



# VALUATION REPORT

Valuation report for determining the number of equity shares to be allotted pursuant to proposed merger

## **Abstract**

The purpose of this Valuation Report is to render valuation to determine the number of equity shares to be allotted pursuant to the proposed merger of Kunjal Investments Private Limited into Voltamp Transformers Limited as per proposed Scheme of Amalgamation

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# CA Hitendra Ranka

**IBBI Registered Valuer**

**Asset Class: Securities or Financial Assets**

**Reg. No.: IBBI/RV/06/2019/11695**

**Strictly private and confidential**

**Dated: 10<sup>th</sup> May 2020**

**To,  
The Board of Directors  
Voltamp Transformers Limited,  
Makarpura,  
Vadodara,  
Gujarat – 390014,  
India.**

**To,  
The Board of Directors,  
Kunj Investments Private Limited,  
Nirmaya, Bhaili Raipura Road,  
Bhaili, Vadodara  
Gujarat – 391410,  
India.**

## **Table of Contents**

<b>1. CONTEXT AND PURPOSE.....</b>	<b>2</b>
<b>2. CONDITIONS AND MAJOR ASSUMPTIONS .....</b>	<b>2</b>
2.1 CONDITIONS .....	2
2.2 ASSUMPTIONS.....	2
<b>3. BACKGROUND OF COMPANIES AND DETAILS OF PROPOSED SCHEME.....</b>	<b>4</b>
3.1 BACKGROUND OF THE COMPANIES .....	4
3.2 DETAILS OF PROPOSED SCHEME .....	5
<b>4. VALUATION DATE.....</b>	<b>6</b>
<b>5. SOURCES OF INFORMATION .....</b>	<b>6</b>
<b>6. VALUATION STANDARDS .....</b>	<b>6</b>
<b>7. VALUATION METHODOLOGY AND APPROACH.....</b>	<b>6</b>
<b>8. CAVEATS .....</b>	<b>7</b>
<b>9. DISTRIBUTION OF REPORT .....</b>	<b>8</b>
<b>10. RECOMMENDATION OF NUMBER OF EQUITY SHARES TO BE ALLOTTED .....</b>	<b>8</b>

## 1. CONTEXT AND PURPOSE

The purpose of this Valuation Report is to render valuation for determining the number of equity shares that shall be issued and allotted as fully paid up to the equity shareholders of the Kunjal Investments Private Limited (hereinafter referred to as “KIPL” or “the transferor Company”) in the proportion of their shareholding in the transferor company for the proposed Merger of KIPL with Voltamp Transformers Limited (hereinafter referred to as “VTL” or “the transferee company”) pursuant to the proposed scheme of amalgamation (hereinafter referred to as ”Scheme”) to be implemented under the provisions of section 230 to 232 of the Companies Act, 2013 and other related rules.

KIPL and VTL are together hereinafter referred to as “Companies”.

The Final Valuation Report / Certificate of Valuation so provided to the directors of the KIPL and VTL may be used by them for the purpose of allotment of equity shares of VTL to equity shareholders of KIPL pursuant to the proposed scheme of amalgamation.

## 2. CONDITIONS AND MAJOR ASSUMPTIONS

### 2.1 CONDITIONS

We have not audited, reviewed, or compiled the Financial Statements of the Companies and express no assurance on them. We acknowledge that we have no present or contemplated financial interest in the companies. Our fees for this valuation is based upon our normal billing rates, and not contingent upon the results or the value of the business or determination of number of shares to be allotted or in any other manner. We have no responsibility to modify this report for events and circumstances occurring subsequent to the date of this report.

We have, however, used conceptually sound and generally accepted methods, principles and procedures of valuation in determining the number of equity shares to be allotted included in this report. The valuation analyst, by reason of performing this valuation and preparing this report, is not to be required to give expert testimony nor to be in attendance in court or at any government hearing with reference to the matters contained herein, unless prior arrangements have been made with the valuation professional regarding such additional engagement.

### 2.2 ASSUMPTIONS

In the course of determination of the number of equity shares that shall be issued and allotted, we were provided with both written and verbal information, including market, financial and operating data. In accordance with the terms of our engagement, we have assumed and relied upon below significant assumptions without independent verification:

- a) This Report, its contents and the results herein are specific to the purpose of determining the number of equity shares that shall be issued and allotted agreed as per the terms of our engagement; the Report date and based on the Provisional financial statements of the KIPL provided by its management for the period starting from 1 April 2020 to 8 May 2020.
- b) Based on the information and explanations provided by the management of KIPL and our review of the Provisional financial statements received as stated in above point, we understand that KIPL has only following assets and liabilities:

***Balance sheet of KIPL as at 8 May 2020***

<b>Particulars</b>	<b>Amount</b>
<b>EQUITY AND LIABILITIES</b>	
Shareholders' funds	
Share capital	126,300
Reserves and surplus	675,623,579
	<b>675,749,879</b>
<b>Current liabilities</b>	
Other current liabilities	95,500
	<b>95,500</b>
<b>Total</b>	<b>675,845,379</b>
<b>ASSETS</b>	
<b>Non-current assets</b>	
Non-current investments	655,924,784
Long-term loans and advances	4,615,177
	<b>660,539,961</b>
<b>Current assets</b>	
Cash and Bank balances	15,305,418
	<b>15,305,418</b>
<b>Total</b>	<b>675,845,379</b>

- c) As per the information and explanations received from the management of the KIPL, we understand that:
- Advance tax balance (net of provisions) amounting to Rs. 4,615,177/- represents excess taxes paid pertaining to earlier years and the same is expected to be refunded by Income Tax Department.
  - There is no expected income tax outflow for the FY 2019-20 and consequently no outstanding provision as per the above Balance sheet.
  - There is no expected income tax outflow for the period starting from 1 April 2020 to 8 May 2020 and hence no outstanding provision as per the above Balance sheet.
  - Unpaid Audit fees amounting to Rs. 95,500 will be paid from the available cash and bank balance i.e. Rs. 15,305,418/-.
  - Expected outflow towards the Corporate Social Responsibility ('CSR') expenditure to be incurred as per the relevant provisions of the Companies Act, 2013 is estimated at Rs. 15,00,000/- which will be paid from the available cash and bank balance.
  - Further, surplus amount of cash and bank balance i.e. Rs. 18,325,095/- (after considering the income tax refund, unpaid audit fees and expected CSR expenditure) including the dividend amount, if any, to be received from VTL is budgeted for the expenses related to

proposed scheme like legal and professional fees etc. among other things. Moreover, in case of deficit or surplus except as required to settle all scheme related expenses if any, shall be contributed by promoters / distributed as dividends respectively in their shareholding proportion.

- d) We have not attempted to confirm whether all assets of the companies are free and clear of liens and encumbrances, or that the owner has good title to all the assets.
- e) We have been informed by management of these companies that there are no environmental or toxic contamination problems, any significant lawsuits, or any other undisclosed contingent liabilities which may potentially affect the business, except as may be disclosed elsewhere in this report. We have assumed that no costs or expenses will be incurred in connection with such liabilities, if any.

### 3. BACKGROUND OF COMPANIES AND DETAILS OF PROPOSED SCHEME

#### 3.1 BACKGROUND OF THE COMPANIES

**VTL**, having CIN L31100GJ1967PLC001437 was incorporated in March 2, 1967 at Vadodara. The Company is engaged in the manufacturing of electrical transformers. The Company's products include Oil Filled Transformers, Cast Resin Transformers, Unitised Sub-Station, Induction Furnace Transformers and Lighting Transformers. The Company has an installed facility to manufacture Oil filled Power and Distribution Transformers up to approximately 160 mega volt ampere (MVA), 220 kilovolt (KV) class. Its Unitised Sub-Station can be installed in buildings, housing colonies, shopping malls, construction sites, mobile substations, wind energy, utilities and gas stations. Equity Shares of VTL are listed on BSE Ltd. ('BSE') and National Stock Exchange of India Ltd. ('NSE').

The Shareholding Pattern of VTL as on 8 May 2020\$ is as follows:

<b>Particulars</b>	<b>Equity Shares</b>	<b>Shareholding (%)</b>
Kunj Investments Private Limited	43,44,474	42.94 %
Kunj Lalitkumar Patel	7,14,087	7.06 %
Public (Institutions)	37,84,664	37.28 %
Public (Non-Institutions)	12,73,895	12.72 %
<b>Total</b>	<b>1,01,17,120</b>	<b>100.00%</b>

*\$ Based on NSDL/CDSL data as at 8 May 2020*

**KIPL** is a private company incorporated under the provisions of the Companies Act, 1956 on October 23, 1973 bearing Corporate Identification Number U65100GJ1973PTC002415, having registered office at Vadodara. KIPL is an Investment Company and is registered as NBFC Company with Reserve Bank of India. KIPL currently holds 42.94% of the equity share capital of VTL.

The Shareholding pattern of KIPL as on March 31, 2020# is as follows:

Particulars	Equity Shares	Shareholding (%)
Kunjai Lalitkumar Patel	1,257	99.52%
Taral Kunjal Patel	6	0.48%
<b>Total</b>	<b>1,263</b>	<b>100.00%</b>

*#As informed by management of the KIPL, there is no change in the shareholding pattern of the Companies between 31 March 2020 to 8 May 2020 i.e. our valuation date.*

### 3.2 DETAILS OF PROPOSED SCHEME

The scheme of amalgamation is presented under Sections 230 to 232 and other applicable provisions of the Companies Act, 2013 read with Companies (Compromises, Arrangements and Amalgamations) Rules, 2016. The Scheme provides for Amalgamation of KIPL with VTL.

#### **Rationale for the Scheme of Amalgamation**

KIPL forms part of the promoter group of VTL. It presently holds 43,44,474 equity shares in VTL representing about 42.94 % of total paid up share capital.

It is proposed to amalgamate transferor company into transferee company under this scheme, as a result of which shareholders of the transferor company shall directly hold equity shares in the transferee company and consequently following advantages will accrue to the companies.

- ✚ The amalgamation will lead to simplification of the shareholding structure and reduction of shareholding tiers and demonstrate promoters' direct commitment to and engagement with VTL. The amalgamation shall have no adverse implications for KIPL, VTL or Public Shareholders of VTL.
- ✚ The promoter group cumulatively will continue to hold the same number and also same percentage of shares in VTL, pre and post amalgamation. There will be no change in the financial position of the transferee company.
- ✚ Reduction in number of entities will lead to apparent and flexible group structure and aligned promoter shareholding; and
- ✚ The Scheme provides that the promoters will indemnify, defend and hold harmless the transferee company, its directors, employees, officers, representatives, or any other person authorized by the transferee company for any liability, claim, or demand, which may devolve upon the transferee company on account of this amalgamation.

#### 4. VALUATION DATE

The analysis of determining the number of equity shares that shall be issued and allotted has been carried out as on 8<sup>th</sup> May 2020.

#### 5. SOURCES OF INFORMATION

For the purpose of the report, following documents, and/or information published or provided by the management of the companies / or gathered from public domain have been relied upon:

- Audited financial statements of KIPL for the year ended 31 March 2019;
- Provisional financial statements of KIPL for the period starting from 1 April 2020 to 8 May 2020;
- Proposed Draft scheme of amalgamation;
- Shareholding pattern of the Companies as at 8<sup>th</sup> May 2020;
- Such other analysis, reviews and enquiries, as considered relevant.

#### 6. VALUATION STANDARDS

The Report has been prepared in compliance with the Valuation standards adopted by ICAI Registered Valuers Organisation.

#### 7. VALUATION METHODOLOGY AND APPROACH

As per the proposed scheme of amalgamation, in consideration of merging KIPL into VTL, number of equity shares held by the transferor company in the equity share capital of the transferee company shall be issued and allotted as fully paid up to the equity shareholders of the Transferor company in the proportion of their holding in the transferor company.

The Management of VTL has further indicated that the equity shareholding of VTL pursuant to the proposed merger of KIPL into VTL would be same as the shareholding of VTL (Pre-merger) as the new equity shares of VTL would be issued to the equity shareholders of KIPL in proportion to their shareholding in KIPL (Pre-merger) to the extent of shareholding of KIPL in VTL (Pre-merger) as referred in point no. 3.2 above. Thus, we understand that, once the scheme is implemented, all the equity shareholders of KIPL would become the equity shareholders of VTL and their aggregate shareholding will mirror the shareholding of KIPL in VTL (Pre-merger). Consequently, we understand that the interest of the equity shareholders of VTL will remain unchanged and therefore from that perspective, equity shareholders interest would not be prejudicially affected. The Scheme does not envisage dilution of the holding of any one or more of equity shareholders as a result of operation of the scheme.

## 8. CAVEATS

Provision of valuation recommendations and considerations of the issues described herein are areas of our regular corporate advisory practice. The services do not represent accounting, assurance, financial due diligence review, consulting, transfer pricing or domestic/international tax-related services that may otherwise be provided by us.

Our review of the affairs of the Companies and its books and account does not constitute an audit in accordance with Auditing Standards. We have relied on explanations and information provided by the Management of the Companies and accepted the information provided to us as accurate and complete in all respects. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided. Nothing has come to our attention to indicate that the information provided had material misstatements or would not afford reasonable grounds upon which to base the Report.

The report is based on the details and information provided to us by the Management of the Companies and thus the responsibility for the assumptions on which they are based is solely that of the Management of the Companies and we do not provide any confirmation or assurance on these assumptions. Similarly, we have relied on data from external resources. These sources are considered to be reliable and therefore, we assume no liability for the accuracy of the data. We have assumed that the business continues normally without any disruptions due to statutory or other external/internal occurrences.

The valuation worksheets prepared for the exercise are proprietary to the valuer and cannot be shared except as stated in the purpose statement of this document. Any clarifications on the workings will be provided on request, prior to finalizing the Report, as per the terms of our engagement.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them.

The determination of number of equity shares to be allotted, contained herein represents only on the date that is specifically stated in this Report. This Report is issued on the understanding that the Management of the Companies has drawn our attention to all matters of which they are aware, which may have an impact on our Report up to the date of signature. We have no responsibility to update this Report for events and circumstances occurring after the date of this Report.

We have no present or planned future interest in the Companies and the fee for this Report is not contingent upon the values reported herein.

Our recommendation on the number of equity shares to be allotted should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into any transaction with the Company.



## 9. DISTRIBUTION OF REPORT

The Analysis is confidential and has been prepared exclusively for the Management/Directors of the Companies which may be used by them for the purpose of allotment of equity shares of VTL to equity shareholders of KIPL pursuant to the proposed scheme of amalgamation.

It should not be used, reproduced or circulated to any other person or for any purpose other than as mentioned above, in whole or in part, without our prior written consent. Such consent will only be given after full consideration of the circumstances at the time.

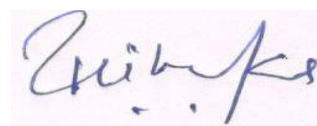
## 10. RECOMMENDATION OF NUMBER OF EQUITY SHARES TO BE ALLOTTED

On the basis of the foregoing, an aggregate of 4,344,474/- equity shares held by KIPL in the equity share capital of VTL shall be issued and allotted as fully paid up to the equity shareholders of the KIPL in the proportion of their holding, which represents their beneficial interest, through KIPL, in VTL.

The Computation and other workings are attached as per **Annexure I**

Thanking you,

Yours Faithfully,



**Hitendra Ranka**

**Registered Valuer**

**Asset Class : Securities or Financial Assets**

**Registration No. IBBI/RV/06/2019/11695**

**Place: Ahmedabad**

**Date: 10 May 2020**

**UDIN: 20157129AAAAAE5787**

## ANNEXURE I

**Computation of Number of Equity Shares to be allotted  
Scheme of Merger**

As per the Scheme of Amalgamation ('Scheme'), KIPL is proposed to be merged into VTL. Once the scheme is implemented, all the equity shareholders of KIPL would become the equity shareholders of VTL and their aggregate shareholding will mirror the shareholding of KIPL in VTL (Pre-merger). Hence, no relative valuation of the two entities is required to be undertaken. Hence, we have not carried out valuation of these companies under generally accepted valuation approaches as below:

Valuation Approach	VTL		KIPL	
	Value Per Share	Weight	Value Per Share	Weight
Assets Approach	NA	0%	NA	0%
Income Approach	NA	0%	NA	0%
Market Approach	NA	0%	NA	0%

On the basis of the provisional financial statements of KIPL for the period starting from 1 April 2020 to 8 May 2020 and the information and explanations received from the management of KIPL, we understand that:

- Advance tax balance (net of provisions) amounting to Rs. 4,615,177/- represents excess taxes paid pertaining to earlier years and the same is expected to be refunded by Income Tax Department.
- There is no expected income tax outflow for the FY 2019-20 and consequently no outstanding provision as per the above Balance sheet.
- There is no expected income tax outflow for the period starting from 1 April 2020 to 8 May 2020 and hence no outstanding provision as per the above Balance sheet.
- Unpaid Audit fees amounting to Rs. 95,500 will be paid from the available cash and bank balance i.e. Rs. 15,305,418/-.
- Expected outflow towards the Corporate Social Responsibility expenditure to be incurred as per the relevant provisions of the Companies Act, 2013 is estimated at Rs. 15,00,000/- which will be paid from the available cash and bank balance.
- Further, surplus amount of cash and bank balance i.e. Rs. 18,325,095/- (after considering the income tax refund, unpaid audit fees and expected CSR expenditure) including the dividend amount, if any, to be received from VTL is budgeted for the expenses related to proposed scheme like legal and professional fees etc. among other things. Moreover, in case of deficit or surplus except as required to settle all scheme related expenses if any, shall be contributed by promoters / distributed as dividends respectively in their shareholding proportion.

Subsequently, upon merger of KIPL with VTL, the investment of KIPL in VTL would be cancelled. Accordingly, the value of KIPL would be entirely derived from the underlying value of VTL, and consequently, the value of KIPL would be the proportionate value of the investment of KIPL in VTL. Hence, the shareholders of KIPL would be adequately compensated, for cancellation of their shareholding in KIPL, upon the merger, by issuance of equity shares in VTL as computed on next page.

*Analysis and computation of number of equity shares of VTL to be allotted to the equity shareholders of KIPL on KIPL's merger with VTL*

**Pre-merger Shareholding in VTL**

Particulars	Equity Shares	Shareholding (%)
Kunjai Investments Private Limited (a)	4,344,474	42.94%
Kunjai Lalitkumar Patel	714,087	7.06%
Public (Institutions)	3,784,664	37.41%
Public (Non-Institutions)	1,273,895	12.59%
<b>Total</b>	<b>10,117,120</b>	<b>100%</b>

**Pre-merger Shareholding in KIPL**

Shareholders of KIPL	Prior merger shareholding in KIPL
Kunjai Lalitkumar Patel (b)	1,257
Taral Kunjal Patel (c)	6
<b>Total (d)</b>	<b>1,263</b>

**Post-merger Shareholding in VTL**

Particulars	Equity Shares	Shareholding (%)	Remarks
Kunjai Lalitkumar Patel (by way of allotment of new equity shares post merger) (a)*(b)/(d)	4,323,835	42.74%	As per point # 12.1 of the draft scheme, number of shares held by the transferor company in the share capital of the transferee company as on the record date shall be issued and allotted as fully paid up to the equity shareholders of the Transferor company in the proportion of their holding in the transferor company.
Taral Kunjal Patel (by way of allotment of new equity shares post merger) (a)*(c)/(d)	20,639	0.20%	
Kunjai Lalitkumar Patel	714,087	7.06%	
Public (Institutions)	3,784,664	37.41%	
Public (Non-Institutions)	1,273,895	12.59%	
<b>Total</b>	<b>10,117,120</b>	<b>100.00%</b>	

*This means that number of equity shares of KIPL's investment in VTL (pre-merger) i.e. 4,344,474/- needs to be issued and allotted to the equity shareholders of KIPL in proportion to their respective shareholding in KIPL.*

We understand that the interest of the shareholders in VTL will remain unchanged and therefore from that perspective shareholders interest would not prejudicially affected. The merger under this scheme does not envisage dilution of the holding of any one or more of shareholders as a result of operation of the Scheme.