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STRICTLY PRIVATE & CONFIDENTIAL

February 06, 2016

The Board of Directors,
Nitin Alloys Global Limited
231, 2nd Floor,
Rahul Mittal Industrial Premises Co-op Soc. Ltd.,
Sanjay Building No.3, Sir M.V.Road,
Andheri (East), Mumbai – 400 059

The Board of Directors,
Nitin Castings Private Limited
231, 2nd Floor,
Rahul Mittal Industrial Premises Co-op Soc. Ltd.,
Sanjay Building No.3, Sir M.V.Road,
Andheri (East), Mumbai – 400 059

Re: Recommendation of fair equity share entitlement ratio for the purpose of proposed demerger of 'Casting Business' of Nitin Castings Private Limited into Nitin Alloys Global Limited.

Dear Sirs,

As requested by the management of Nitin Alloys Global Limited (hereinafter referred to as "NAGL") and Nitin Castings Private Limited (hereinafter referred to as "NCPL") (hereinafter collectively referred to as "Companies"), we have undertaken the valuation exercise of equity shares of NAGL and of 'Casting Business' of NCPL for recommending the fair equity share entitlement ratio for the purpose of proposed demerger of 'Casting Business' of NCPL into NAGL.

1. PURPOSE OF VALUATION

1.1 We have been informed that the Board of Directors of the Companies are considering a proposal for the demerger of 'Casting Business' of NCPL into NAGL in accordance with Section 2(19AA) of the Income Tax Act, 1961 and pursuant to provisions of Section 391 to 394 and other applicable provisions of the Companies Act, 1956. Subject to necessary approvals, 'Casting Business' of NCPL, (hereinafter referred to as the "Demerged Undertaking") would be demerged into NAGL with effect from the Appointed Date of April 1, 2015. In consideration of demerger of the Demerged Undertaking into NAGL, equity shares of NAGL would be issued to the equity shareholders of NCPL.



- 1.2 For this purpose, we have carried out valuation of the Demerged Undertaking and the equity shares of NAGL with a view to recommend fair equity share entitlement ratio of equity shares of NAGL to be issued to the equity shareholders of NCPL for consideration of the Board of Directors of the Companies.

2. BRIEF BACKGROUND

2.1. NITIN ALLOYS GLOBAL LIMITED

NAGL, incorporated on December 03, 1982, is a part of Kedia Group. It is engaged in the business of manufacturing products relating to alloy steel castings. It manufactures all grades of Heat, Wear & Corrosion Resistant Steels by Centrifugal, Sand Casting, Shell Moulding & Investment Casting methods. The equity shares of the company are listed on BSE Limited.

2.2. NITIN CASTINGS PRIVATE LIMITED

NCPL, incorporated on August 17, 1962, is also part of Kedia Group. NCPL was earlier known as Nitin Castings Limited and has been recently converted into a private limited company. It is engaged in real estate business, castings business and wind power generation.

The Casting Business of NCPL comprises of manufacturing of centrifugally cast alloy steel castings, sand alloy steel castings, etc. Main application of these products are for high temperature and high pressure applications.

3. SOURCES OF INFORMATION

For the purposes of our valuation exercise, we have relied upon the following sources of information as provided to us by the management of the Companies:

- (a) Audited Financial Statements of NAGL and NCPL for the year ended March 31, 2015.
- (b) Management certified position of assets and liabilities of the Demerged Undertaking (in accordance with Section 2(19AA) of the Income tax Act, 1961) proposed to be demerged into NAGL as at March 31, 2015.
- (c) Estimated Income Statement for NAGL and Demerged Undertaking for FY 2015-16.
- (d) Draft Scheme of Arrangement u/s 391 to 394 of the Companies Act, 1956.



- (e) Other relevant details regarding the Companies such as their history, past and present activities, existing shareholding pattern and other relevant information and data, including information in the public domain.
- (f) 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 relating to future expected profitability of the business, etc.
- (g) Such other information and explanations as we have required and which have been provided by the Management.

4. EXCLUSIONS AND LIMITATIONS

- 4.1. Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- 4.2. 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. While SSPA & Co. has provided an assessment of the value based on the information available, application of certain formulae and within the scope and constraints of our engagement, others may place a different value to the same.
- 4.3. No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 4.4. Our work does not constitute an audit or certification of the historical financial statements / prospective results including the working results of the Companies / Demerged Undertaking referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement.



It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

- 4.5. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies / Demerged Undertaking and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Companies / Demerged Undertaking including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Demerged Undertaking, subsequent to the Appointed Date for the proposed demerger. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 4.6. In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Companies through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied in this report have been obtained from the sources considered to be reliable. However, we have not independently verified such information and make no representation as to the accuracy or completeness of such information from or provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 4.7. Our recommendation is based on the estimates of future financial performance as projected by the management of the Companies, which represents their view of reasonable expectation at the point of time when they were prepared, but such information and estimates are not offered as assurances that the particular level of income or profit will be achieved or events will occur as predicted. Actual results achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The fact that we have



considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

- 4.8. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed demerger with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed demerger.
- 4.9. This Report is prepared only in connection with the proposed demerger exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
- 4.10. Any person/ party intending to provide finance / invest in the shares / business of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 4.11. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed demerger as aforesaid, can be done only with our prior permission in writing.
- 4.12. SSPA & Co., nor its partners, managers, employees makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

5. VALUATION APPROACH

- 5.1. For the purpose of valuation for demerger, generally the following approaches are adopted:
 - (a) the "Underlying Asset" approach
 - (b) the "Income" approach; and
 - (c) the "Market" approach

The shares of NCPL as well as the Casting Business of NCPL is not listed on any stock exchange. Further the equity shares of NAGL are thinly traded. Hence, market approach has not been adopted.

Given the nature of the business in which the Companies and Demerged Undertaking are



engaged, we have thought fit to consider the 'Underlying Asset' approach and the 'Income' approach for the present valuation exercise.

5.2. UNDERLYING ASSET APPROACH

5.2.1. In case of the "Underlying Asset" approach, the value is determined by dividing the net assets of a company/undertaking by the number of shares. Since the business is valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, we have considered it appropriate not to determine the realizable or replacement value of the assets. The operating assets have therefore been considered at their book values.

5.2.2. In arriving at the Net Assets Value, we have made appropriate adjustments for appreciation/diminution in the value of investments and contingent liabilities adjusted for probability of devolvement, after considering tax impact wherever applicable.

5.2.3. The underlying net assets value as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

5.3. INCOME APPROACH

Under the "Income" approach, shares of NAGL and 'Casting Business' of NCPL have been valued using Comparable Companies Multiple (CCM) method.

5.3.1. Under CCM Method, value of the shares of the company is determined by using multiples derived from valuations of comparable 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. The Enterprise Value (EV) to Earnings before Interest Tax Depreciation and Amortization (EBITDA) multiples of comparable listed companies are used.

5.3.2. Under this method, EBITDA is capitalized using the EV/EBIDTA multiple of comparable listed companies. To the value so arrived, adjustments have been made for contingent liabilities adjusted for probability of devolvement, outstanding loans, value of investments and cash and cash equivalents, after considering the tax impact wherever applicable.

5.3.3. The equity value so arrived at is divided by the outstanding number of equity shares to arrive at the value per share.



6. RECOMMENDATION OF FAIR EQUITY SHARE ENTITLEMENT RATIO

6.1. The fair basis of demerger of the 'Casting Business' of NCPL into NAGL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a fair equity share entitlement ratio, it is necessary to arrive at a single value for the shares. It is however important to note that in doing so, we are not attempting to arrive at the absolute value per share of 'Casting Business' of NCPL and NAGL.

6.2. Our exercise is to work out relative value of shares to facilitate the determination of a fair equity share entitlement ratio. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

Considering the fact that after the demerger, the business of NAGL and the 'Casting Business' of NCPL are intended to be continued on a "going concern" basis and that there is no intention to dispose off the assets, we have considered it appropriate, to give weightage of '4' to the value determined under the "Income" approach and weightage of '1' to the value determined under the "Underlying Asset" approach.

6.3. In the ultimate analysis, 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 the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (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 the 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 shares, 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 an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

6.4. 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 fair equity share entitlement ratio in the event of demerger of the 'Casting Business' of NCPL into NAGL would be:

10 (Ten) equity shares of NAGL of INR 10 each fully paid for every 27 (Twenty Seven) equity shares of NCPL of INR 10 each fully paid.

Thank you,
Yours faithfully,

SSPA & CO.



SSPA & CO.
Chartered Accountants
Firm registration number: 128851W

Place: Mumbai