

Valuation Report to determine Share Exchange Ratio upon the Proposed Demerger of HB Group

75

Annexure 3

Valuation Report to determine the Share Exchange Ratio for Equity Shares upon the Proposed Demerger between HB Stockholdings Limited, HB Portfolio Limited and HB Estate Developers Ltd, collectively referred as the "HB Group"

Dated: 6th February, 2016

Prepared by:

S. S. Kothari Mehta & Co.
146-148, Tribhuvan Complex
Ishwar Nagar, Mathura Road
New Delhi – 110 065

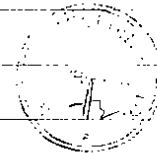
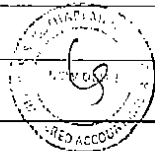


Table of Contents

Table of Contents	2
List of Abbreviation	3
Chapter 1: Disclaimer	5
Chapter 2: Context and Purpose	7
Chapter 3: Objective and Rationale of Valuation	22
Chapter 4: Valuation Methodology	23
Chapter 5: Valuation Methodology adopted	27
Chapter 6: Share Exchange Ratio ("Swap Ratio")	43
Chapter 7: Reorganisation of Capital	47
Annexure I: Valuation for Demerger 1	52
Annexure II: Valuation for Demerger 2	59
Annexure III: Valuation for Demerger 3	66



<u>Abbreviation</u>	<u>Description</u>
AoA	Article of Association
Appointed Date	Refer Para 4 of this report
BSE	Bombay Stock Exchange
CAPM	Capital Asset Pricing Model
Cr.	INR Crore
Demerged Company or Transferor Company	For Demerger 1 & 2: HBSL and for Demerger 3: HBPL
Demerger 1	Demerger of Investment Division 1 from HB Stockholdings Ltd. into HB Portfolio Ltd.
Demerger 2	Demerger of Investment Division 2 from HB Stockholdings Ltd. into HB Estate Developers Ltd.
Demerger 3	Demerger of investment Division 3 from HB Portfolio Ltd. into HB Estate Developers Ltd.
EBIT	Earnings Before Interest & Tax
EBITDA	Earnings Before Interest, Tax, Depreciation & Amortisation
EV	Enterprise Value
HB Group	HBSL, HBPL and HBEDL collectively referred as the "HB Group"
HBEDL	HB Estate Developers Ltd
HBEDL Residual	HBEDL without Hotel division



HBPL	HB Portfolio Limited
HBSL	HB Stockholdings Limited
ICAI	The Institute of Chartered Accountants of India
Lakh(s)	INR Lakhs
MoA	Memorandum of Understanding
NAV	Net Asset Value
NSE	National Stock Exchange
PAT	Profit After Tax
Resulting Company/ Transferee Company	For Demerger 1: HBPL For Demerger 2 & 3: HBEDL
Resulting HBEDL	HBEDL Post Demerger 2
SSKM/We	S.S. Kothari Mehta & Co., Chartered Accountants
WACC	Weighted Average Cost of Capital

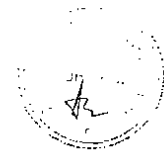


This Valuation Report ("Report") is being furnished by S.S. Kothari Mehta & Co. ("SSKM"/ "us"/ "we") at the request of the Management of HB Stockholdings Limited ("HBSL"), HB Portfolio Limited ("HBPL") and HB Estate Developers Ltd ("HBEDL"), collectively referred as the "HB Group" or "Group", to determine the Share Exchange Ratio pursuant to the Proposed Demergers of ("Proposed Restructuring") the following in the Chronological order as mentioned below-

- a. Investment Division 1 from HB Stockholdings Ltd. into HB Portfolio Ltd. (Demerger 1);
- b. Investment Division 2 from HB Stockholdings Ltd. into HB Estate Developers Ltd. (Demerger 2);
- c. Investment Division 3 from HB Portfolio Ltd. into HB Estate Developers Ltd. (Demerger 3).

The Report is on the above Scenario and may not be distributed, reproduced, or used, without the express written consent of SSKM except where it is obligatory on the management under any regulation to submit the Report to stock exchanges, judicial courts, company Law authorities or to any other Government authorities. The purpose of this Report is exclusively to advice on Share Exchange Ratio for the proposed scheme of demerger, and this Report or valuation cannot be used for any other purpose.

The Report has been prepared by SSKM from information extracted from Data supplied by the management of the Group and other sources believed to be reliable and true. The information provided herein is believed to be true and reliable to the best of our knowledge and belief, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the financial and other information provided to us by the management. We have, therefore, not carried out any due diligence review, independent audit or other test or validation of such financial and other information to establish the accuracy or sufficiency of the financial statements or of the information, explanations and representations provided to us by Group. Accordingly, we do not express any opinion or any other form of assurance thereon and accept no responsibility for the same. We also do not vouch for the accuracy of the forecast as is provided to us by the management of Group or assume the achievement thereof.



80

Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HD Group

In preparing the Report, SSKM has not and will not conduct an independent investigation or verification of the information provided by the management of Group, available at the time the Report was prepared. SSKM does not purport to give any representation, warranty or other assurance in relation to this document.

The Report highlights the approaches towards valuation, identifies various factors affecting the valuation, summarizes the appropriate methodology keeping in view the circumstances of the Group's company's businesses and arrives at the value of the shares of the company and the value of the business as the case may be, to arrive at the appropriate Share Exchange Ratio. However, it may be noted that valuation is a highly subjective exercise and may differ from valuer to valuer depending upon the perception of attendant circumstances. At best it is an expression of opinion or a recommendation based on certain assumptions at a given point of time.

Unless stated otherwise, industry and market data used in the Report has been obtained from market research, publicly available information and industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability is not assured. Industry data used in the Report has not been independently verified. The information included in the Report about other listed and unlisted companies is based on their respective annual reports and their respective publicly available information.

Our valuation analysis should not be construed as an investment advice; specifically, we do not express any opinion on the suitability of any investment including the current proposed investment or financing transactions with the Group.

This Report is to be read in its entirety.



1. Scope

We understand that the Management of HB Stockholdings Limited ("HBSL"), HB Portfolio Limited ("HBPL") and HB Estate Developers Ltd ("HBEDL"), collectively referred as the "Group" are considering Demerger ("Proposed Restructuring") of the following, through a Scheme of Arrangement under section 391-394 of the Companies Act, 1956 and as per Section 2(19AA) of the Income Tax Act, 1961, in the Chronological order as mentioned below -

- a. Investment Division 1 from HB Stockholdings Ltd. into HB Portfolio Ltd. ("Demerger 1");
- b. Investment Division 2 from HB Stockholdings Ltd. into HB Estate Developers Ltd. ("Demerger 2");
- c. Investment Division 3 from HB Portfolio Ltd. into HB Estate Developers Ltd. ("Demerger 3").

The consideration for such proposed demerger will be discharged by issue of equity shares by Respective Resulting Companies (Companies in which the divisions are demerged) to the shareholders of the Respective Demerged Companies (Companies from which divisions are getting demerged) as on the respective appointed date for the Demerger.

Further, the management also intends to reorganise the issued and paid-up equity share capital of each of the Group companies.

The Management of Group has appointed M/s S.S. Kothari Mehta & Co., Chartered Accountants ("SSKM"/ "us"/ "we"), to determine the Share Exchange Ratio ("Share Swap Ratio") pursuant to the Proposed Demerger.

Share Swap Ratio is defined as the number of equity shares of Resulting Company (HBPL for Demerger 1, HBEDL for Demerger 2 & 3), to which shareholders of Demerged Company (HBSL for Demerger 1&2, HBPL for Demerger 3) would be entitled to in proportion to their existing shareholdings, upon demerger of Undertakings.

The valuation date for this exercise is April 01, 2015.



4. Limitation

It may be noted that valuation is a highly subjective exercise and the opinion on valuation may differ from valuer to valuer depending on the individual perception of the attendant circumstances. At best, it is an expression of opinion or a recommendation based on certain assumptions.

As specified by Page 64 of ICAI Technical Guide on Valuation, 2009 Edition, we are to state that:-

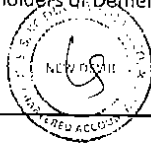
- a. Valuation does not include the Auditing of Financial Data provided by management, and therefore we do not take any responsibility for its accuracy and completeness.
- b. Valuation should not be considered as an opinion on the achievability of Financial Projections either mentioned in, or relied upon for this Report.

This Report is to be considered only for the purpose of determining the Share Swap Ratio of equity shares for Proposed Restructuring.

Our scope of work involves determining the share swap ratio; however the decision to proceed with the demerger as well as the acceptance of the final ratio depends on the special committee of the Board of Directors, which will be responsible for the decision associated with the determination of share entitlement ratio and factors other than SSKM's work will need to be taken into account in determining the same.

While all reasonable care has been taken to ensure that the advice given in the Report is fair and equitable, neither SSKM nor its constituents including its Partners & others shall in any way be responsible for any inadvertent error or any such inaccuracies in this Report that may have crept in or for any error in advising on the Share Swap Ratio pursuant to data provided by management of HB Group.

The Exercise for determining of share swap ratio is not a precise science and the conclusion arrived at in many cases will be subjective and dependent on the exercise of individual judgement. There is, therefore, no indisputable single ratio. While we have provided our opinion on the 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 ratio in which the equity shares of Resulting Company should be allotted to the shareholders of Demerged Company on the Demerger.



83

3. Information Relied Upon

For the purpose of this Report, we have relied upon the data, facts, information, documents and other data provided by the Management of the Group.

Management of HB Group provided, inter alia, the following information to SSKM:

- Annual Reports of HBSL, HBEDL, HBPL for the years ending 31st March, 2013, 31st March, 2014 and 31st March, 2015.
- Shareholding Pattern of HB Group as on 31st March, 2015.
- Incorporation documents of HB Group- Memorandum of Association and Article of Association
- Details of loans outstanding of HB Group as on March 31, 2015 along with Details of Contingent Liability of the HB Group as on March 31, 2015.
- Projected Financials (along with underlying assumptions and business plans), duly adopted by management, with respect to Hotel Business of HBEDL for next 10 Financial Projections from FY 2015-16 to FY 2024-25 along with details of contingent liabilities, surplus assets and term loans, bank limits and its repayment schedule.
- STR Reports for the month of Aug, Sep, Oct, Nov 2015.
- Property Valuation Reports issued by a Chartered Valuer in respect of 3 Commercial Properties owned by HBEDL held as Inventory as on March 31, 2015.
- Balance Sheet of HBEDL bifurcated into Hotel and Non Hotel business for the year ending March 31, 2015.
- Management Certified Financials of Division 1, 2 & 3 of HB Group for the year ending 31-03-2015.
- The Audited Financials of the investee companies for the FY 2013-14 and FY 2014-15 (whichever were available at the time of finalization of the report)

Wherever required, all the accounts and documents listed above have been certified by the management of the Group. We have relied upon Management Representation Letter dated 30th January, 2016 wherein the Group has provided management certified information to SSKM.

We have also relied upon other written/ verbal information given to us by the Management of Group during the course of our exercise and meetings held. Some of the data required for the purpose of this exercise has been taken from Bombay Stock Exchange's website (www.bseindia.com) and other publicly available sources from internet believed to be reliable and true.



84

4. Appointed Date

Management has proposed to keep the opening of business hours of the following dates as the appointed date for the Proposed Restructuring -

- a. April 1, 2015 for Demerger 1;
- b. April 2, 2015 for Demerger 2; and
- c. April 3, 2015 for Demerger 3

However for the purpose of valuation, the valuation of different undertakings and swap ratios thereon have been calculated assuming the values as in the Opening hours of the April 1, 2015, adjusted for any changes by the transfer of assets or issue of shares as part of this restructuring scheme.

5. BACKGROUND

5.1. HB Estate Developers Limited ("HBEDL")

HBEDL, listed on BSE, was incorporated in 1994 in the name of 'HB Housing & Development Corporation Ltd'. The name was subsequently changed to 'HB Estate Developers Limited' w.e.f. January, 1996. The company has a mixed stream of revenues including income from Hotel operations, Real Estate, and Financial Services.

HBEDL is the asset owner of a hotel named "VIVANTA By Taj" (Sector-44, Gurgaon), with 208 keys in association with Indian Hotels Company Ltd. ("TAJ"). The hotel is operated by Taj Group. The hotel commenced the full-fledged commercial operations w.e.f April 1, 2013.

a. Company Profile

- HBEDL is a public company listed on BSE. The company works across Hospitality, Real Estate and Financial Services.
- The Company has its registered office at Plot No. 31, Echelon Institutional Area, Sector 32, Gurgaon, Haryana 122001.
- The main objects of the company are as follows:
 - "
 - o To carry on the business of financing, subject to the banking regulation act 1949, by way of advance, deposit, guarantee or lending of money, secured or unsecured, short term of long term for and in respect of acquisitions, purchase, owning, development, appropriation, construction



or dealing in any manner for commercial and/or non-commercial objectives of lands, properties, estates, buildings for commercial and/or residential purposes, business centres, townships, industrial estates and complexes, hotels, resorts, farms, and farm-houses, cottages, depots, warehouses, shops, commercial complexes, multistoried flats and/or infrastructure facilities relating thereto.

- To acquire, purchase, own develop, design, appropriate, maintain, manage, control, undertake, hike, take on lease, license, exchange or hire purchase, mortgage, assign, let, sell, dispose, of any type of lands, properties, estates, farms, gardens, parks, orchards, mines, buildings, flats, sheds, structures, hostels, hotels, motels, resorts, shops, commercial complex, business centres, industrial estates, and complexes, townships, farmhouses, roads, streets, railways, ropeways, aerodromes, dams, bridges, barrages, valleys, stadiums, museums, tourists, and picnic spots, including their erection, construction, demolition and rebuilding, alteration, conversion, improvement, interior and exterior decoration and to act as real estate developers, builders, colonizers, contractors, and agents in India and abroad and/or to carry on research, development, processing, and/or dealing in related and allied building materials of all kinds and description."

(Extract from Memorandum of Association of HBEDL)

- The Company has a revenue of Rs. 6,623 Lakh with an EBIDTA of Rs. 1,521 Lakh (EBIDTA Margin 23%) and PAT of Rs. (-)4,508 Lakh as per the Audited Financials of 2014-15.



86

b. **Capital Structure – HBEDL (March 31, 2015)**

Authorized Share Capital	
3,50,00,000 Equity shares of Rs.10/- each	35,00,00,000
80,00,000 Redeemable Preference Shares of Rs. 100/- each	80,00,00,000
	1,15,00,00,000
Subscribed and Paid up Share Capital	
1,61,38,287 Equity shares of Rs.10/- each fully paid up	16,13,82,870
Add: Forfeited shares- 8,29,338 Equity Shares (originally paid up)	27,37,438
30,00,000 9% Redeemable Non-Convertible Non-Cumulative Preference Shares of Rs. 100/- each fully paid up*	30,00,00,000
50,00,000 9% Redeemable Non-Convertible Non-Cumulative Preference Shares-Series II of Rs. 100/- each fully paid up	50,00,00,000
	96,41,20,308

* Includes Preference Shares amounting to INR 750 Lakhs each issued to HBSL and HBPL which shall be cancelled pursuant to Demerger 2 and 3 respectively.



87

c. Shareholding Pattern - HBEDL (March 31, 2015)

Promoters		
Promoter and Promoter Group (A)	1,20,34,628	74.57 %
Non Promoters		
Institutional	1,320	0.01 %
Bodies Corporate (Non Institutional)	6,03,010	3.74 %
Other Public Shareholders	34,99,329	21.68%
Total Non-Promoter's holding (B)	41,03,659	25.43%
Total (A+B)	1,61,38,287	100.00%



d. Financial Performance - HBEDL

Summary of Income, Profit and Loss Account (in INR Lakhs)

Particulars	2014 - 2015	2013 - 2014
Total Income	6,623.03	4,413.08
Operating Expenses	5,101.76	4,199.18
EBITDA	1,521.27	213.90
Depreciation	1,491.50	1,146.64
EBIT	29.77	-932.74
Finance Cost	3,104.77	3,048.00
Exceptional items	-1,023.60	83.17
Profit Before Tax	-4,098.60	-3,897.57
Tax	409.32	581.86
Profit after tax	-4,507.92	-4,479.43
Cash Profits	-3,016.42	-3,332.79

Summary of Balance Sheet (in INR Lakhs)

Particulars	2014 - 2015	2013 - 2014
Share Capital	9,641.20	4,231.60
Reserves & Surplus	3,181.85	5,129.42
Long Term Borrowings	28,860.18	34,324.02
Other Non - Current liabilities	2,657.40	2,219.30
Current Liabilities**	3,908.71	2,948.03
Total Equity & Liabilities	48,249.35	48,852.37
Fixed Assets (Tangible & Intangible)	43,096.68	44,077.46
Other Non - Current Assets	1,732.63	1,576.00
Current Assets	3,420.04	3,198.91
Total Assets	48,249.347	48,852.37

** Includes Short Term Borrowing from HBPL amounting to INR 900 Lakhs which shall be cancelled pursuant to Demerger 3.



e. Proposed Capital Reorganisation:

reducing the face value of the equity shares from 1 (one) equity share of Rs. 10 fully paid up to 1 (one) equity share of Rs. 6 each fully paid pursuant to Demerger- 2 and Demerger- 3

Simultaneously, 5 (five) equity shares of Rs. 6 each fully paid up shall be consolidated into 3 (three) fully paid- up share of Rs. 10 each fully paid.

5.2. HB Portfolio Limited ("HBPL")

HB Portfolio Ltd. was incorporated in 1994 and is listed on Bombay Stock Exchange. The main object of the company is to undertake financial services. HBPL is a dealer and investor in securities.

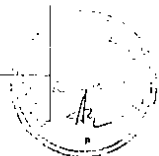
a. Company Profile

- HBPL is a public company listed on BSE.
- The Company has its registered office at Plot No. 31, Echelon Institutional Area, Sector 32, Gurgaon, Haryana 122001.
- The Company has revenue of Rs. 281 Lakh with an EBIDTA of Rs. 146 Lakh (EBIDTA Margin 52%) and PAT of Rs. 81 Lakh (PAT Margin 29%) as per the Audited Financials of 2014-15.

b. Capital Structure

Capital Structure – HBPL (March 31, 2015)

Particulars	Amount (₹)
Authorized Share Capital	
2,00,00,000 Equity shares of Rs.10/- each	20,00,00,000
1,00,00,000 Redeemable Preference Shares of Rs. 10/- each	10,00,00,000
	30,00,00,000



90

Subscribed and Paid up Share Capital

1,19,92,329 Equity shares of Rs.10/- each fully paid up	11,99,23,290
Add: Forfeited shares- 8,29,301 Equity Shares (originally paid up)	27,36,299
	12,26,59,589

c. Shareholding Pattern

Shareholding Pattern – HBPL (March 31, 2015)

Name	Number of Shares	Shareholding %
Promoters		
Promoter and Promoter Group (A)	78,58,464	65.53%
Non Promoters		
Institutional	1,300	0.01%
Bodies Corporate (Non Institutional)	3,12,591	2.61%
Other Public Shareholders	38,19,974	31.86%
Total Non-Promoter's holding (B)	41,33,865	34.47%
Total (A+B)	1,19,92,329	100.00%



d. Financial Performance – HBPL (March 31, 2015)

Summary of Audited Profit and Loss Account (In Rs. Lakhs)

Particulars	2014-2015	2013-2014
Total Income	281.11	815.26
Operating Expenses	134.88	128.09
EBITDA	146.23	687.17
Depreciation	3.84	3.57
EBIT	142.39	683.60
Finance Cost	27.14	21.66
Profit Before Tax	115.25	661.94
Tax	34.67	149.32
Profit after tax	80.58	512.62
Cash Profits	84.42	516.19

Summary of Balance Sheet (In Rs. Lakhs)

Particulars	2014-2015	2013-2014
Share Capital	1,226.60	1,226.60
Reserves & Surplus	10,838.66	10,830.32
Long Term Borrowings	1.35	9.20
Other Non - Current liabilities	10.59	9.54
Current Liabilities	260.62	489.86
Total Equity & Liabilities	12,337.82	12,565.52
Fixed Assets (Tangible)	22.14	25.98
Other Non - Current Assets	8,282.03	8,536.71
Current Assets	4,033.65	4,002.83
Total Assets	12,337.82	12,565.52

e. Proposed Capital Reorganisation:

The management proposes that after giving effect to all the demergers, the issued and paid up equity share capital shall be reduced by reducing the face value of the equity shares from 1 (one) equity share of Rs. 10 fully paid up to 1 (one) equity share of Rs. 6 each fully paid since such capital shall no longer be represented by the assets of the company.

Simultaneously, 5 (five) equity shares of Rs. 6 each fully paid up shall be consolidated into 3 (three) fully paid-up share of Rs. 10 each fully paid.

5.3. **HB Stockholdings Limited ("HBSL")**

HB Stockholdings Limited ("HBSL") was incorporated in 1985 and is listed on the National Stock Exchange and Bombay Stock Exchange. The company carries on the activities of investment in securities (Sale and Purchase of Securities). HBSL is registered with Reserve Bank of India as a Non-Banking Financial Company (NBFC).

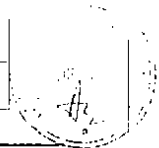
a. **Company Profile**

- HBSL is a Public Company listed on NSE and BSE.
- The Company has its registered office at Plot No. 31, Echelon Institutional Area, Sector 32, Gurgaon, Haryana 122001.
- The Company has a revenue of Rs. 813 Lakh with an EBIDTA of Rs. 546 Lakh (EBIDTA Margin 67%) and PAT of Rs. 500 Lakh (PAT Margin 61%) as per the Audited Financials of 2014-15.

b. **Capital Structure**

Capital Structure – HBSL (March 31, 2015)

Particulars	Amount (INR)
Authorized Share Capital	
7,00,00,000 Equity shares of Rs.10/- each	70,00,00,000
3,00,00,000 Redeemable Preference Shares of Rs. 10/- each	30,00,00,000
	1,00,00,00,000
Subscribed and Paid up Share Capital	
2,37,92,218 Equity shares of Rs.10/- each fully paid up	23,79,22,180
Add: Forfeited shares- 16,51,039 Equity Shares (originally paid up)	54,31,643
	24,33,53,823



93

c. Shareholding Pattern

Shareholding Pattern – HBSL (March 31, 2015)

Name	Number of Shares	Shareholding %
Promoters		
Promoter and Promoter Group (A)	1,26,61,121	53.22%
Non Promoters		
Institutional	28,790	0.12%
Bodies Corporate (Non Institutional)	20,41,662	8.58%
Other Public Shareholders	90,60,645	38.08%
Total Non-Promoter's holding (B)	1,11,31,097	46.78%
Total (A+B)	2,37,92,218	100.00%



d. Financial Performance – HBSL*Summary of Audited Profit and Loss Account (In Rs. Lakhs)*

Particulars	2014-2015	2013-2014
Total Income	813.27	1,469.06
Operating Expenses	267.60	318.03
EBITDA	545.67	1,151.03
Depreciation	22.29	9.36
EBIT	523.38	1,141.67
Finance Cost	18.56	16.45
Profit Before Tax	504.82	1,125.22
Tax	5.28	126.42
Profit after tax	499.54	998.80
Cash Profits	521.83	1,008.16

Summary of Balance Sheet (In Rs. Lakhs)

Particulars	2014-2015	2013-2014
Share Capital	2,433.54	2,433.54
Reserves & Surplus	11,082.92	10,583.38
Long Term Borrowings	-	-
Other Non - Current liabilities	513.68	881.83
Current Liabilities	420.72	533.94
Total Equity & Liabilities	14,450.86	14,432.69
Fixed Assets (Tangible)	32.13	53.96
Other Non - Current Assets	10,792.05	10,457.33
Current Assets	3,626.68	3,921.40
Total Assets	14,450.86	14,432.69

e. Proposed Capital Reorganisation:

The management proposes that after giving effect to all the demergers, the issued and paid up equity share capital of HBSL shall be reduced by reducing the face value of the equity shares from 1 (one) equity shares of Rs. 10 fully paid up to 1 (one) equity share of Rs. 3 each fully paid since such capital shall no longer be represented by the assets of the company.

Simultaneously, 10 (ten) equity shares of Rs. 3 each fully paid up shall be consolidated into 3 (three) fully paid-up share of Rs. 10 each fully paid.

5.4. Investment Division 1

Investment Division 1 of HB Stockholdings Ltd. is proposed to be demerged to HB Portfolio Ltd. (Demerger 1). The statement of assets and liabilities of the division as per the data provided by the Management of the Group for the year ending 31st March 2015 is as follows (in Rs. Lakhs):

Particulars	2014-2015
Assets	5763.49
Liabilities	3.60

5.5. Investment Division 2

Investment Division 2 of HB Stockholdings Ltd. is proposed to be demerged to HB Estate Developers Limited Ltd. (Demerger 2). The statement of assets and liabilities of the division as per the data provided by the Management of the Group for the year ending 31st March 2015 is as follows (in Rs. Lakhs):

Particulars	2014-2015
Assets	3604.00
Liabilities	4.17

5.6. Investment Division 3

Investment Division 3 of HB Portfolio Ltd. is proposed to be demerged to HB Estate Developers Limited Ltd. (Demerger 3). The statement of assets and liabilities of the division as per the data provided by the Management of the Group for the year ending 31st March 2015 is as follows (in Rs. Lakhs):

Particulars	2014-2015
Assets	7202.50
Liabilities	3.54

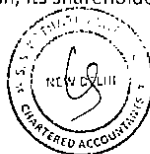


6. Objective of this Report:

The objective of this Report is to determine the Share Exchange Ratio upon the Restructuring as proposed by the Management of the HB Group. The management has recommended settling the consideration by issue of new Equity Shares. The shares will be issued based on the valuation of the businesses of the respective Resulting Companies and the Demerging Undertakings.

7. Rationale of Demerger

- The restructuring proposed by the Management will enable investors to separately hold investment in businesses with different investment characteristics, thereby enabling them to select investments which best suit their investment strategies and risk profiles.
- In order to effectively and efficiently cater to the independent growth plans both through organic and inorganic means, for each of the businesses of the Transferor Company, there is a requirement of diversification and continuous funding support through equity and debt. In view of this, the Management proposes to re-organize the business of the Demerged Company in order to facilitate greater efficiency in cash management and excess of cash flow generated to maximize shareholders' value. Therefore, it is proposed to demerge various Demerged Undertakings, being the Investment Divisions for different asset types of the Demerged Companies and transfer and vest the same in different Resulting Companies.
- The demerger shall facilitate the running of the other Investment business of the Demerged Company with a greater and focused approach. Further, the demerger shall help to create a focused Investment company.
- This reorganization and segregation of the businesses, is indispensable to provide focused management attention and leadership required by the business which is to be segregated and demerged as also by the residual business.
- Also it is believed that the proposed segregation will create enhanced value for shareholders and allow a focused strategy in operations, which would be in the best interest of the companies mentioned herein, its shareholders, creditors, and all other person connected with the companies.



97

8. Valuation Methodology

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend upon the purpose of valuation, the type of business, the future prospects and other attendant circumstances.

Different methodologies are adopted for the valuation of manufacturing, investment, consultancy and trading companies. Investment and property companies are valued based on the market value or fair value of their underlying assets while manufacturing companies are valued in relation to profits from business and relative value of assets with greater weightage to profits.

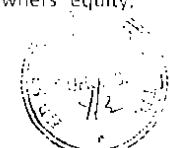
However, the value is specific to the point in time and may change with the passage of time. The value is derived in the context of existing environment that includes economic conditions and state of industry/market etc. on the appointed date of valuation. Different methodologies used for the purpose of valuation are:

8.1. ASSET APPROACH (ADJUSTED NET ASSET VALUE METHOD) (ASSET APPROACH) (NAV):

This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding and investment business. This method may also be appropriate for a business that is not making an adequate return on assets and for which a greater value can be realized by liquidating the business and selling its assets. This methodology can also assume the amount which can be realized by liquidating the business by selling off all the tangible assets of a company and paying off the liabilities.

Some of the most common techniques of valuation considered under this approach are to value a business enterprise on the following basis -

- a. **Book value:** This is simply a value based upon the accounting books of the business. In simple term, Assets less liabilities equals the owners' equity, which is the "Book Value" of the business.



- b. **Adjusted book value:** This method involves reviewing each and every assets and liabilities on the company's balance sheet and adjusting it to reflect its estimated market value. The unrecorded and contingent liabilities are also considered at their fairly estimated value.
- c. **Replacement value:** The asset valuation methodology essentially estimates the cost of replacing the tangible assets of the business taking into account the market value of various assets or the expenditure required to create the infrastructure exactly similar to that of a company being valued. Since the replacement methodology assumes the value of business as if a new business is set, this methodology may not be relevant in a going concern.

As specified by Para 4.2 Page 21 of ICAI Technical Guide on Valuation, 2009 Edition, we are to state that:-

"Asset basis has to be used for valuation for certain specific purposes, e.g., special provisions of various tax laws. It may be appropriate to value shares on asset basis under many other circumstances, the more important of which are mentioned below:

- a. *In cases where there is paucity of information about profits that would serve as a basis of valuing shares;*
- b. *Other circumstances, such as, when it is intended to liquidate the company and to realise the assets and distribute the net proceeds among shareholders."*

8.2. **INCOME APPROACH**

The Income Approach derives an estimation of value based on the sum of the present value of expected economic benefits associated with the asset or business (Economic benefits have two components: cash flow (or dividends) and capital appreciation). The Income Approach includes number of models such as Profit earning capacity value method, Discounted Cash Flow and others.

a. **Profit earning capacity value method:**

The basics of this approach is to find the normalized earning capacity of the business and to capitalize it on the basis of appropriate rate considering the business fundamentals of business cycle, safety, return and time. In this method, future maintainable profit of the company is calculated. Alternately, an appropriate multiple can be used with the normalized earnings to arrive at fair estimation of business value (Market Price per Share "MPS")

The important task is to determine two factors:

- Normalized Profit After Tax (PAT); and
- Rate of capitalization or multiple for capitalization.

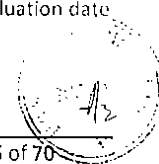
The average annual maintainable PAT should be representative and is generally determined based on average past earnings, or future projected earnings where the past earnings are not representative of the future earning potential of the business.

The capitalization rate is taken based at P/E Multiple (MPS/EPS) of the industry on the rate of return expected by the equity shareholders of the company.

b. Discounted Free Cash Flow Method (DCF)

DCF methodology expresses the present value of a business as a function of its future cash earnings capacity. This methodology involves estimation of post-tax cash flows for the projected period, after taking into account the business's requirement of reinvestment in the terms of capital expenditure and incremental working capital. The value of a business so measured is discounted to the present time at an appropriate discount rate. This method is used to determine the present value of a business on a going concern assumption.

- When valuing a business on a DCF basis, the objective is to determine a net present value of the cash flows arising from the business over a future select period of time, which is called the explicit forecast period.
- Under the DCF methodology, value must be placed both on the explicit cash flows as stated above, and the ongoing cash flows a company will generate after the explicit forecast period known as terminal value.
- The discount rate applied to estimate the present value of free cash flows, is taken at the "Weighted Average Cost of Capital" (WACC). The principal elements of WACC are cost of equity (which is the desired rate of return for an equity investor given the risk profile of the company and associated cash flows), cost of preference, the post-tax cost of debt and the current capital structure of the company (a function of debt to equity to Preference ratio).
- Value obtained by using DCF method gives us the Enterprise Value; and adjustment for the loans and Preference Capital as on the valuation date gives us the Equity Value.



150

This method is generally used when there is reasonable certainty on the timing, quantum and quality of the cash flows, which has its close coupling with the underlying assets (e.g. in case of a manufacturing company). It is the most commonly used valuation technique, and is widely accepted by valuers because of its intrinsic merits.

As specified by Para 2.1 and Para 2.2 on Page 4 of ICAI Technical Guide on Valuation, 2009 Edition:-

" 2.1 The potential earning power of a company is generally a paramount factor for valuation of share but there may be occasions, especially in valuations for compensation, where other considerations become relatively more important. In the absence of any other special motive, an investor is principally interested in a company's ability to continue earning profits.

2.2 The dominance of profits for valuation of share was emphasised in *McCathies case (Taxation, 69 CLR 1)* where it was said that "the real value of shares which a deceased person holds in a company at the date of his death will depend more on the profits which the company has been making and should be capable of making, having regard to the nature of its business, than upon the amount which the shares would realise on liquidation". This has had the approval of the Indian Courts in *Commissioner of Wealth Tax v. Mahadeo Jalan's case (S.C.) (86 ITR 621)* and *Additional Commissioner of Gift Tax v. Kusumben D. Mahadevia (S.C.) (122 ITR 38)*."

8.3. VALUATION OF SURPLUS ASSETS

In case company holds any asset which is surplus to its business and expansion plans, and they are material in quantum, then such assets are to be valued at its estimated net realizable value instead of book value. Value of such surplus assets are then added to the overall valuation of the company.



The valuer has to select a method which relates to the nature of the business. These methods could be an "Asset based approach", "Income based approach", "market multiplier", etc. The underlying assumption is mostly that of a going concern. Maintainable profit capacity and cash flow basis are crucial to manufacturing and service sectors. While realizable values are important for Investment Business.

9. The valuation methodology adopted for the valuation of Demerger 1, i.e., Demerger of Investment Division 1 from HB Stockholdings Ltd. into HB Portfolio Ltd. as on the Opening Hours of April 1, 2015.

9.1. Valuation of Investment Division 1

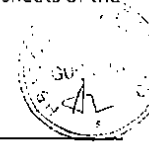
Investment Division 1 will be demerged from HBSL to HBPL. The Adjusted Net Asset Value Method approach has been followed to arrive at the value of the Division. The different classes of assets & liabilities have been valued based in the following manner:

a. Investment in Quoted Equity Shares (Trade)

The quoted equity shares in the division have been valued at the closing market price of shares on BSE as on March 31, 2015. In case where there is no trading in such shares on BSE, then the rates of shares on BSE as on a date immediately preceding has been taken.

b. Investment in Unquoted Equity Shares (Other than Trade)

The unquoted equity shares in the division have been valued by calculating the Adjusted Net Asset Value as per the Audited Balance Sheet of Investee Companies (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015. At the time of calculating the Adjusted Net Asset Value for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division.



c. Advance Given for Equity Shares Application Money

The Equity Share Application Money has been valued at the Book Value as appearing in the Audited Balance Sheet of HBPL for the financial year ending March 31, 2015. The financial health of the Investee Company, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments. At the time of calculating the Adjusted Net Asset Value for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division. In case the Investee Company is having a negative net worth or the assets of the companies are not in a position to cover such share application money, then value is taken as nil.

d. Other Assets and Liabilities

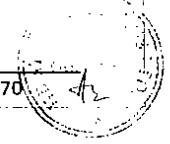
Other assets and liabilities which are being transferred as a part of the Division in Demerger 1 are valued based upon the Book Value as per the Audited Balance Sheet of HBSL for the financial year ending March 31, 2015.

Therefore, on the basis of above mentioned factors, the Fair Value of Investment Division 1 of HBSL as per Adjusted NAV Method works out to Rs. 5,313 Lakhs. (Refer Annexure I for details)

9.2. Valuation of HBPL

HBPL, the Resulting Company for Demerger 1 is engaged in the business of Investment and Finance Business. Since the profitability from such Investment business cannot be predicted due to volatility of the markets, Profitability Method is not used. The past revenue performance also does not provide any trend of earnings in the future. Therefore, as valuers we have decided not to rely on projected earnings for DCF.

In an American case of Edwin A Gallun v IRC (1974) 33 TCM 1316, (in "Practical Share valuation" by Mr. Nigel A Eastaway and Mr. Harry Booth on Page 137), where a company was primarily an investment company, it was observed -



103

"Valuation was based largely on the considerable investment portfolio held by the company, albeit heavily discounted rather than on the capitalized value of the earnings or dividends which would have been more appropriate had the company been mainly a trading company."

Considering the Volatility in the Investment Market, the company is valued as per the Net Assets owned by the Company as on the Opening hours of April 1, 2015. The assets & liabilities have been valued based on the following:

a. Investment in Quoted Equity Shares (Trade)

The quoted equity shares in the division have been valued at the closing market price of shares on BSE as on March 31, 2015. In case where there is no trading in such shares on BSE, then the rates of shares on BSE as on a date immediately preceding has been taken.

b. Investment in Unquoted Equity Shares (Other than Trade)

The unquoted equity shares in the division have been valued by calculating the Adjusted Net Asset Value as per the Audited Balance Sheet of Investee Companies (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015. At the time of calculating the Adjusted Net Asset Value for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division.

c. Investment in Debentures

The investment in Redeemable Debentures has been valued at the Redemption Value of such debentures. Further investment in Convertible Debentures, which are due for conversion into quoted equity shares within a span of one year, have been valued at the past one year average of price of such quoted shares on BSE.



d. Investments in Mutual Funds

The Mutual Funds have been valued at the closing NAV of the Mutual funds as on March 31, 2015

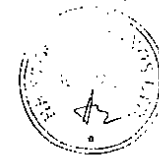
e. Investment in Preference Shares

The Preference Shares have been valued at the Paid up Value of the Preference Shares as adjusted by the Actual Yield/Expected Yield. The Expected Yield is the rate of dividend which is expected by the Investor from the Investment. The post-tax Expected Yield has been assumed to be at 9%. The Value of the shares has further been discounted by 20% in situations where the investee company has not been paying dividend in the past years.

The financial health of the Investee Company, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments. At the time of analysing the financial health for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division.

f. Preference Shares Application Money

The Preference Share Application Money has been valued at the Book Value as appearing in the Audited Balance Sheet of HBPL for the financial year ending March 31, 2015. The financial health of the Investee Company, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments. At the time of analysing the financial health for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division



g. Loans and Advances given by HBPL

The Loans & Advances have been valued at the Book Value as appearing in the Audited Balance Sheet of HBPL for the financial year ending March 31, 2015. The financial health, of the companies to which advances have been made by HBPL, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of such Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such investments. At the time of analysing the financial health for such companies, any advances/investments given or made by such Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division.

In case, the assets of the investee company are not considered adequate to repay such advances, the advances have been valued on the basis of Realisable Amount as per the Audited Balance Sheet of such company for the financial year ending March 31, 2015.

h. Other Assets and Liabilities

Other assets and liabilities are valued based upon the Book Value as per the Audited Balance Sheet of HBPL for the financial year ending March 31, 2015.

i. Contingent Liability

The HBPL is having Contingent Liabilities amounting to INR 1,625 Lakh as per the audited balance sheet of Financial Year ending March 31, 2015. Such contingent liabilities are considered in the following manner –

- Guarantees given on behalf of subsidiary company amounting INR 1500 Lakh - While valuing the HBPL, it has been assumed that 50% of such contingent liability will be ascertained (keeping in mind Prudence) and the effect of the same has been considered in our valuation.
- Uncalled call money in respect of partly paid up amounting to INR 125 Lakh – The contingent liability is for partly paid up shares. If the Investee Company raises a demand for such unpaid share in future, it will lead to creation of assets. So, such contingent liability has been ignored in our valuation.

The values so arrived are summed up to get the Total Enterprise or Firm Value of the company as a whole. From this value, the entire debt outstanding and Preference Capital as on the valuation date is reduced to arrive at equity value which works out to Rs. 10,781 Lakhs. (Refer Annexure I for details)

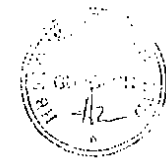
10. The valuation methodology adopted for the valuation of Demerger 2, i.e., Demerger of Investment Division 2 from HB Stockholdings Ltd. into HB Estate Developers Ltd. as on the opening hours of April 1, 2015.

10.1. The valuation of Investment Division 2

Investment Division 2 will be demerged from HBSL to HBEDL. The Adjusted Net Asset Value Method approach has been followed to arrive at the value of the Division. The different classes of assets & liabilities have been valued based in the following manner:

a. Investment in Preference Shares

The Preference Shares have been valued at the Paid up Value of the Preference Shares as adjusted by the Actual Yield/Expected Yield. The Expected Yield is the rate of dividend which is expected by the Investor from the Investment. The post-tax Expected Yield has been assumed to be at 9%. The Value of the shares has further been discounted by 20% in situations where the investee company has not been paying dividend in the past years. The financial health of the Investee Company, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments. At the time of analysing the financial health for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division.



b. Preference Shares Application Money

The Preference Share Application Money has been valued at the Book Value as appearing in the Audited Balance Sheet of HBSL for the financial year ending March 31, 2015. The financial health of the Investee Company, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments. At the time of analysing the financial health for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division

c. Other Assets and Liabilities

Other assets and liabilities which are being transferred as a part of the Division in Demerger 2 are valued based upon the Book Value as per the Audited Balance Sheet of HBSL for the financial year ending March 31, 2015.

Therefore, on the basis of above mentioned factors, the Fair Value of Investment Division 2 of HBSL as per Adjusted NAV Method works out to Rs. 3,420 Lakhs. (Refer Annexure II for details)

10.2. Valuation of HBEDL

HBEDL, the Resulting Company for Demerger 2, is engaged in the Hotel Business, Real Estate and Financial Service Business. Due to diversified portfolio, we have valued the Company on Sum of The Parts basis ("SOTP"). It is also called Segmental Value method. In this method, individual operating segments/assets of the company are valued as a separate business activity done by adopting an appropriate valuation approach:



108

a. Hotel Business

The management of the hotel is with the Indian Hotels Company Ltd. (Taj). The hotel commenced the full-fledged commercial operations w.e.f. 1st April 2013. The weighted average value of the Hotel business of HBEDL has been ascertained using Discounted Cash Flow method and Book value method,

i. Discounted Cash Flow Method:

The value of hotel business of HBEDL as per the Discounted Cash Flow Method has been calculated based on assumptions and business plans provided by the management, using Free cash flow to Firm approach as given below –

• Free Cash Flow

Explicit Period: FY 2015-16 to FY 2024-25

Perpetual value: The perpetuity value has been calculated on the basis of financials of FY 24 -25.

It is substantiated from the quotation from Page 7 & 8 of "Technical guide on Share Valuation, by The Institute of Chartered Accountants of India, Published in Year 2009 -

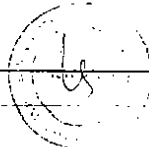
"Cash flow should reasonably capture the growth prospects and earnings capability of a company. The forecasted period should necessarily cover the entire business cycle of a company"

• Discounting Factor

In determining the present value of the cash flows that are available to firm, the discount rate used is cost of capital of the entity, i.e. WACC.

This reflects the opportunity cost of the Company. WACC is arrived at by using the following formula:

$$\begin{aligned} \text{WACC} = & (\text{Cost of Equity} * \text{Shareholders Funds} / \text{Total Funds}) + \\ & (\text{Cost of Preference} * \text{Preference Share Capital} / \text{Total Funds}) + \\ & (\text{Cost of Interest Bearing Debt} * \text{Interest Bearing Debt} / \text{Total Funds}) \end{aligned}$$



108

• Cost of Equity

The cost of equity has been determined by using Capital Asset Pricing model (CAPM). This has been computed as follows:

$$\text{Cost of equity} = R_f + [R_m - R_f] (\text{Beta})$$

Where,

R_f denotes risk free rate of return as per the "Public Debt Management Quarterly Report" for the quarter ending June 30, 2015 which is 7.87%.

R_m denotes return on diversified market portfolio return. R_m is considered 16.93% which has been the market rate of return on Bombay Stock Exchange from April 1, 1979 to March 31, 2015.

Beta represents the systematic risk associated with investments. It is assumed that for shareholders the substitute opportunity for investment would be investment in SENSEX. Hence, we have assumed the shareholders' expectation equal to the market return (based on the return on BSE from 1979 till date).

Accordingly, in order to calculate the cost of equity, we have considered the Beta as 1.36 i.e. equal to the beta for market return based upon the comparable of HBEDL being a Hotel Owning Company. We have taken a weighted average of the beta of the following comparable companies to calculate the Industry beta -

1. Asian Hotels(West) Ltd.
2. Asian Hotels(East) Ltd.
3. Asian Hotels(North) Ltd.
4. Oriental Hotels Ltd.

The Cost of equity (ke) comes out to be 20.17%.



- **Cost of Debt**

The cost of interest bearing debt has been computed considering post tax cost of debt of the company. The company in the light of the recent continuous reduction in the interest rates has renegotiated its Interest rate. The renegotiated interest rate of 12.50% and an effect of Tax Shield have been taken. HBEDL expects to earn Income liable to Minimum Alternate Tax (MAT) @ 20.9605%. The company also has Interest Free Inter Corporate Loans, which have been ignored for the calculation of cost of Debt. Based on these assumptions, **effective cost of debt works out to 9.88%**.

- **Cost of Preference**

The cost of Preference has been computed considering Post- CDT cost of Preference of the company. The dividend rate at 9.00% as per the existing Preference of the company and an effect of DDT has been taken. Based on these assumptions, **effective cost of Preference works out to 10.84%**.

- **Cost of Capital**

The WACC, considering the Fund Structure of the company as on March 31, 2015, has been worked out to be 11.73%, which has been rounded off to 12% for the purpose of the valuation.

- **Value in Perpetuity**

The perpetuity value is the value of the business beyond the explicit forecast period. The last year free cash flows (FY 2024-25) have been considered for the purpose of computing perpetual value. A growth rate of 3% has been considered in the perpetuity for the purpose of computing perpetuity value.

Therefore, on the basis of above mentioned factors, the Enterprise Value of Hotel Business of HBEDL as per DCF Method works out to Rs. 45,995 Lakhs. (Refer Annexure II for details).



ii. **Net Asset Value approach:**

The other approach which has been used to value the Hotel Business of HBEDL is the Net Asset Method. All the assets and liabilities pertaining to the Hotel Business have been valued at the values appearing in the Audited Balance Sheet of HBEDL for the financial year ending March 31, 2015.

Therefore, on the basis of the book value method, the Enterprise Value of Hotel Business of HBEDL works out to Rs. 41,311 Lakhs. (Refer Annexure II for details)

Considering the fact that the Hotel Business is intended to be continued on a 'going concern' basis without any intention to dispose off the assets and that the Future Earnings in Hotel Industry give a more appropriate value than the Book Value, we have considered it appropriate to give weightage of '2' to the value determined using 'Discounted Cash Flow approach' and weightage of '1' to value determined using 'Book Value approach'.

Accordingly, the Weighted Average Enterprise value of Hotel Business of HBEDL works out to be Rs. 44,434 Lakhs. (Refer Annexure II for details)

b. **Real Estate Properties held as stock in trade**

HBEDL is having the following Real Estate properties which are held as Stock in Trade –

- Flat No. 306, III Floor, Regent Chambers, Nariman Point, Mumbai – 21
- Part of Build up Property at I Floor & III Floor only at, HB Twin Tower, Netaji Subhash Place, Delhi – 110034
- Plot No. 31, Sector – 32, Institutional Area, Gurgaon, Haryana.

The above properties owned by the company, are valued at Fair Value based upon the Chartered Valuer's Certificate as provided by the Management.

c. **Financial Service Business**

The profitability from such business cannot be predicted with reliable accuracy due to volatility of the markets. Also the past revenue performance also does not provide any trend of earnings in the future. Thus DCF method is not suitable to value Investments, Properties and Non-Strategic Investments.

Therefore, as valuers we have decided not to rely on Income Approach for such business. Such an approach is supported by the Technical Guide on Valuation issued by ICAI.

The Investments made by HBEDL are valued on the following basis –

- Investment in Quoted Equity Shares (Trade) – At closing market price on BSE as on 31st March, 2015.
- Investment in Quoted Equity Shares (Other than Trade) – Based upon the Value calculated as per the Adjusted Net Asset Value as per the Audited Balance Sheet of Investee Companies (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015.

In case Securities held by HBEDL are suspended from trade on Stock Exchange, then we have considered the value of those securities at nil value.

d. Other assets and liabilities

Other assets and liabilities are valued based upon the Book Value as per the Audited Balance Sheet of HBEDL for the financial year ending March 31, 2015.

e. Contingent Liability

The HBEDL is having Contingent Liabilities amounting to INR 1,263 Lakh as per the audited balance sheet of Financial Year ending March 31, 2015. Such contingent liabilities are considered in the following manner –

- Property Tax amounting to INR 78.21 Lakh - It has been assumed that such contingent liability will be ascertained (keeping in mind Prudence) and the effect of the same has been considered in our valuation.
- Income Tax Demand amounting to INR 9.43 Lakh – HBEDL has filed for rectification/appeal for Income Tax demand with the appropriate authorities. But it has been assumed that such contingent liability will be ascertained (keeping in mind Prudence) and the effect of the same has been considered in our valuation.



- Show Cause Notice from Delhi Development Authority demanding a sum of INR 258.68 Lakh – HBEDL has filed a writ petition in Hon'ble High Court against such demand from DDA. But it has been assumed that such contingent liability will be ascertained (keeping in mind Prudence) and the effect of the same has been considered in our valuation.
- Claim against the company not acknowledged as debt amounting to INR 277.55 Lakh
- Letter of Credit/Bank Guarantee issued by bank INR 638.69 Lakh – The contingent liability is for Letter of Credit/ Bank Guarantee. The same as been ignored considering their requirement in the normal course of business and the positive net worth of the company.

The values so arrived are summed up to get the Total Enterprise or Firm Value of the company as a whole. From this value, the entire debt outstanding and Preference Capital as on the valuation date is reduced to arrive at Fair equity value. The value works out to Rs. 9,653 Lakhs. (Refer Annexure II for details)

Investment in preference shares of HBEDL by HBSL amounting to INR 750 Lakhs shall stand cancelled after Demerger 2 coming into effect and immediately after issuance of the Equity shares of HBEDL to the shareholders of HBSL.

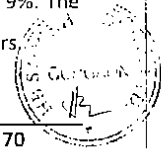
11. The valuation methodology adopted for the valuation of Demerger 3, i.e., Demerger of Investment Division 3 from HB Portfolio Ltd. into HB Estate Developers Ltd. as on the opening hours of April 1, 2015 as adjusted for transfers as contemplated in the proposed restructuring.

11.1. The valuation of Investment Division 3

Investment Division 3 will be demerged from HBPL to HBEDL. The Adjusted Net Asset Value Method approach has been followed to arrive at the fair value of the Division. The different classes of assets & liabilities have been valued based in the following manner:

a. Investment in Preference Shares

The Preference Shares have been valued at the Paid up Value of the Preference Shares as adjusted by the Actual Yield/Expected Yield. The Expected Yield is the rate of dividend which is expected by the Investor from the investment. The post-tax Expected Yield has been assumed to be at 9%. The Value of the shares has further been discounted by 20% in situations where the investee company has not been paying dividend in the past years.



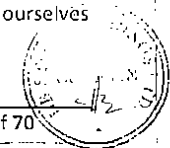
The financial health of the Investee Company, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments. At the time of analysing the financial health for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division

b. Preference Shares Application Money

The Preference Share Application Money has been valued at the Book Value as appearing in the Audited Balance Sheet of HBPL for the financial year ending March 31, 2015. The financial health of the Investee Company, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of the Investee Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments. At the time of analysing the financial health for different investee companies, any advances/investments given or made by Investee Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division

c. Loans and Advances given by HBPL

The Loans & Advances have been valued at the Book Value as appearing in the Audited Balance Sheet of HBPL for the financial year ending March 31, 2015. The financial health, of the companies to which advances have been made by HBPL, as per the Audited Balance Sheets (along with the Auditors Report) signed by the Statutory Auditor and the Management of such Company for the financial year ending 31st March 2015, has also been taken into consideration while valuing such Investments by way of loans and advances. At the time of analysing the financial health for such companies, any advances/investments given or made by such Company have been considered good in the absence of any adverse note or provision in the Audited Balance Sheet of the Investee Company as provided by the Management of the HB Group. Further for such calculations we have restricted ourselves only to the balance sheets of the companies forming part of the division.



In case, the assets of the investee company are not considered adequate to repay such advances, the advances have been valued on the basis of Realisable Amount as per the Audited Balance Sheet of such company for the financial year ending March 31, 2015.

d. Other Assets and Liabilities

Other assets and liabilities which are being transferred as a part of the Division in Demerger 3 are valued based upon the Book Value as per the Audited Balance Sheet of HBPL for the financial year ending March 31, 2015.

Therefore, on the basis of above mentioned factors, the Fair Value of Division 3 of HBPL as per Adjusted NAV Method works out to Rs. 6,283 Lakhs. (Refer Annexure III for details)

11.2. The valuation of HBEDL

HBEDL, the Resulting Company for Demerger 3, is engaged in the diversified portfolio as mentioned earlier. So, we have valued the Company on Sum of The Parts basis ("SOTP") or Segmental Value method. While valuing HBEDL for Demerger 3, the Value of Division 2 demerging from HBSL to HBEDL has also been considered along with the Investments cancelled in the Demerger 2.

In this method, individual operating segments/assets of the company are valued as a separate business activity done by adopting an appropriate valuation approach:

a. Hotel Business

The value as calculated in Clause 10.2 after taking the effect of cancellation of Preference Shares as per the Demerger 2.

b. Real Estate Properties held as stock in trade

The value as calculated in Clause 10.2.



c. Investments of HBEDL

The value as calculated in Clause 10.2.

d. Other Assets and Liabilities

The value so calculated in Chapter Clause 10.2.

e. Contingent Liability

The value so adopted in Chapter Clause 10.2.

f. Division 2 demerged from HBSL to HBEDL

The value as calculated in Clause 10.1 after taking the effect of cancellation of Preference Shares as per the Demerger 2.

The values so arrived are summed up to get the Total Enterprise or Firm Value of the company as a whole. From this value, the entire debt outstanding and Preference Capital as on the valuation date is reduced to arrive at Fair equity value which works out to Rs. 13,073 Lakhs. (Refer Annexure III for details)



12. Swap ratio is the ratio at which the shareholders of Demerged Company will receive Equity shares in Resulting Company pursuant to Demerger in terms of Provisions of Section 2(19AA) of the Income Tax Act, 1961.

13. Computation of Share Exchange Ratio

Based on the Value Assessment as conducted in previous chapters of this Report, Swap Ratio for issue of Equity Shares upon the Proposed Demerger is recommended below -

13.1. Demerger 1 (Demerger of Division 1 from HBSL to HBPL) –

The fair Value Assessment for Demerger 1 has the following components:

- Valuation of Division 1 of HBSL;
- Valuation of HBPL.

Particulars	HBSL (Demerged Division)	HBPL (Resulting Co)
Fair Value (INR Lakhs)	5,313	10,781
Number of Shares (As on appointed Date)	237,92,218	119,92,329
Face Value (INR)	10	10
Equity Value Per Share (INR)	22.33	89.90

Share Exchange Ratio

25 Equity Share of Rs.10 fully paid up of HBPL are recommended be issued for every 100 Equity Shares of Rs.10 fully paid of HBSL as a consideration of Demerger 1 as on the Appointed Date of April 1, 2015.

*Fractions have been ignored for the purpose of above calculation



Taking into consideration the value per share of the Division 1 and Resulting Company, we recommend that share exchange ratio of 25 Equity Share of Rs.10 fully paid up of HBPL for every 100 Equity Shares of Rs.10 fully paid of HBSL is fair and equitable for the equity shareholders of both the companies on all parameters specified in this report.

13.2. Demerger 2 (Demerger of Division 2 from HBSL to HBEDL) –

The fair Value Assessment for Demerger 2 has the following components:

- Valuation of Division 2 of HBSL;
- Valuation of HBEDL.

Particulars	Division 2 of HBSL (Demerged Division)	HBEDL (Resulting Co.)
Fair Value (INR Lakhs)	3,420	9,653
Number of Shares (As on appointed Date)	237,92,218	161,38,287
Face Value (INR)	10	10
Equity Value Per Share (INR)	14.38	59.81
Share Exchange Ratio		
24 Equity Share of Rs.10 fully paid up of HBEDL are recommended for every 100 Equity Shares of Rs.10 fully paid of HBSL as a consideration of Demerger 2 as on the Appointed Date of April 2, 2015.		

* Fractions have been ignored for the purpose of above calculation

Taking into consideration the value per share of the Division 2 and Resulting Company, we recommend that share exchange ratio of 24 Equity Share of Rs.10 fully paid up of HBEDL for every 100 Equity Shares of Rs.10 fully paid of HBSL is fair and equitable for the equity shareholders of both the companies on all parameters specified in this report.



13.3. **Demerger 3 (Demerger of Division 3 from HBPL to HBEDL) --**

The fair Value Assessment for Demerger 3 has the following components:

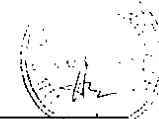
- Valuation of Division 3 of HBPL after taking the effect of Demerger 1;
- Valuation of Resulting HBEDL after taking into effect, of Demerger 2 and subsequent cancellation of Inter Company shareholdings.

Particulars	Division 3 of HBPL (Demerged Division)	HBEDL (Resulting Co)
Fair Value (INR Lakhs)	6,283	13,073
Number of Shares (As on appointed Date)*	179,40,384	218,48,419
Face Value (INR)	10	10
Equity Value Per Share (INR)	35.02	59.84
Share Exchange Ratio		
59 Equity Share of Rs.10 fully paid up of HBEDL are recommended for every 100 Equity Shares of Rs.10 fully paid of HBPL as a consideration of Demerger 3 as on the Appointed Date of April 3, 2015.		

*Fractions have been ignored for the purpose of above calculation

*Number of shares of HBPL is taken as on appointed date for Demerger 3, i.e. after considering the number of shares issued to the shareholders of HBPL in Demerger 1. Similarly, shares issued pursuant to Demerger 2 have been considered for calculation number of shares of HBEDL.

Taking into consideration the value per share of the Division 3 and Resulting Company, we recommend that share exchange ratio of 59 Equity Share of Rs.10 fully paid up of HBEDL for every 100 Equity Shares of Rs.10 fully paid of HBPL is fair and equitable for the equity shareholders of both the companies on all parameters specified in this report.



14. We opine that share exchange ratio recommended above is fair to all stakeholders and justified on all the parameters specified in the Report.
15. The ratio is being considered such that all the shareholders of Demerged Company upon demerger shall become the shareholders of Resulting Company and be ultimate beneficial owner of Resulting Company.
16. As per the scheme of arrangement, The Investments in preference shares of HBEDL amounting to INR 750 lakhs by HBSL shall stand cancelled after Demerger 2 coming into effect and immediately after issuance of the Equity shares of HBEDL to the shareholders of HBSL. Also Investments in preference shares of HBEDL amounting to INR 750 lakhs and loan of INR 900 lakhs by HBPL to HBEDL shall stand cancelled after Demerger 3 coming into effect and immediately after issuance of the Equity shares of HBEDL to the shareholders of HBPL.



Chapter 7: Reorganisation of Capital

17. Post demerger of all investment divisions as envisaged earlier in the Report, the management intends to carry out Reorganisation of Share Capital of the group companies as per Section 66 of Companies Act, 2013 read with Section 100 to 104 of Companies Act, 1956 and other applicable provisions of the Company Law in the following ways:

17.1. HB Stockholdings Limited:

Pursuant to Demerger- 1 and Demerger- 2, Net assets worth Rs. 9,359.71 Lakhs forming part of Investment Undertaking- I (Rs. 5,759.88 Lakhs) and Investment Undertaking- II (Rs. 3,599.83 Lakhs) are being transferred to HBPL and HBEDL respectively against HBSL's net assets of Rs. 13,516.46 Lakhs.

We understand that the management proposes that after Demerger- 1 and Demerger- 2, the issued and paid up equity share capital of HBSL shall be reduced by reducing the face value of the equity shares from 1 (one) equity shares of Rs. 10 fully paid up to 1 (one) equity share of Rs. 3 each fully paid since such capital shall no longer be represented by the assets of the company.

As a result, the issued and paid up equity share capital shall be reduced from Rs. 23,79,22,180 comprising of 2,37,92,218 shares of Rs. 10 each to Rs. 713,76,654 comprising of 2,37,92,218 shares of Rs. 3 each.

Simultaneously, 10 (ten) equity shares of Rs. 3 each fully paid up shall be consolidated into 3 (one) fully paid- up share of Rs. 10 each fully paid.



The Equity share capital of the company before and after the proposed Reorganisation of Share Capital will be as under:

Particulars	Before Capital Reorganisation	After Capital Reorganisation
Paid up no. of shares	2,37,92,218	71,37,665
Face Value (Rs.)	10	10
Paid up Equity Share Capital (Rs.)	23,79,22,180	7,13,76,650

As a result of the Capital Reorganisation, the Equity share capital shall be reduced by an amount of Rs. 16,65,45,530

The reorganisation of Capital has led to a more efficient capital structure, and a better representation before the shareholders.

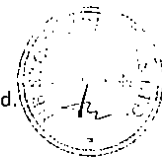
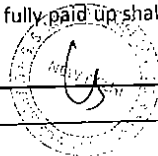
17.2. HB Portfolio Limited:

Pursuant to Demerger- 1, HBPL is receiving net assets of Rs. 5,759.88 Lakhs; However, Demerger- 1 is followed by Demerger- 3, whereby Investment Division- III of HBPL is being demerged to HBEDL, wherein net assets worth Rs. 7,198.96 Lakhs are transferred to HBEDL. Thus, post the demergers, after netting, assets of Rs. 1,439.07 Lakhs shall not appear in the Balance sheet of HBPL. HBPL had net assets of Rs. 12,065.26 Lakhs before such demergers.

The management proposes that post Demerger- 1 and Demerger- 3, the issued and paid up equity share capital of HBPL shall be reduced by reducing the face value of the equity shares from 1 (one) equity share of Rs. 10 fully paid up to 1 (one) equity share of Rs. 6 each fully paid since such capital shall no longer be represented by the assets of the company.

As a result, the issued and paid up equity share capital shall be reduced from Rs. 17,94,03,840 comprising of 1,79,40,384 shares of Rs. 10 each to Rs. 10,76,42,304 comprising of 1,79,40,384 shares of Rs. 6 each.

Simultaneously, 5 (five) equity shares of Rs. 6 each fully paid up shall be consolidated into 3 (three) fully paid- up share of Rs. 10 each fully paid.



The Equity share capital of the company before and after the proposed Reorganisation of Share Capital will be as under:

Particulars	Before Capital Reorganisation	After Capital Reorganisation
Paid up no. of shares	1,79,40,384	1,07,64,230
Face Value (Rs.)	10	10
Paid up Equity Share Capital (Rs.)	17,94,03,840	10,76,42,300*

*Fractions have been ignored for the purpose of above calculation.

As a result of the Capital Reorganisation, the Equity share capital shall be reduced by an amount of Rs. 7,17,61,540

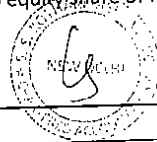
The Reorganisation of Capital shall help the company to have a more sustainable capital, reflect better its operational efficiency, improvement in future years and reflect the true shareholder value.

17.3. HB Estate Developers Limited:

Pursuant to Demerger- 2 and Demerger- 3, HBEDL is receiving net assets of Rs. 10,798.79 Lakhs and accordingly, shares are being issued to the shareholders of the Demerged Companies.

As per audited financial statements of the company as on 31.03.2015, the company has been having total accumulated losses of Rs. 10,746.99 Lakhs over the years.

In order to maintain a capital that is commensurate with the present income generating capacity and future viability of operations of HBEDL, the management proposes that the issued and paid up equity share capital of HBEDL shall be reduced by reducing the face value of the equity shares from 1 (one) equity share of Rs. 10 fully paid up to 1 (one) equity share of Rs. 6 each fully paid pursuant to Demerger- 2 and Demerger- 3



As a result, the issued and paid up equity share capital shall be reduced from Rs. 32,43,32,450 comprising of 3,24,33,245 shares of Rs. 10 each to Rs. 19,45,99,470 comprising of 3,24,33,245 shares of Rs. 6 each.

Simultaneously, 5 (five) equity shares of Rs. 6 each fully paid up shall be consolidated into 3 (three) fully paid- up share of Rs. 10 each fully paid.

The Equity share capital of the company before and after the proposed Reorganisation of Share Capital will be as under:

Particulars	Before Capital Reorganisation	After Capital Reorganisation
Paid up no. of shares	3,24,33,245	1,94,59,947
Face Value (Rs.)	10	10
Paid up Equity Share Capital (Rs.)	32,43,32,450	19,45,99,470

As a result of the Capital Reorganisation, the Equity share capital shall be reduced by an amount of Rs. 12,97,32,980.

The reduction of the capital in the manner proposed would enable the Company to have a rational capital structure, operational efficiency and better representation to the stakeholders of the company.

We, SSKM, opine that the Capital Reduction is fair, reasonable and will not in any manner adversely affect or prejudice the interest of its stakeholders including shareholders, creditors or public at large. There is no reduction in the percentage shareholding in the total equity share capital of the Companies.




We would like to record our appreciation for the courtesy and co-operation received by us during the course of work and look forward to continuing our professional association.

The report is to be read in whole.

For S.S. Kothari Mehta & Co.

Chartered Accountants

Firm Registration No. 000756N


S.S. Kothari Mehta

Authorised Signatory

Date:

6/2/16

Place: Delhi



Annexure I: Valuation for Demerger 1

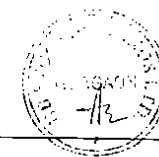
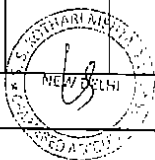
Valuation of HBSL Investment Undertaking 1

Demerger from HBSL to HBPL of Investment Undertaking 1								(Amount in INR Lakhs)
Quoted, Unquoted Equity Shares and Equity Share Application money.								
Asset	No. of Shares	Book Value	Basis	Lowest Price	Closing Rate	Fair Value	Valuation Assumption	Remarks
Quoted Equity Shares		(In Lakhs)		(on 31/3/2015)		(In Lakhs)		
Crompton Greaves Ltd.	437	0.08	Closing Rate - April 01, 2015	163.20	166.00	0.73	The shares are Quoted and traded on Stock Exchange, so taking at Closing Rate as on March 31, 2015.	Closing price on BSE on March 31, 2015
DCM Shriram Industries Ltd.	43,46,615	4,880.67	Closing Rate - April 01, 2015	73.00	73.90	3,212.15	The shares are Quoted and traded on Stock Exchange, so taking at Closing Rate as on March 31, 2015.	Closing price on BSE on March 31, 2015
HB Estate Developers Ltd.	14,65,608	249.00	Closing Rate - April 01, 2015	9.52	9.51	139.38	The shares are Quoted and traded on Stock Exchange, so taking at Closing Rate as on March 31, 2015.	Closing price on BSE on March 31, 2015
JP Associates Ltd.	34,18,367	271.38	Closing Rate - April 01, 2015	24.55	24.80	847.76	The shares are Quoted and traded on Stock Exchange, so taking at Closing Rate as on March 31, 2015.	Closing price on BSE on March 31, 2015
RRB Securities Ltd.	1,00,000	100.00	FMV as per Net Asset Method.	NA	15.86	15.86	The shares are Quoted and traded on Stock Exchange, so taking at Closing Rate as on March 31, 2015.	Closing price on BSE on March 31, 2015
Total		5,501.14				4,215.87		
Asset	Net Worth	Average PAT	No. of Shares	Book Value	Basis	Fair Value	Valuation Assumption	Remarks
Unquoted Equity Shares				(In Lakhs)		(In lakhs)		
HB Prima Capital Ltd.	ESC = 100 PSC = 0.00 R&S = (86)	-79.44	1,95,000	48.90	FMV as per Net Asset Method.	2.64	Basis the NAV as per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company.	1. The company is having a Negative Reserves and no Revenue. 2. It has the following assets - Cash and eq. = 0.92 Lakhs Non Current Investments = 1.38 Crore (The Market value of these investments are only 12 lakhs as per the Balance Sheet and Provision for such diminution of 1.26 Cr has been created.) 3. Also the non current investments cannot be traded.

Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

127

Jaipur Stock Exchange Ltd.	ESC = 65 PSC = 0.00 R&S = 1535	53.86	3,24,500	58.41	FMV as per Net Asset Method.	58.41	The Audited Balance Sheet for the FY 2014-15 is not available. So taking the Book Value, basis the the Management Representation.	The Balance Sheet of the company was not available for the FY 2014-15.
Taurus Investment Trust Co. Ltd.	ESC = 10 PSC = 0.00 R&S = 87	10.93	15,430	1.55	FMV as per Net Asset Method.	15.25	Basis the NAV as per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company.	1. The company has the following assets - Cash and eq. = 0.94 Crore Other Current Assets = 0.03 Crore 2. The net worth of the company is 0.96 Crores.
Taurus Asset Management Ltd.	ESC = 1474 PSC = 0.00 R&S = 536	-6.25	30,28,000	387.55	FMV as per Net Asset Method.	856.10	Basis the NAV as per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company.	1. The company has the following assets - Fixed Asset = 2.35 Crore Non Current Investment = 4.71 Crore Loans & Advances = .90 Crore Current Assets = 15.01 Crore {Provision of diminution of investments is created for 1.3 Crore} {The market value of quoted shares = 24 Crore for book value 4.2 Crore} 2. While the Liabilities of the Company are- Current Liabilities = Rs. 1.97 Crores Non Current Liabilities = Rs.0.89 Crore
HB Telecommunication Ltd.	ESC = 0.00 PSC = 5 R&S = (5)	-0.15	100	0.01	Balance Sheet Position as on March 31, 2015.	-	The accumulated losses of the company exceeds its net worth as on March 31, 2015. Due to which, the auditor has Emphasised on the significant doubt on the ability of the company to continue as a Going Concern. Also the company is not having any assets or loans and advances. So, it has been considered that the company is not in a position to redeem its preference shares and taking the Nil Value.	1. The company is having a Negative net worth and Negligible operations. There is no revenue. 2. The company is having no assets or Loans and advances.



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

128

HB Insurance Advisors Pvt. Ltd.	ESC = 5 PSC = 0.00 R&S = (31)	-0.14	15,000	1.50	Balance Sheet Position as on March 31, 2015.	-	The Net Worth of the company is negative. And the company is not having any Assets and funds to cover the negative net worth and to repay the advances taken by the company, as cash of Rs. 46,000 is the only asset in the company. So, taking the nil value.	<ol style="list-style-type: none"> The company is having a Negative net worth and Negligible operations. It has taken Advances from Parties amounting to Rs. 26 Lakhs. And the company is not having any asset except cash of Rs. 45,000.
Harsai Investments Ltd.	ESC = 100 PSC = 0.00 R&S = 676	-3.09	2,00,000	20.00	FMV as per Net Asset Method.	155.84	Basis the NAV as per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company considering that the Loans and Advances given amounting to INR 7.67 Crore are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS.	<ol style="list-style-type: none"> R&S includes Statutory reserves of 9.57 Cr. Without Statutory reserves, the net worth of the company is negative. The company is having the following assets as per the Audited Balance Sheet of FY 2014-15 - Tangible Assets = Rs. 0.01 Crore Non Current Investment = Rs 0.01 Crore Current Assets = Rs. 0.08 Crore Loans and advances = Rs. 7.67 Crore. {Advances are given for property} While the company is having a liability of Rs. 90,700. During the year profit of 5 lakh is earned from sale/purchase or valuation of stock (seems abnormal). Last year Negligible operations were carried on

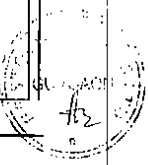
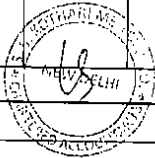


Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

129

Q R Properties Pvt. Ltd.	ESC = 3.00 PSC = 0.00 R&S = 204	23.87	4,500	0.45	FMV as per Net Asset Method.	31.01	Basis the NAV as per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company considering that the Loans and Advances given are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS.	<p>1. The company is having the following assets - Non Current Investment = 0.26 Crore Advance given = Rs. 2.32 Crore Other Current Assets = Rs. 0.30 Crore Cash & Eq. = Rs. 1.89 Crore (Cash includes FD which is pledged for Overdraft of 1.53 Cr.) (Advances are given for property)</p> <p>2. The liabilities of the company are as follows - Bank Overdraft = Rs. 1.53 Crore Other Long Term Liab = Rs. 0.91 Crore Other Current Liab = Rs. 0.28 Crore</p> <p>3. The company is operating. And having some maintenance Receipts of Rs. 81 lakhs.</p>
Sovika infotech Ltd.	ESC = 554 PSC = 0.00 R&S = 183	-112.86	4,00,000	120.00	FMV as per Net Asset Method.	120.00	The Audited Balance Sheet for the FY 2014-15 is not available. So taking the Book Value, basis the the Management Representation.	The Balance Sheet of the company was not available for the FY 2014-15.
Total				638.37		1,239.26		

Asset	Net Worth	Average PAT	No. of Shares	Book Value	Basis	Fair Value	Valuation Assumption	Remarks
Equity Share Application Money								
Core Telecom Pvt. Ltd. (Equity Share Application Money)	ESC = 0.00 PSC = 1 R&S = (240)	-19.14	-	85.00	Balance Sheet Position as on March 31, 2014.	Nil	The Net Worth of the company is negative. And the company is not having Assets and funds to cover the negative net worth and to repay the advances taken by the company. So, taking the nil value.	<p>1. The company is having a Negative net worth and Neglible operations. The Reserves are Rs. (-)2.39 Crore.</p> <p>2. It is not having any asset except cash and Cash equivalents of Rs. 2.72 Lakhs. And the company has taken Advances amounting to Rs. 21 Lakhs.</p> <p>3. Current year, PAT of 5 lakh is due to liability no longer required of 6.97 lakh. Seems to be abnormal income. Last yr impairment of asset is carried for 62 lakh.</p>



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

130

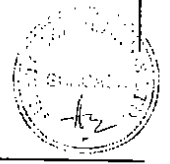
HB Insurance Advisor Pvt. Ltd. (Equity Share Application Money)	ESC = 5 PSC = 0.00 R&S = (31)	-0.00	-	26.00	Balance Sheet Position as on March 31, 2015.	Nil	The Net Worth of the company is negative. And the company is not having any Assets and funds to cover the negative net worth and to repay the advances taken by the company, as cash of Rs. 46,000 is the only asset in the company. So, taking the nil value.	1. The company is having a Negative net worth and Negligible operations. 2. It has taken Advances from Parties amounting to Rs. 26 Lakhs. And the company is not having any asset except cash of Rs. 45,000.
Falcon Portfolios Pvt. Ltd. (Equity Share Application Money)	ESC = 0.00 PSC = 1.00 R&S = 36	13.13	-	7.50	Balance Sheet Position as on March 31, 2015.	Nil	The company is having a liability to repay the preference shares amounting to INR 16.25 Crore. And the company will not be having any additional funds and assets after such repayment. So, taking the nil value.	1. The company has received Share application money of Rs. 16.325 Crores from HBPL & HBSL. And the company has given loans and advances for Rs. 16.66 Crores. 2. During the current year, a profit 50 lakh is earned from the sale of flat.
Total				118.50				

Grand Total (Assets) 5,455.13

Liability	Book Value (In Crores)	Basis	Amount (In Crores)
Employees/Staff cost including retiring benefits being trfd.	3.09	Book Value	3.09
Other Misc. expenses payable being trfd.	0.51	Book Value	0.51
Provision for diminution in long term investment	139.00	Book Value	139.00
Total	142.60		142.60

Grand Total (Liabilities) 142.60

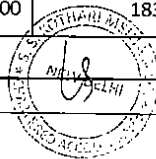
Value of the Undertaking 5,312.53 INR Lakhs
/ Number of Shares 237,92,218
Value Per Share (INR) 22.33 Per Share



Valuation of HBPL for Demerger 1

Particulars	HBPL
NAV (A-L)	11530,96,800
Less : Contingent Liability	
Guarantee Given	750,00,000
Capital Commitment	-
Less : Preference Share Capital	-
NAV Available for Equity Shareholder	10780,96,800
No of Equity Shares	119,92,329
NAV (Per Equity Share)	89.90

S.No.	Particulars	HBPL (as per Balance Sheet)	HBPL (as per Fair Value ascribed)	Remarks
1	Tangible assets	22,14,080	22,14,080	As per the Audited Balance sheet as on March 31, 2015.
	NON-CURRENT INVESTMENTS			
	Investments in Equity Shares (Quoted)	1929,25,043	1022,84,255	Market Value as on March 31, 2015
	Investments in Equity Shares (Unquoted)	2387,82,570	3409,98,362	Fair Value
	Investments in Mutual Funds	61,37,216	311,63,917	Fair Value
2	Investments in Debentures (Unquoted)	14,85,000	30,14,193	The Debentures are Convertible into Equity share of Indian Hotels Company Limited in March, 2016. So, the Investments are valued based upon the Last 6 month average.
	Investments in Preference Share Application	1500,00,000	1500,00,000	Fair Value
	Investments in Preference Shares (Unquoted)	2040,00,000	1836,00,000	Fair Value



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

132

3	Deferred Tax Assets (Net)	3,65,086	3,65,086	As per the Audited Balance sheet as on March 31, 2015.
4	Long-term Loans and Advances	345,08,440	345,08,440	As per the Audited Balance sheet as on March 31, 2015.
6	Other Current Assets	56,00,429	56,00,429	As per the Audited Balance sheet as on March 31, 2015.
7	Cash & Bank Balances	315,14,297	315,14,297	As per the Audited Balance sheet as on March 31, 2015.
8	Short term Loans and Advances	3662,50,000	2950,89,849	Fair Value
TOTAL ASSETS (A)		12337,82,161	11803,52,907	

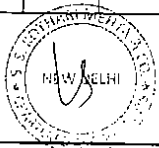
S.No.	Particulars	HBPL (as per Balance Sheet)	HBPL (as per Fair Value)	Remarks
1	Long-term Borrowings	1,34,569	1,34,569	As per the Audited Balance sheet as on March 31, 2015.
2	Long-term Provisions	10,59,474	10,59,474	As per the Audited Balance sheet as on March 31, 2015.
3	Short-term Provisions	102,32,302	102,32,302	As per the Audited Balance sheet as on March 31, 2015.
4	Other Current Liabilities	158,29,762	158,29,762	As per the Audited Balance sheet as on March 31, 2015.
TOTAL LIABILITIES(L)		272,56,107	272,56,107	



Annexure II: Valuation for Demerger 2

Valuation of HBSL Investment Undertaking 2

Demerger from HBSL to HBEDL of Investment Division 2									
Preference Shares & Preference Share Application Money									
Asset	Net Worth	Average PAT	Book Value	Basis	Fair Value	Valuation Assumption	Remarks	Dividend History	
<p>Preference Shares</p> <p>HB Estate Developers Ltd (9% Non Cumulative) (Redeemable in March, 2022 and March, 2023)</p>	<p>ESC = 1614 PSC = 8000 R&S = 3182</p>	-3,222.76	750.00	Actual Yield Expected Yield * Paid Up Value	675.00	<p>The Company is having a Hotel Property in Gurgaon and Real Estate Business. Also the management is expecting the company to be profitable by fourth year of the operations of the Hotel.</p> <p>We are discounting the value by 10% as it may further take 2-3 years for the company to declare the dividend.</p>	<p>1. The Company is having a Hotel Property in Gurgaon having a book value of INR 430 Crores. It is also having a real estate Business having inventory of INR 13.56 Crores (Fair Value as per Valuer is INR 40.13 Crores) as per the audited Balance Sheet of FY 2015.</p> <p>2. Assets of the company includes - Fixed Assets = 431 Cr Non Current Investments = 7.82 Cr Other non Current Assets = 8.45 Cr Long term loans & advances = 1.05 Cr Current Asset = 34.2 Cr</p> <p>3. The company has taken a loan of INR 180 Crores from banks and Inter Corporate loans of 131 Crores.</p>	<p>No dividend has been proposed for the FY 2015 or FY 2014. But dividend was declared by the company in past Years. The management is expecting the company to be profitable by fourth year of the operations of hotel and accordingly the dividend will be proposed to the shareholders</p>	
<p>HB Growth Fund Ltd (3% Non-Cumulative Pref. Shares Redeemable in December, 2019)</p>	<p>ESC = 0.00 PSC = 5.00 R&S = (12)</p>	-0.02	5.00	Actual Yield Expected Yield * Paid Up Value	1.33	<p>As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Advances given for purchase of Property by HB Growth Fund Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS.</p> <p>But since, the Company has not been declaring dividends in the past two financial years, the value has been discounted by 20%.</p>	<p>1. The company has a Negative net worth and Negligible operations.</p> <p>2. It has received Share application money of Rs. 16.85 Crores from HBPL & HBSL. And the company has given advances for property for Rs. 16.76 Crores.</p>	<p>The company has not proposed any dividend for the FY 2015 or FY 2014.</p>	



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

134

<p>HB Securities Ltd (6% Cumulative Preference Shares of Rs. 1000) (Redeemable in 3 Installments of Rs.330, Rs.330 & Rs.340 per share in FY 2019-20, FY 2020-21, and FY 2021-22)</p>	<p>ESC = 721 PSC = 200 R&S = 26</p>	<p>-22.67</p>	<p>100.00</p>	<p>Actual Yield Expected Yield * Paid Up Value</p>	<p>53.33</p>	<p>As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Advances given for purchase of Property given by HB Securities Ltd, are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS.</p> <p>The Preference Shares are cumulative and the company is creating a contingent liability for Dividend on Preference Shares for the past 6 years. Hence the value has been discounted only by 20%.</p>	<p>1. The Audited Balance Sheet of the company as on March 31, 2015 includes the following Assets - Non Current Investments = 5.40 Crores Fixed Assets = 0.10 Crores Long term Loans & advances = 1.26 Crores Short term Loans & advances = 7.73 Crores Cash 2.78 Crores (Out of the 2.76 Cr. Cash and equivalent, 2.46 Cr. are deposited with Stock Exchanges as lien.)</p> <p>2. Redemption of Preference Shares has been extended from FY 2012-13, FY 2013-14, and FY 2014-15 to FY 2019-20, FY 2020-21, and FY 2021-22)</p> <p>3. Contingent Liability = 1.83 Cr for Bank Guarantee and 88 lakhs for Dividend on Cumulative Preference Shares.</p>	<p>The company has created a Contingent Liability for Dividend on Cumulative Preference Shares for the past 6 years amounting to Rs.0.88 Cr (Prev. Year Rs. 0.76).</p> <p>However no dividend has ever been declared due to lack of profits</p>
<p>HB Telecommunication Ltd (3% Non-Cumulative Pref. Shares Redeemable on 9.12.2019)</p>	<p>ESC = 0.00 PSC = 5 R&S = (5)</p>	<p>-0.15</p>	<p>4.00</p>	<p>Balance Sheet Position as on March 31, 2015.</p>	<p>-</p>	<p>The accumulated losses of the company exceeds its net worth as on March 31, 2015. Due to which, the auditor has Emphasised on the significant doubt on the ability of the company to continue as a Going Concern.</p> <p>Also the company is not having any assets or loans and advances. So, it has been considered that the company is not in a position to redeem its preference shares and taking the Nil Value.</p>	<p>1. The company is having a Negative net worth and Negligible operations. There is no revenue</p> <p>2. The company is having no assets or Loans and advances.</p>	<p>The company has not proposed any dividend for the FY 2015 or FY 2014</p>
<p>Gemini Portfolio Pvt. Ltd. (9% Non Cumulative, Non Convertible, Redeemable)</p>	<p>ESC = 10 PSC = 1000 R&S = 834</p>	<p>-64.38</p>	<p>500.00</p>	<p>Actual Yield Expected Yield * Paid Up Value</p>	<p>450.00</p>	<p>As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and Advances given by Gemini Portfolio Pvt. Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS.</p> <p>Since the Preference capital has been issued in the immediately past year there is no dividend history to be checked. However looking at the profitability situation of the past years, it may not be able to pay dividend in the near future, the value has been accounted by 10% only.</p>	<p>1. The Audited Balance Sheet of the company as on March 31, 2015 includes the following Assets - Non Current Investments = Rs. 26.50 Crore Inventory = Rs. 9.33 Crore (Investments) Advances given (Net) = Rs. 8.29 Crores. (Non Current invest includes INR 20 crore investment in Pref Shares in HBEDL.) Short term Loans & advances = 0.40 Crores Cash & Cash Equivalents = 0.26 Crores</p> <p>2. Short Term Borrowings are taken by the Company amounting to Rs. 26 Crore, (Rs. 5 Cr Convertible Debt, Rs. 5 Cr Loan from Corporates, Rs. 16 Cr Inter corporate loans.)</p>	<p>Preference shares have been issued in FY 2014-15.</p> <p>The company has not proposed any dividend for the FY 2015.</p>



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

135

Preference Share Application Money							
HB Growth Fund Ltd. (9% Non Cumulative, Optionally Convertible Preference Share Application Money)	ESC = 0.00 PSC = 5.00 R&S = (12)	-0.02	685.00	Book Value	685.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Advances given for purchase of Property by HB Growth Fund Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS. So, taking the value at Book Value. 1. The company has a Negative net worth and Negligible operations. 2. It has received Share application money of Rs. 16.85 Crores from HBPL & HBSL. And the company has given advances for property for Rs. 16.76 Crores.	Not Applicable
Narmada Capital Services Pvt. Ltd. (9% Cumulative Pref Share Application)	ESC = 40 PSC = 0.00 R&S = (5)	-0.22	435.00	Book Value	435.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and advances given by the company are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS. So, taking the value at Book Value. 1. The Company is having Negative Reserves & Surplus and Negligible operations. 2. The Company has taken the advances for Rs. 5.85 Crores and given the loans and Advances for Rs. 6.14 Crore. 3. It is having an Inventory of Quoted shares of book value = 4L (market value as per balance sheet of Rs. 17 Lakh).	Not Applicable
Falcon Portfolio Mgt. Pvt. Ltd. (9% Non Cumulative optionally Preference Share Application)	ESC = 0.00 PSC = 1.00 R&S = 36	13.13	1,125.00	Book Value	1,125.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and advances given by Falcon Portfolio Mgt. Pvt. Ltd. are considered good in the Audited Balance Sheet and no provisions are required to be created for such advances. So, taking the value at Book Value. 1. The company has received Share application money of Rs. 16.325 Crores from HBPL & HBSL. And the company has given loans and advances for Rs. 16.66 Crores 2. During the current year, a profit 50 lakh is earned from the sale of fiat.	Not Applicable
Total			3,604.00		3,424.67		

Liability	Book Value	Basis	Amount
Employees/Staff cost including retiring benefits being trfd.	2.94	Book Value	2.94
Other Misc. expenses payable being trfd.	1.23	Book Value	1.23
Total	4.17		4.17

Value of the Undertaking	3,420.50	INR Lakhs
/ Number of Shares	237,92,218	
Value Per Share (INR)	14.38	Per Share

Assumptions:
1. The Expected Yield is taken at 9% Post Tax.



Valuation of HBEDL for Demerger II

(In Lakhs)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	Perpetuity
EBITDA (Including Other Income)	1,521.94	2,816.39	3,369.95	4,089.88	4,030.07	4,353.78	4,857.84	5,272.77	6,059.15	6,724.29	7,452.72	7,676.30
Less: Tax		-	-	-	-	-	-	477.03	722.71	880.31	1,050.55	1,082.07
Less: Capex						189.41	206.19	224.47	244.41	266.13	289.81	177.55
Less: Increase in Working capital		649.31	20.47	27.98	-10.96	7.71	22.25	11.94	43.61	29.95	32.96	33.95
Free Cashflows to the Firm		2,167.09	3,349.49	4,061.91	4,041.03	4,156.66	4,629.40	4,559.32	5,048.42	5,547.90	6,079.40	6,382.74
WACC	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Years	0	1	2	3	4	5	6	7	8	9	10	
Discounting Factor	1	0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.40	0.36	0.32	0.32
Present Value		1,935	2,670	2,891	2,568	2,359	2,345	2,062	2,039	2,001	1,957	2,055
Sum of present value- Explicit period	22,828											
Perpetuity value	22,834											
Surplus Cash	333											
Enterprise Value of Hotel Business of HBEDL	45,995											
Less : Total Debt (March, 2015)	27,926											
Shareholder's Value of Hotel Business of HBEDL	18,069											
Add: NPV of Residual business	1,769											
Less : Preference Shares (March, 2015)	8,000											
Less: Contingent Liability	624											
Equity Value of HBEDL (In INR Lakhs)	11,214											
Equity Value of HBEDL (Per Share) (In INR)	69.49											

Terminal Growth Rate 3%

Note:

1. The F&B Revenue has been taken at 81% of Room Revenue, basis the actual of the company in the past years.

Assumptions:

- The debt outstanding and Preference Share Capital as on March 2015 has been adjusted from the EV to arrive at Equity value. Debt includes long term borrowings, short term borrowings and current maturities.
- Tax has been presumed as - Income Tax @ 34.60%, MAT Rate @ 20.9605%.
- As per audited Balance Sheet as on March 31, 2015 Contingent Liabilities amounting to INR 1,262.57 Lakhs. (Out of this, INR 638.69 Lakhs relates to Letter of Credit/Bank guarantee issued by bank which has been ignored)



Assumptions for the Projections

The management of HBEDL had taken the following assumptions while the preparation of the Projections of the HBEDL -

Regarding Revenue

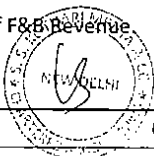
- The Average Room Rate (ARR) of the Hotel Rooms has been taken as INR 8,300 for the year ended March 31, 2016. Thereafter, an average increase of 9% per annum has been assumed by the company in the ARR.
- The occupancy Ratio, i.e., the percentage of the Room Nights of the Hotel that will be occupied during the year has been assumed as follows:
 - Sixty Five Percent for the year ending March 31, 2016.
 - Seventy Percent for the year ending March 31, 2017.
 - Seventy Five Percent for the year ending March 31, 2018 and onwards.

The above values have been assumed based upon the Industry Report carried upon by an HVS.

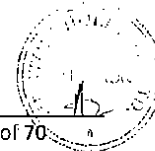
- The food and Beverage Income includes the income from the Restaurant and Banquets. The Hotel is having three Food & Beverage Outlet (2 Restaurant and 1 Bar) and one Banquet. Its income is taken at 81% of the Room Rent Revenue.
- The Other Income includes the Income from Telephone, laundry, business centre etc. which have been taken at 5% of the Room Revenue. Other Income also includes Spa. The Revenue from Spa for the Year ending March 31, 2016 to March 31, 2017 has been taken at INR 100 Lakhs per annum. And from the year ending March 31, 2018 and onwards such revenue has been assumed at INR 200 Lakhs per annum.
- The Hotel is also having a shopping area of 215 Sq. Ft. The average rent for this area for the year ending March 31, 2016 is taken at INR 100 per sq. ft. per month. Thereafter, an average increase of 5% in rent received per annum has been assumed. The occupancy Ratio has been assumed as follows:
 - Fifty Percent for the year ending March 31, 2016.
 - Seventy Five Percent for the year ending March 31, 2017.
 - Hundred Percent for the year ending March 31, 2018 and onwards.

Regarding Cost

- The Food and Beverage cost has been assumed to be 20% of F&B Revenue



- Power and Fuel cost has been assumed to be 10.50% of the Hotel Revenue.
- Salary and Wages (Personnel) - Headcount and Average Salary per Month have been taken as 395 and Rs. 27500 respectively for the year ending March 31, 2016. Thereafter, an increase of 7% has been assumed in salary per annum for the year ending March 31, 2017 while keeping the Headcount same throughout the projections.
- Expenditure on Rent, Rates & Taxes has been assumed to be 2% of the total revenue of the Hotel.
- Upkeep Costs includes an expense of 3.5% of room revenue and 2% of F&B revenue.
- The Repair and Maintenance costs is taken as the following Percentage of Gross Assets of the Hotel -
 - 2015-16: 1%
 - 2016-17: 1.5%
 - 2017-18: 2%
 - 2018-19: 2.5%
 - 2019-20 and 2020-21: 3%
 - 2021-22 and onwards: 3.5%
- The Administration expenses have been taken as 300 Lacs per annum for the year ending March 31, 2016 and thereafter an increase of 5% annually.
- The Operating Expenses are the expenses which are required for the operation of the Hotel. The amount has been taken as following percentage of Hotel Revenue -
 - 2015-16 to 2017-18: 3.5%
 - 2018-19 to 2019-20: 3.4%
 - 2020-21 to 2021-22: 3.3%
 - 2022-23 to 2023-24: 3.2%
- The Advertisement and Promotion expenses have been divided into two parts i.e. Corporate and Local. The expenses under the Corporate Category amount to be 2%, 4%, 4% and 3% of Hotel Revenue for Year 1 to Year 3, Year 4 to Year 5, Year 6 to Year 7 and Year 8 to Year 10 respectively. Likewise, the expense under Local Category is taken as 2% for Year 1 to Year 7 and 1.5% for Year 8 to Year 10, of the F&B Revenue.



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

- AS per the Contract of HBEDL with Taj Group, the HBEDL is supposed to pay Corporate Service Expense and Management Fees to the Taj Group. The expense on Corporate Services which include CRS/CIS has been taken as 2% of Hotel Revenue. And Management Fees has been assumed to be 3% of Hotel Revenue. They are also required to pay incentive to the operators i.e. Taj at 7%, 8%, 9% and 10% of GOP if the Gross Profit Ratio is less than 30%, More than 30% but less than 40%, More than 40% but less than 50% and More than 50% respectively.
- The interest on loan has been taken as 12.50% p.a.
- The interest on Working Capital Borrowing has been taken as 12.50% p.a.
- Depreciation will be provided on SLM as per Companies Act for Profitability and on WDV at rates as per Income Tax Act for Tax Calculation.
- The regular corporate tax will be 30% plus surcharge (Effective Rate: 34%) and MAT will be 18.5% plus Surcharge (Effective Rate: 21%).
- FF&E Reserve, i.e. a reserve created for Furniture, Fixtures and Equipments. The Hotel is creating a reserve of 1.5% of the Hotel Revenue from the year 2018-19 and onwards. The reserve is not created in initial three years of projections as the management is not expecting any change in furniture fixtures and equipments as hotel is a new property.
- The Management of HBEDL is expecting a Capex of 1.5% of the Hotel Revenue in FF&E from the Year 2019-20 and onwards.

(In Lakhs)

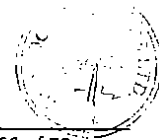
Value of HBEDL for Restructuring II	Basis NAV	Basis DCF
Enterprise Value of Hotel Business of HBEDL	41,311	45,995
* Weights	1	2
Weighted Enterprise Value of Hotel	44,434	
Less : Total Debt (March, 2015)	27,926	
Shareholder's Value of Hotel Business of HBEDL	16,508	
Less : Preference Shares (March, 2015)	8,000	
Equity Value of Hotel Business of HBEDL	8,508	
Add: NPV of Residual business	1,769	
Less: Contingent Liability of HBEDL	624	
Equity Value of HBEDL (In INR Lakhs)	9,553	
/ Number of Shares outstanding before Restructuring II	161,38,287	
Value Per Share (INR)	59.81	



Annexure III: Valuation for Demerger 3

Valuation of HBPL Investment Undertaking 3

Demerger from HBPL to HBEDL of Investment Division 3							Amount in INR Lakhs	
Preference Shares, Preference Shares Application Money & Loans and Advances:								
Asset	Net Worth	Average PAT	Book Value	Basis	Fair Value	Valuation Assumption	Remarks	Dividend History
Preference Shares								
HB Estate Developers Ltd. (9% Non Cumulative) (Redeemable in March, 2022 and March, 2023)	ESC = 1614 PSC = 8000 R&S = 3182	-3,222.76	750.00	Actual Yield Expected Yield Paid Up Value	675.00	The Company is having a Hotel Property in Gurgoan and Real Estate Business. Also the management is expecting the company to be profitable by fourth year of the operations of the Hotel. We are discounting the value by 10% as it may further take 2-3 years for the company to declare the dividend.	1. The Company is having a Hotel Property in Gurgoan having a book value of INR 430 Crores. It is also having a real estate Business having inventory of INR 13.56 Crores (Fair Value as per Valuer is INR 40.13 Crores) as per the audited Balance Sheet of FY 2015. 2. Assets of the company includes - Fixed Assets = 431 Cr Non Current Investments = 7.82 Cr Other non Current Assets = 8.45 Cr Long term loans & advances = 1.05 Cr Current Asset = 34.2 Cr 3. The company has taken a loan of INR 180 Crores from banks and Inter Corporate loans of 131 Crores.	No dividend has been proposed for the FY 2015 or FY 2014. But dividend was declared by the company in past years. The management is expecting the company to be profitable by fourth year of the operations of hotel and accordingly the dividend will be proposed to the shareholders.
Gemini Portfolio Pvt. Ltd. (9% Non Cumulative, Non Convertible, Redeemable)	ESC = 10 PSC = 1000 R&S = 834	-64.38	100.00	Actual Yield Expected Yield Paid Up Value	90.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and Advances given by Gemini Portfolio Pvt. Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS. Since the Preference capital has been issued in the immediately past year there is no dividend history to be checked. However looking at the profitability situation of the past years, it may not be able to pay dividend in the near future, the value has been discounted by 10% only.	1. The Audited Balance Sheet of the company as on March 31, 2015 includes the following Assets - Non Current Investments = Rs. 26.50 Crore Inventory = Rs. 9.33 Crore (Investments) Advances given (Net) = Rs. 8.29 Crores. {Non Current Invest includes INR 20 crore investment in Pref Shares in HBEDL. Short term Loans & advances = 0.40 Crores Cash & Cash Equivalents = 0.26 Crores 2. Short Term Borrowings are taken by the Company amounting to Rs. 26 Crore. { Rs. 5 Cr Convertible Debn, Rs. 5 Cr Loan from Corporates, Rs. 16 Cr. inter corporate loans.)	Preference shares have been issued in FY 2014-15 The company has not proposed any dividend for the FY 2015.

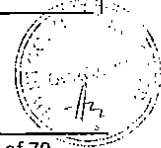


Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

Venus Portfolio Pvt. Ltd. (9% Non Cumulative, Non Convertible, Redeemable)	ESC = 26 PSC = 1250 R&S = 1397	-23.28	1,190.00	Actual Yield Expected Yield - Paid Up Value	1,071.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and Advances given by Venus Portfolio Pvt. Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS. Since the Preference capital has been issued in the immediate past year, there is no dividend history to be checked. However, looking at the profitability situation of the past years, it may not be able to pay dividend in the near future, the value has been discounted by 10% only.	1. The Audited Balance Sheet of the company as on March 31, 2015 includes the following Assets - Non Current Investments = Rs. 24.17 Crore Inventory = Rs. 7.69 Crore (Investments) Advances given (Net) = Rs. 18.30 Crores. (Non Current Investment includes INR 20 crore investment in Pref Shares in HBEDL.) Cash & Cash Equivalents: Rs. 0.10 Cr. 2. Short Term Borrowings are taken by the Company amounting to Rs. 23.32 Crore. (Rs. 9.82 Crore Overdraft and Rs. 13.5 Cr Inter corporate loans.) 3. Reserves & Surplus = INR 14 crore (including CRR of INR 15 Crore).	Preference shares have been issued in FY 2014-15. The company has not proposed any dividend for the FY 2015.
Total			2,040.00		1,836.00			

Preference Share Application Money

Falcon Portfolio Mgt. Pvt. Ltd. (9% Non Cumulative optionally Preference Share Application)	ESC = 0.00 PSC = 1.00 R&S = 36	13.13	500.00	Book Value	500.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and advances given by Falcon Portfolio Mgt. Pvt. Ltd. are considered good in the Audited Balance Sheet and no provisions are required to be created for such advances. So, taking the value at Book Value.	1. The company has received Share application money of Rs. 16.325 Crores from HBPL & HBSL. And the company has given loans and advances for Rs. 16.66 Crores. 2. During the current year, a profit 50 lakh is earned from the sale of flat.	Not Applicable
HB Growth Fund Ltd. (9% Non Cumulative, Optionally convertible Preference Share Application)	ESC = 0.00 PSC = 5.00 R&S = (12)	-0.02	1,000.00	Book Value	1,000.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Advances given for purchase of Property by HB Growth Fund Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS. So, taking the value at Book Value.	1. The company has a Negative net worth and Negligible operations. 2. It has received Share application money of Rs. 16.85 Crores from HBPL & HBSL. And the company has given advances for property for Rs. 16.76 Crores.	Not Applicable
Total			1,500.00		1,500.00			



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

142

Loans and Advance							
Gemini Portfolio Pvt. Ltd. (Advance given)	ESC = 10 PSC = 1000 R&S = 834	-64.38	1,000.00	Book Value	1,000.00	<p>As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and Advances given by Gemini Portfolio Pvt. Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS.</p> <p>1. The Audited Balance Sheet of the company as on March 31, 2015 includes the following Assets - Non Current Investments = Rs. 26.50 Crore Inventory = Rs. 9.33 Crore (Investments) Advances given (Net) = Rs. 8.29 Crores. (Non Current invest includes INR 20 crore investment in Pref Shares in HBEDL.) Short term Loans & advances = 0.40 Crores Cash & Cash Equivalents = 0.26 Crores</p> <p>2. Short Term Borrowings are taken by the Company amounting to Rs. 26 Crore. (Rs. 5 Cr Convertible Debt, Rs. 5 Cr Loan from Corporates, Rs. 16 Cr Inter corporate loans.)</p>	Not Applicable
Jupiter Portfolio (Advance given)	ESC = 25.00 PSC = 0.00 R&S = (1814)	-165.47	992.50	Realisable Value	280.90	<p>The Net Worth of the company is negative. And the company is not having sufficient Assets and funds to repay it loans and advances of Rs. 25.51 Crore. So, we are valuing the Advance based upon the Realisable Value as under -</p> <p>Quoted Investments (MV) Rs 0.99 Crore Unquoted Shares (Book Value) Rs 0.11 Crore Advance for Property (Book Value) Rs 5.99 Cr Cash & Cash Eq. (Book Value) Rs. 0.13 Cr Tangible Assets (Book Value) Rs. 0.03 Total Assets = Rs 7.24 Crore Less: Current Liability 0.03 Remaining Assets = Rs. 7.21 Crore For share of HBPL (39%), Rs. 2.81 Crore can be repaid.</p> <p>(Based upon the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and Advances given are considered good and no provisions are required to be created for such advances.)</p> <p>1. The company is having Negative Net Worth. The net worth is (-) 17.89 Crore as on March 31, 2015.</p> <p>2. The company is having following assets as per the Audited Balance Sheet of March, 2015 - Advance given for property = Rs. 5.99 Crore Tangible Assets = Rs. 0.03 Crore Cash & Cash eq. = Rs. 0.13 Crore Non Current Investment = Rs. 1.50 Crore (Market value of quoted shares is Rs. 99 lakhs against book value of 1.39 Crore. No provision created.)</p> <p>3. It has taken a Advance of Rs. 25.51 Crore. And company has further given an advance for property for Rs. 6 Crore, which is considered good as per the Audited Balance Sheet of March, 2015.</p>	Not Applicable



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

143

Venus Portfolio Pvt. Ltd. (Unsecured Loan Given)	ESC = 26 PSC = 1250 R&S = 1397	-23.78	350.00	Book Value	350.00	As per the Audited Balance Sheet of the company for the FY 2015 signed by the Statutory Auditors and the Management of the Company, considering that the Loans and Advances given by Venus Portfolio Pvt. Ltd. are considered good in the Audited Balance Sheet and no provisions for such advances have been provided for in the BS.	<p>1. The Audited Balance Sheet of the company as on March 31, 2015 includes the following Assets - Non Current Investments = Rs. 24.17 Crore Inventory = Rs. 7.69 Crore (Investments) Advances given (Net) = Rs. 18.30 Crores. (Non Current Investment includes INR 20 crore investment in Pref Shares in HBEDL.) Cash & Cash Equivalents: Rs. 0.10 Cr.</p> <p>2. Short Term Borrowings are taken by the Company amounting to Rs. 23.32 Crore. (Rs. 9.82 Crore Overdraft and Rs. 13.5 Cr Inter corporate loans.)</p> <p>3. Reserves & Surplus = INR 14 crore (including CRR of INR 15 Crore)</p>	Not Applicable
HB Estate Developers Ltd. (Loans - Unsecured)	ESC = 1614 PSC = 8000 R&S = 3182	-3,222.76	900.00	Book Value	900.00	The Company is having a Hotel Property in Gurgaon and Real Estate Business. Also the management is expecting the company to be profitable by fourth year of the operations of the Hotel. Based upon these, taking the book value.	<p>1. The Company is having a Hotel Property in Gurgaon having a book value of INR 430 Crores. It is also having a real estate Business having inventory of INR 13.56 Crores (Fair Value as per Valuer is INR 40.13 Crores) as per the audited Balance Sheet of FY 2015.</p> <p>2. Assets of the company includes - Fixed Assets = 431 Cr Non Current Investments = 7.82 Cr Other non Current Assets = 8.45 Cr Long term loans & advances = 1.05 Cr Current Asset = 34.2 Cr</p> <p>3. The company has taken a loan of INR 180 Crores from banks and Inter Corporate loans of 131 Crores.</p>	Not Applicable
Mount Estates Pvt. Ltd. (Advance against Property)	Balance Sheet not provided.	Balance Sheet not provided.	420.00	Book Value	420.00	Based upon the Board Resolution of HB Portfolio Limited it has been explained that the HBPL will be getting the flats in future as consideration of this advance money. So, based upon the Management's Representation it has been taken at book value.		Not Applicable
Total			3,662.50		2,950.90			



Valuation Report to determine Share Exchange Ratio upon the Proposed Restructuring of HB Group

Liability	Book Value	Basis	Amount
Employees/Staff cost including retiring benefits being trfd.	2.02	Book Value	2.02
Other Misc. expenses payable being trfd.	1.52	Book Value	1.52
Total	3.54		3.54

Grand Total (Assets)	6,287	
Grand Total (Liabilities)	4	
Value of the Undertaking	6,283	INR Lakhs
/ Number of Shares	179,40,384	
Value Per Share (INR)	35.02	Per Share:

Assumptions :

1. The Expected Yield is 9% (net of taxes).

Valuation of HBEDL for Demerger 3

Value of HBEDL for Restructuring III	
Shareholder's Value of Hotel Business of HBEDL	16,508
Add: NPV of Residual business	1,769
Less : Preference Shares (March, 2015)	7,250
Less: Contingent Liability	624
Add : Value of Division demerged from HBSL	2,670
Equity Value of HBEDL (In INR Lakhs)	13,073
/ Number of Shares outstanding after Restructuring II	218,48,419
Value Per Share (INR)	59.84

