311.36 rounded off to Rs.12,311**

Notes:

For obtaining the fair value of investments made by PTIL, separate and independent valuation of each component of the investment is required.

1. Sheth Developers and Realtors (I) Ltd is an associate company of PTIL. I have been informed that SDRIL has filed an application for Capital Reduction and same is pending before Hon'ble Mumbai NCLT. The fair value of investment in equity shares of SDRIL has not been valued by the registered valuer as on the valuation date. However, SDRIL has obtained a valuation report dated 19.01.2019 on the fair value of its equity shares from "R V Shah and Associates, Chartered Accountants" as on 31.12.2018.Valuation is based on DCF method of valuation which seems reasonable. Said valuation report was issued for the purpose of capital

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reduction and considering this fact, investment in SDRIL has been valued at the same value i.e. Rs. 207.29, as provided in the above-referred valuation report.

2. Since the investment is of only 1 equity share in SSPL, the same is considered as immaterial and is valued at cost.

3. PTIL has invested in 4,38,400 6% Redeemable Non-Cumulative Non Participating Preference shares of SSPL of Rs 10 each and Rs 190 premium. The same represents the recoverable amount of redemption. Accordingly, the value of the investment is considered as Rs. 200 per preference share.

B. Value per preference share of SDPL:

SDPL will issue 10% Redeemable Cumulative Non-Participating Preference Shares of Rs 10/- each redeemable at par. Hence the value of the new preference share to be issued by SDPL is considered as Rs.10 per share.

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Annexure-II - Assumptions and Limiting Conditions

This valuation is subject to the following assumptions and limiting conditions:

1. Valuation 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 judgment. There is, therefore, no indisputable single value.

2. The conclusion of value arrived at herein is valid only for the stated purpose as of the date of the valuation and should not be used out of the context presented herein.

3. I assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.

4. The business interest and subject business assets have been appraised free and clear of any liens or encumbrances unless stated otherwise. No hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exist.

5. Public information, estimates, industry and statistical information present in this report have been obtained from sources considered to be reliable. However, I have not independently verified such information and make no representation as to the accuracy or completeness of such information obtained from or provided by such sources.

6. The Company and its representatives warranted to me that the information they supplied was complete and accurate to the best of their knowledge and that the financial statement information reflects the Company's results of operations and financial condition in accordance with generally accepted accounting principles unless otherwise noted. Information supplied by management has been accepted as correct without further verification, (and I express no opinion on that information).

7. The various estimates of value presented in this report apply to this valuation only and may not be used out of the context presented herein. This valuation is valid only for the purpose specified herein.

8. The valuation contemplates facts and conditions existing and known to us as of the valuation date. Events and conditions occurring after that date have not been considered, and I have no obligation to update my report for such events and conditions.

9. My engagement for this valuation consulting work does not include any procedures designed to discover any defalcations or other irregularities, should any exist.

10. I have assumed that there is full compliance with all applicable Central, state, and local regulations and laws on the part of the company.

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11. The analyst, by reason of this valuation, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

12. Any person/party intending to provide finance/invest in the shares/convertible instruments/business of the company shall do so after seeking their own professional advice after carrying out their own due diligence procedures to ensure that they are making an informed decision.

13. The decision to carry out the transaction (including consideration thereof) lies entirely with the Management/Board of Directors and my work and my finding shall not constitute a recommendation as to whether or not the Management / the Board of Directors should carry out the transaction.

14. The fair value expressed in the report is an independent evaluation of available financial data, information and statistics and data supplied by management. It is an independent professional judgment based on the historical financial data, current market trend and future outlook. I undertake no liability on this account from any person or entity whatsoever.

15. This report is meant for the purpose mentioned above and should not be used for any other purpose other than the purpose mentioned herein. This report should not be copied or reproduced without obtaining my prior written approval for any purpose other than the purpose for which it is prepared. In no event, regardless of whether consent has been provided, shall I assume any responsibility to any third party to whom the report is disclosed or otherwise made available.

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STRICTLY PRIVATE AND CONFEDENTIAL

September 25, 2019

To,

The Board of Directors
Sheth Developers Private Limited
Ground and Third Floor, Prius Infinity,
Paranjape B Scheme, Subhash Road,
Vile Parle (East) Mumbai – 400057

The Board of Directors
Precious Trading & Investments Limited
Ground and Third Floor, Prius Infinity,
Paranjape B Scheme, Subhash Road,
Vile Parle (East) Mumbai – 400057

RE: Addendum to valuation report dated September 7, 2019 in connection with proposed scheme of merger between Precious Trading & Investments Limited (PTIL) and Sheth Developers Private Limited (SDPL)

Dear Sirs,

This addendum letter ('Addendum') is given in addition to our report dated September 7, 2019 in connection with proposed scheme of merger between PTIL and SDPL ("Scheme")

This addendum has to be read in continuance to our previous report and it does not have any relevance, if read independently.

I have been informed by the management of PTIL & SDPL that the scheme was filed with BSE Limited ("BSE") on September 18, 2019. I understand that BSE has sought certain clarifications with respect to the valuation methodologies applied for valuation of Equity and Preference shares of PTIL and SDPL, respectively.

The following points clarify the details as required by BSE:

1) There has been absolutely no change either in the valuation of securities of PTIL or SDPL as well as exchange ratio between the two.

2) Appendix I has been added in the prescribed format as requested by BSE. However, there is no change in exchange ratio.

3) "10% redeemable, Cumulative, Non participating Preference shares" wherever appearing the valuation report should be read as "10% redeemable, Cumulative, Non participating and Non-Convertible Preference shares".

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Appendix I

Computation of Fair Share Exchange Ratio:

Valuation Approach	PTIL (Transferor Company) *		SDPL (Transferee Company) #	
	Value per Share	Weight (%)	Value per Share	Weight (%)
Asset Approach	12,311	100	10	100
Income Approach	N.A.	-	N.A.	-
Market Approach	N.A.	-	N.A.	-
Relative Value per Share	**12,311**		**10**	
Exchange Ratio (rounded off)	**1,231:1**			

RATIO:

1,231 10% redeemable, Cumulative, Non participating and Non-Convertible Preference shares of Sheth Developer Private Limited of INR 10 each fully paid up for every 1 equity share of Precious Trading and Investments Limited of INR 10 each fully paid up.

(*) Note 1- Valuation of PTIL Equity Shares.

a) *Asset Approach* – PTIL is a relatively non-operating company with the major assets being an investment in the equity shares and preference shares of companies, hence the Net Asset Approach was considered appropriate for valuation of share of PTIL. Also since PTIL is Investment Company, book value is considered as a better indicator of value rather than earnings as most of the assets and liabilities of Investment Company are liquid and mark-to-market for the expected and actual losses from underlying business. This in a way automatically tracks the market value of equity invested in existing assets.

b) *Income Approach* –In our view, cash is like a raw-material for the Investment Company and hence traditional approach of valuation through Discounted Cash Flows (DCF) has its drawbacks while conducting valuation. Thus I have not considered DCF as a valuation methodology in this case

c) *Market Approach* – In the present case, although PTIL is a listed entity on BSE, it is not frequently and actively traded in the open market. Hence, the value per share of PTIL based on the market price is not considered. As the company does not have an established track record, all the key financial indicators are not completely reliable for valuation purpose thus, a steady state of operations and profitability was not achieved as on valuation date. Accordingly, the Market Approach was not considered appropriate for the determination of the fair value of the business.

(#) Note 2 - Valuation of SDPL 10% Redeemable, Cumulative, Non participating and Non-Convertible Preference shares of INR 10 each.

a) *Asset Approach* – The 10% Redeemable, Cumulative, Non participating and Non-Convertible Preference shares of INR 10 each are valued at its issue price (Face Value), since it represents the value to be realized on maturity.

b) *Income Approach* – Redeemable, Cumulative, Non-participating and Non-Convertible Preference shares has coupon rate of 10%. In case of coupon paying preference shares, where

coupon rate and discount rate are same, face value would be fair market value for such preference shares. In this background Income approach was not considered.

c) *Market Approach* – Since the preference shares are not listed and there are no similar entities with a similar product, the same method is not applicable for valuing Preference shares.