ANNEXURE - III

(37)

S C Verma & Associates
Chartered Accountants

Date: September 16, 2017

Board of Directors P G Industry Limited A – 30, S – 11, Second Floor, Kailash Colony, New Delhi – 110048	Board of Directors Priceless Overseas Limited A – 30, S – 11, Second Floor, Kailash Colony, New Delhi – 110048

Subject: Recommendation of Share Exchange ratio/ Share Entitlement ratio for the purpose of proposed amalgamation of Priceless Overseas Limited with P G Industry Limited, under a proposed Scheme of Amalgamation under Sections 230 to 232 of Companies Act, 2013.

We, M/s S C Verma & Associates, Chartered Accountants ("valuer" or "we" or "us") refer to the engagement letter, wherein P G Industry Limited ("Amalgamated Company") and Priceless Overseas Limited ("Amalgamating Company") have requested us to recommend the Share Exchange ratio/ Share Entitlement ratio in connection with the proposed Scheme of Amalgamation ("Scheme") involving amalgamation of Amalgamating Company into Amalgamated Company.

Accordingly, we have carried out the assignment of recommending the Share Entitlement ratio of Equity Shares under the proposed Scheme of Amalgamation and are pleased to provide our detailed assessment as annexure 1 to this letter.

For, S C Verma & Associates
(Chartered Accountants)
Firm Registration Number: 04180N

S.C. VERMA & ASSOCIATES CHARTERED ACCOUNTANTS B-208, R.G. Complex, Motia Khan Comm. Complex Pahar Ganj, New Delhi-55 Ph.: 43541594, 43541595

Satya Parkash Gupta
Partner
Membership Number: 08568

P.G. INDUSTRY LIMITED NEW DELHI

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Annexure-I

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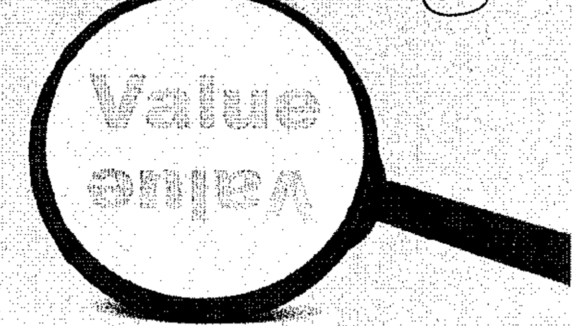
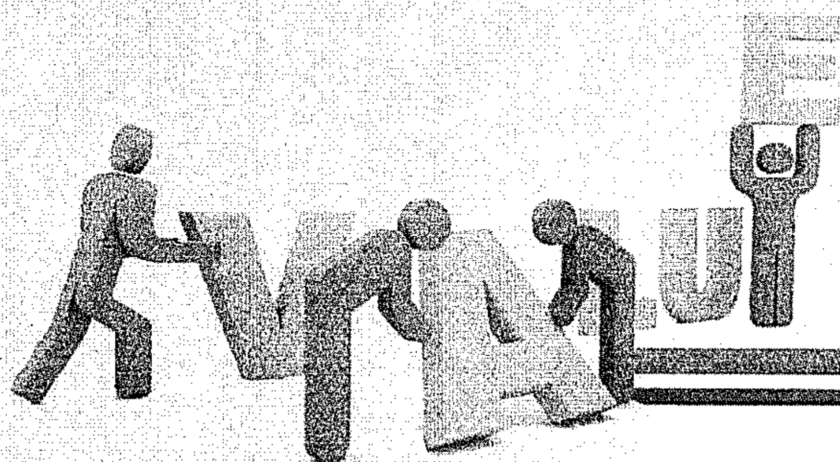




VALUATION

P.G. INDUSTRY LIMITED
NEW DELHI

CA S P Gupta
B.com.,LL.B, FCA
M/s. S C Verma & Associates

16th September, 2017

Valuation Report on the

Share Exchange Ratio for the merger of

P G INDUSTRY LIMITED

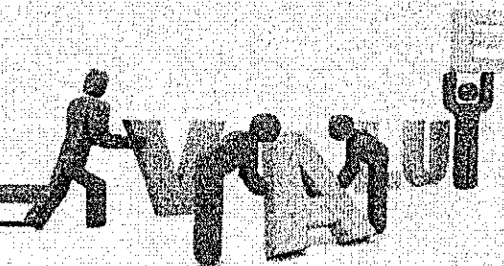
And

PRICELESS OVERSEAS LIMITED

S.C. VERMA & ASSOCIATES CHARTERED ACCOUNTANTS

P.G. INDUSTRY LIMITED NEW DELHI

Introduction



S.P. Gupta, Partner of **S C Verma & Associates** has been engaged by the Board of Directors of P G Industry Limited (hereinafter referred to as "PGIL"), Priceless Overseas Limited (hereinafter referred to as "POL"), to provide assistance in determining the share exchange ratio (herein after called as " exchange ratio") for the proposed merger of **"POL" with "PGIL"**,

Sources of Information

For the purpose of valuation, we have relied upon the following sources of information:

a) Annual Audited Reports of "PGIL" for the years 2012, 2013, 2014, 2015, 2016, 2017

b) Annual Audited Reports of "POL" for the years 2012,2013,2014,2015,2016,2017

c) Valuation Report of land

Brief Background

P G Industry Limited

The Company was incorporated on 13th December 1993 under the Companies Act, 1956 and listed on Bombay Stock Exchange and Calcutta Stock Exchange. The Company is the largest importer of imported marble from select quarries spread all over the world such as Italy, Turkey, Oman, China, Spain, Greece, etc. The Company established its processing plant at Behror (Rajasthan) during the year 1993. And it was further expanded and renovated during the year 2010. The Company has one of the largest showroom cum warehouse located in Delhi.

P G Industry Limited is a preferred choice for projects requirements as it has well established track record for supplying to some of the largest and most prestigious projects all across India may it be -hotels, shopping malls, premium residential complex, corporate head quarters, offices etc. Some of the clients are Unitech, Tata Housing, Larson & Turbo, Omaxe, Prateek Buildtech, Eros, Jaypee Group, DLF, etc.

At present, Board of Directors of the Company comprises of:

S. No.	Name of Director	Category	Experience
1	**Mr. Saket Dalmia**	Managing Director	More than 20 years of experience in the areas of Raw material procurement, Finance, Sales & Marketing
2	**Mr. Amit Dalmia**	Director	More than 20 years of experience in the areas of Raw material procurement, Finance, Sales & Marketing
3	**Mr. Pardip Asopa**	Independent Director	More than 10 years of experience in Banking and Finance
4	**Mr. Anil Kumar**	Independent Director	8 years of experience in Accounts and Finance
5	**Mrs. Usha Sharma**	Director	4 years of experience in Sales & Marketing

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Mr. Saket Dalmia is the Promoter and Managing Director of M/s. P G Industry Limited headquartered in Delhi. Mr. Saket Dalmia has a Bsc. Degree in Master of Business Administration from Georgetown University Washington D.C., United States of America. Mr. Saket Dalmia has been actively involved in P H D Chamber of Commerce. He has been the Chairman of the Young Business Leaders Forum for the past 5 – 6 Years.

Mr. Amit Dalmia is the Promoter and Director of M/s. P G Industry Limited. Mr. Amit Dalmia has Graduation Degree from Washington University, United States of America. Mr. Amit Dalmia is also active member of Entrepreneurs' Organisation, New Delhi.

The Company has very bright future prospects as the Company is planning to expand its processing plant i.e. gang saw line, resin line, polish line, etc further in order to get more business opportunities. The Company has achieved sales turnover of Rs. 19 Crore for the quarter ending on 30th June 2017 as compared to Rs. 8 Crore for the quarter ending on 30th June 2016. The Company has seen 200 % increase in Sales turnover for the first quarter of Financial Year 2017-18 as compared to first quarter of previous financial year and believes to get more business opportunities in the current financial year and in future years with better growth and expansion.

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Brief Background

Priceless Overseas Limited

The Company was incorporated on 15th December 1995 under the Companies Act, 1956 as a closely held public limited Company. The Company is the importer of imported marble from select quarries spread all over the world such as Italy, Turkey, Oman, China, Spain, Greece, etc. Priceless Overseas Limited supplies their finished goods in retail sector. The Company has a processing plant in Behror (Rajasthan) on Lease hold property owned by M/s. P G Industry Limited.

At present, Board of Directors of the Company comprises of :

S. No.	Director	Category	Experience
1	Mr. Raja Ram Dalmia	Director	More than 35 years of experience in the areas of Raw material procurement, Finance, Sales & Marketing, Business Development
2	Mr. Rajesh Kumar	Director	More than 14 years of experience in the area of Sales & Marketing
3	Mr. Sunil Kumar Shakya	Director	More than 12 years of experience in Sales & Marketing

Mr. Raja Ram Dalmia is the Executive Director of M/s. Priceless Overseas Limited head quartered in Delhi who looks over all affairs of the Company may it be - Sales, Marketing, Material Procurement, Finance, etc.

The Company has seen depleting business growth in the Financial Year 2016-17 as compared to respective previous financial year.

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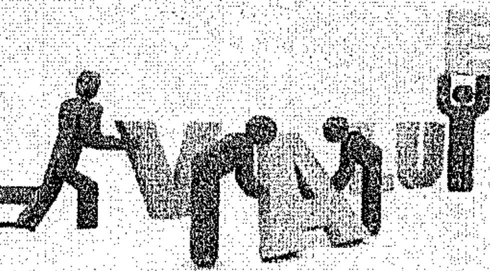
P.G. INDUSTRY LIMITED NEW DELHI

Presentation Overview



- Valuation Concept
- Purpose of Valuation
- Principal Methods of Valuation
  - ✓ Net Assets Value (NAV) Method
  - ✓ Price Earnings Capitalisation (PECV) Method
  - ✓ Discounted Cash Flow (DCF) Method
  - ✓ Market Price Method
- Conclusion

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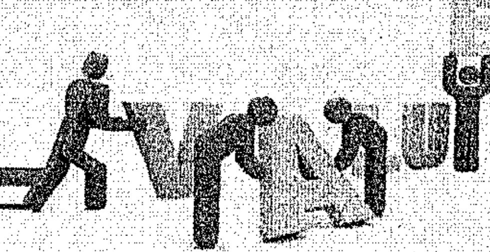
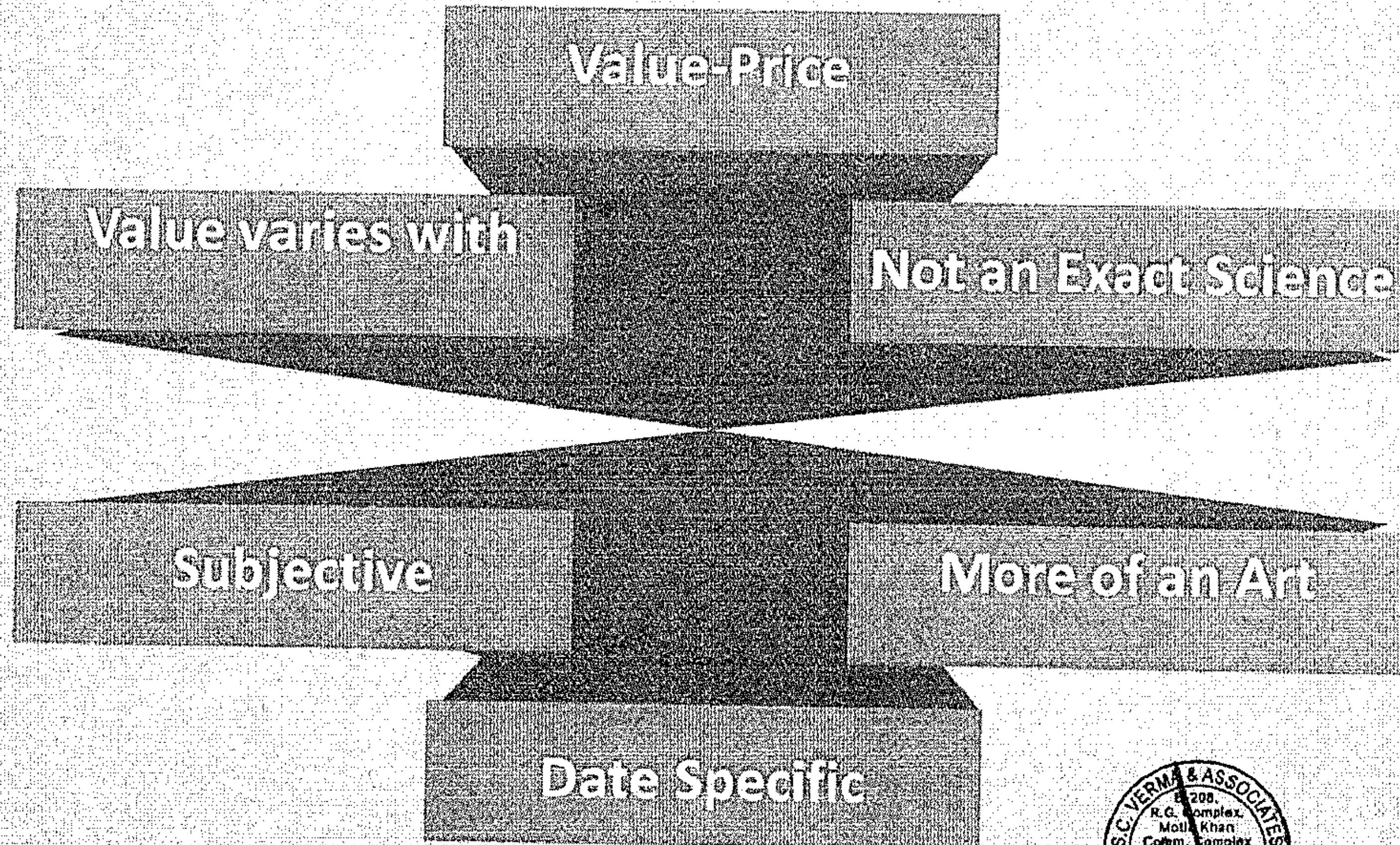
New Delhi

INDUSTRY LIMITED
NEW DELHI

Valuation Concept





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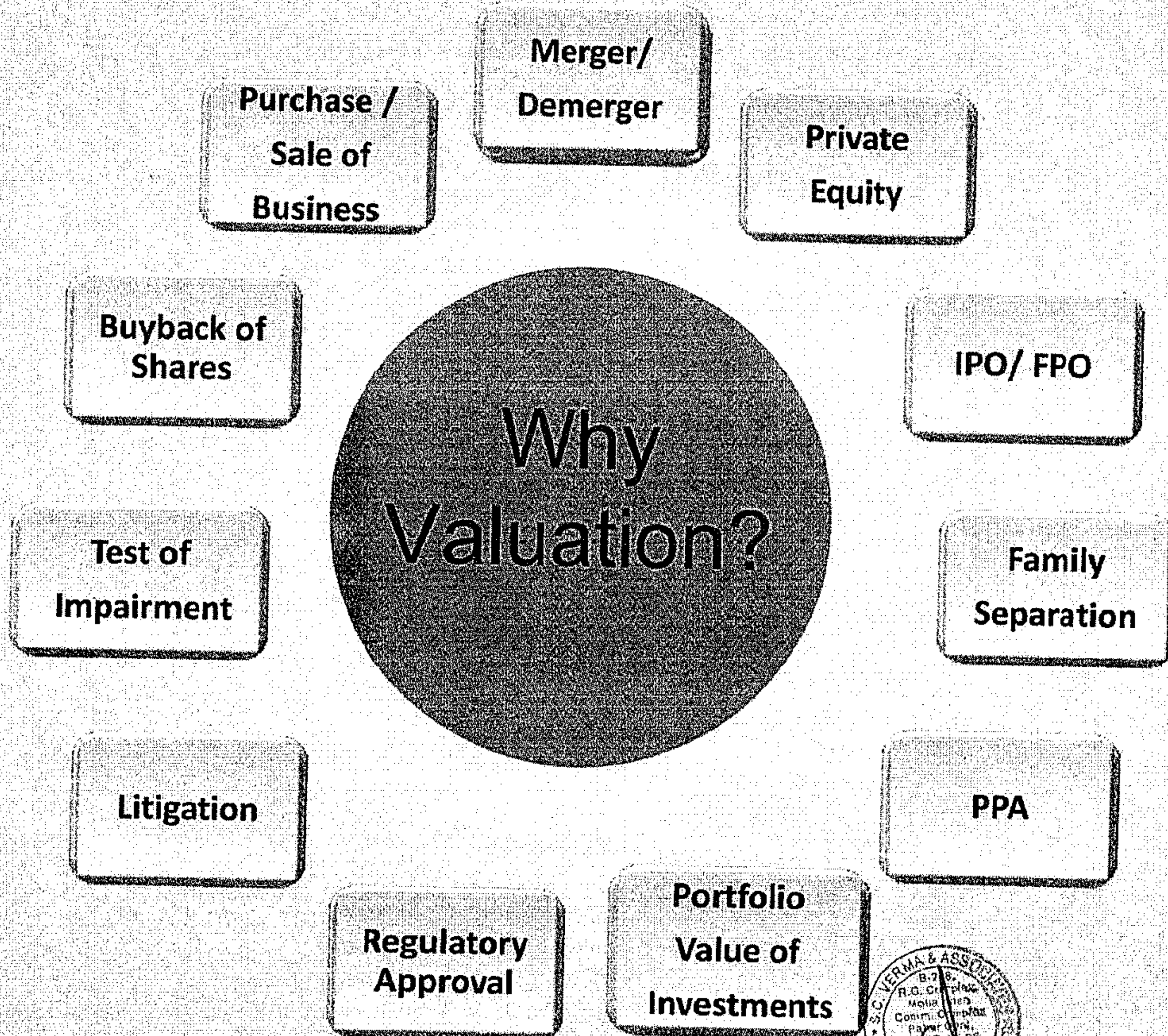
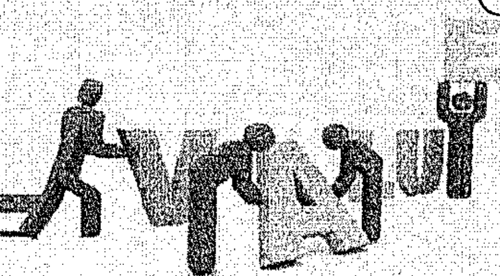

Why Valuation?
Merger/ Demerger
Private Equity
IPO/ FPO
Family Separation
PPA
Portfolio Value of Investments
Regulatory Approval
Litigation
Test of Impairment
Buyback of Shares
Purchase / Sale of Business

Steps in Valuation



- Obtaining Information
- Data analysis & review
- Discussion with the management of the company
- Selection of method
- Conducting sensitivities on assumptions
- Assigning weights
- Recommendation
- Reporting

Analysis of Company

- Analysis of P&L Ratios
  - ✓ Operating margins
  - ✓ EBITDA margins
  - ✓ PBT margins
  - ✓ Expense ratios
- Balance Sheet Ratios
  - ✓ Quick Ratio/ Current Ratio
  - ✓ Turnover Ratios
  - ✓ Liquidity Ratios
  - ✓ Debt Equity Ratio of Company & Industry

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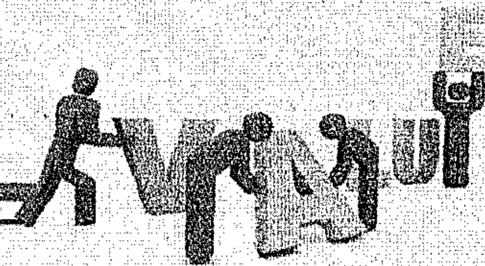
Principal Methods of Valuation



Asset Based Approach

- Net Assets Value

Earning Based Approach

- Price Earning Capitalization Value Method (PECV)
- Discounted Cashflow Method (DCF)

Market Based Approach

- Market Price Method

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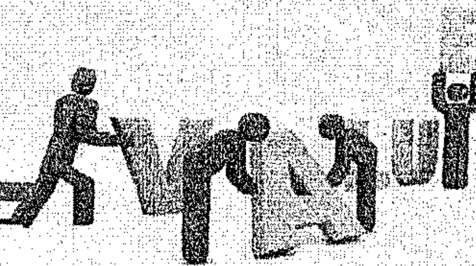
R.G. INDUSTRY LIMITED NEW DELHI

Common Adjustments



Following adjustments may be called for:

- Investments
- Surplus Assets
- Auditors Qualification
- Preference Shares
- ESOPs / Warrants
- Contingent Liabilities
- Tax benefits
- Findings of Due Diligence Reviews

NAV

- The Value as per Net Asset Method is arrived as follows:

Total Assets excluding Miscellaneous expenditure & debit balance in Profit & Loss Account
Less: Total Liabilities
Net Asset Value

OR

Share Capital
Add: Reserves
Less: Miscellaneous Expenditure
Less: Debit Balance in P&L account
Net Asset Value

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NAV- P G Industry Limited

ASSETS APPROACH METHOD (Table-I)	INR-Lacs	2016-17
Particulars		
Net Fixed Assets		828.23
Current Assets	4171.15	
Current Liabilities	-2489.12	
Net Current Assets		1682.03
Investments		1.14
Deferred Tax Assets		20.13
Loan Funds		-1333.3
Net Assets Value		**1198.23**
Adjustments:		
Add: Appreciation in the value of Land		1575.00
Less: Preference Share capital		0.00
Less: Contingent Liabilities		0.00
Adjusted Net Assets		2,773
No. of Equity shares (FV - INR 10 each)		4,624,220
Value per Share (INR)		59.98

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NAV- Priceless Overseas Limited

ASSETS APPROACH METHOD (Table-II)	INR-Lacs	2016-17(P)*
Particulars		
Net Fixed Assets		238.82
Current Assets	2797.78	
Current Liabilities	-1554.57	
Net Current Assets		1243.21
Investments		6.64
Deferred Tax Liabilites		-27.79
Loan Funds		1
Net Assets Value		**1461.88**
Adjustments:		
Add: Appreciation in the value of Investment		0.00
Less: Preference Share capital		0.00
Less: Contingent Liabilities		0.00
Adjusted Net Assets		1,462
No. of Equity shares (FV - INR 10 each)		8,096,605
Value per Share (INR)		**18.06**

* Provisional

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P.G. INDUSTRY LIMITED NEW DELHI

Issues in NAV Method

- Earnings potential ignored
- Profit generating Intangible assets could be understated
  - ✓ Brand
  - ✓ Patent
- Value of Human Resource not captured

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Price Earnings Capitalization Method (PECV) - Parameters

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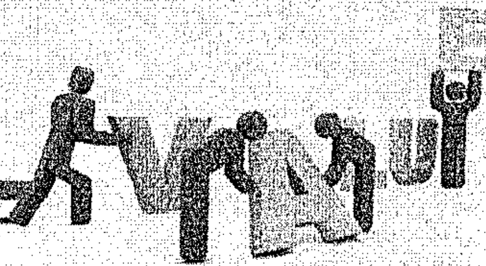
Maintainable Profits

Appropriate Tax Rate

PE Multiple

Maintainable Earnings



- Based on past performance and/ or projections
- Elimination of Material non-recurring/ non operational items
- Adjustment if Capacity is under-utilized or recently added
- Profits of various years averaged (simple or weighted)

Multiples

- Multiples to be applied represent the growth prospects/ expectations of the Company
- Factors to be considered while deciding the multiple:
  - ✓ Past and Expected Growth of the Earnings
  - ✓ Performance vis-à-vis Peers
  - ✓ Size & Market Share
  - ✓ Historical Multiples enjoyed on the Stock Exchange by the Company and its peers

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PECV - P G Industry Limited

PECV Method (INR lacs) (Table-III)			INR_lacs
CALCULATION OF ADJUSTED PBT	**2014-15-Actual**	**2015-16-Actual**	**2016-17-Actual**
Reported Profit before Tax	92.01	104.58	76.48
Less: Non recurring Income			
Rent Income	0.72	0.72	0.72
Profit from Speculative business	-	0.08	-
Others	2.41	-	0.35
Interest Income	0.91	5.09	9.29
Total Non recurring Income	4.04	5.89	10.36
Add: Non recurring Expenditure			
Loss on Sale of Fixed Asset	-	0.09	-
Others	-	-	-
Total of Non recurring Expenditure	-	0.09	-
Adjusted PBT	87.97	98.78	66.12
Add: Interest	197.88	216.96	206.14
Add:Depreciation	59.70	57.29	48.47
Adjusted EBITDA	**346**	**373**	**321**

PECV - P G Industry Limited

Price Earnings Capitalisation Value Method			INR-Lacs
Particulars	Adj.PBT	Weight	Product
2014-15	87.97	1	87.97
2015-16	98.78	2	197.56
2016-17	66.12	3	198.36
		6	483.89
Maintainable PBT			80.65
Tax @30%			24.19
Maintainable PAT			56.45
PE Multiple			28.40
Capitalised Value of Business			**1,603.29**
Adjustments			
Add: Appreciation in Value of Land			1,575.00
Less: Contingent Liabilities			-
Less: Deferred Tax Liabilities			20.13
Less: Preference Share Capital			-
Adjusted Earning Value			**3,198.42**
No. of Equity shares (FV - INR 10 each)			4,624,220
PECV per Share (INR)			69.17

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PECV - Priceless Overseas Limited

PECV Method (INR lacs) (Table-IV) INR_lacs

CALCULATION OF ADJUSTED PBT	2015-16-Actual	2016-17-Provisional	2017-18-Proj.
Reported Profit before Tax	56.30	46.39	39.43
Less: Non recurring Income			
Rent Income	-	-	-
Profit from Speculative business	-	-	-
Other Income	2.62	2.36	2.25
Total Non recurring Income	2.62	2.36	2.25
Add: Non recurring Expenditure			
Loss on Sale of Fixed Asset	-	-	-
Others	-	-	-
Total of Non recurring Expenditure	-	-	-
Adjusted PBT	53.68	44.03	37.18
Add: Interest	131.68	117.16	108.00
Add:Depreciation	43.97	38.08	32.37
Adjusted EBITDA	**229**	**199**	**178**

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P.G. INDUSTRY LIMITED NEW DELHI

PECV - Priceless Overseas Limited

Price Earnings Capitalisation Value Method			INR-Lacs
Particulars	Adj.PBT	Weight	Product
2015-16	53.68	1	53.68
2016-17	44.03	2	88.06
2017-18	37.18	3	111.54
		6	253.28
Maintainable PBT			42.21
Tax Rate	30%		12.66
Maintainable PAT			29.55
PE Multiple			28.40
Capitalised Value of Business			**839.20**
Adjustments			
Add: Value of Investments			6.64
Less: Contingent Liabilities			-
Less: Deferred Tax Liabilities			-27.80
Less: Preference Share Capital			-
Adjusted Earning Value			**818.04**
No. of Equity shares (FV - INR 10 each)			8,096,605
PECV per Share (INR)			**10.10**

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Issues in PECV Method

- Valuation of:
  - ✓ Loss making companies
  - ✓ Start-up companies
  - ✓ Finite life project companies
- Ignores time value of money
- Calculation of Maintainable Profits
  - ✓ Adjustment for non-operating / non-recurring items
- Finding listed comparable companies
- Difficulty in obtaining comparable multiples
- Effective tax Rate in PECV Method

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Discounted Cash Flow (DCF)

- Values a business based on the expected cash flows over a given period of time.
- Involves determination of discount factor and growth rate for perpetuity
- Value of business is aggregate of discounted value of the cash flows for the explicit period and perpetuity

Discounted Cash Flow (DCF)

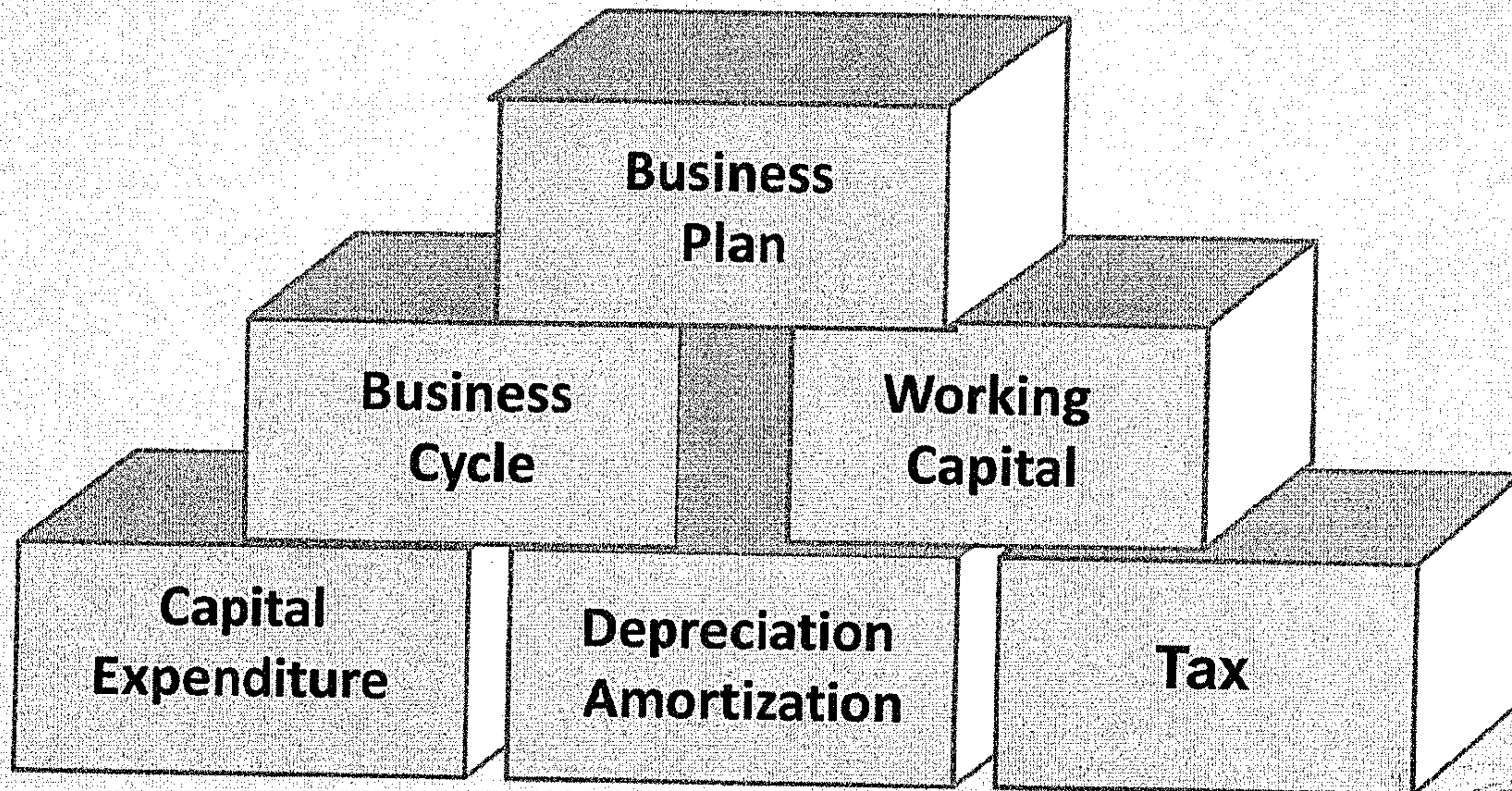
- Considers Cash Flow and Not Profits
- Cash is King
- Free Cash Flow ('FCF')
  - ✓ FCF to Firm
  - ✓ FCF to Equity

DCF – Parameters

- Cash Flows
  - ✓ Projections
  - ✓ Horizon period
  - ✓ Growth rate

- Discounting
  - ✓ Cost of Equity
  - ✓ Cost of Debt
  - ✓ Weighted Average Cost of Capital ('WACC')

Cash Flows



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DCF – Projections

Factors to be considered for reviewing projections:

- Industry/Company Analysis
- Dependence on single customer/ supplier
- Installed capacity
- Existing policy/ legal framework
- Capital expenditure – increasing capacities
- Working capital requirements
- Alternate scenarios / sensitivities

(70)

DCF

- P G Industry Limited **(Annexure-II)**
- Priceless Overseas Limited **(Annexure-III)**

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Market Price Approach Method

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The International Valuation Standards Committee defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion." This definition is often used in real estate and other tangible asset appraisals when money is borrowed against the value of such assets.

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

Weightages

We have attached weights, to the valuations under the different methods, which are as explained below.

We have attached a weight of 1 to the all the method as both the company have similar nature of business however their earning, and financials are different.

Since the shares of "PGIL" are traded on the stock exchange, and the market price is still relevant for the purposes of fair valuation, we have attached a weight of 1 to the valuation under the Market Price Method.

Market Price Method- P G Industry Limited (Table-V)

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Date	Open Price	High Price	Low Price	Close Price	WAP	No. of Shares	No. of Trades	Total Turnover (Rs.)	Deliverable Quantity	% Deli. Qty to Traded Qty	Spread High-Low	Spread Close-Open
23-Aug-17	17.5	17.5	17.5	17.5	17.50	800	6	14000	800	100	0	0
22-Aug-17	18.4	18.4	18.4	18.4	18.40	2200	4	40480	2200	100	0	0
21-Aug-17	19.35	19.35	19.35	19.35	19.35	800	1	15480	800	100	0	0
18-Aug-17	20.35	20.35	20.35	20.35	20.35	60	2	1221	60	100	0	0
17-Aug-17	21	21.4	20	21.4	20.71	3400	9	70404	3210	94.41	1.4	0.4
16-Aug-17	21	21	21	21	21.00	3300	3	69300	3300	100	0	0
4-Aug-17	20.4	20.4	20	20	20.22	550	3	11120	550	100	0.4	-0.4
3-Aug-17	18.55	19.45	18.55	19.45	19.40	1700	4	32975	1700	100	0.9	0.9
1-Aug-17	18.55	18.55	18.55	18.55	18.55	500	1	9275	500	100	0	0
31-Jul-17	17.75	17.75	17.7	17.7	17.73	1700	2	30140	1700	100	0.05	-0.05
27-Jul-17	17.75	17.75	17.75	17.75	17.75	1180	5	20945	1180	100	0	0
26-Jul-17	17	17	17	17	17.00	500	1	8500	500	100	0	0
25-Jul-17	16.95	16.95	16.95	16.95	16.95	1000	3	16950	1000	100	0	0
24-Jul-17	16.4	16.4	16.4	16.4	16.40	40	1	656	40	100	0	0
20-Jul-17	15.75	15.75	15.75	15.75	15.75	200	2	3150	200	100	0	0
19-Jul-17	16.1	16.1	16.1	16.1	16.10	2500	4	40250	2500	100	0	0
18-Jul-17	15.5	15.5	15.5	15.5	15.50	1000	1	15500	1000	100	0	0
17-Jul-17	15.5	15.5	15.5	15.5	15.50	500	2	7750	500	100	0	0
13-Jul-17	14.93	14.93	14.93	14.93	14.93	3250	9	48522	3250	100	0	0
10-Jul-17	14.22	14.22	14.22	14.22	14.22	1150	2	16353	1150	100	0	0
6-Jul-17	13.55	13.55	13.55	13.55	13.55	500	2	6775	500	100	0	0
5-Jul-17	13	13	13	13	13.00	1100	2	14300	1100	100	0	0
23-Jun-17	12.45	12.45	12.45	12.45	12.45	200	1	2490	200	100	0	0
22-Jun-17	13.12	13.12	13.1	13.1	13.12	2500	2	32798	2500	100	0.02	-0.02
14-Jun-17	12.5	12.5	12.5	12.5	12.50	823	3	10287	823	100	0	0
31-May-17	12.33	12.33	12.33	12.33	12.33	700	1	8631	700	100	0	0
22-May-17	11.75	11.75	11.75	11.75	11.75	100	1	1175	100	100	0	0
19-May-17	12.25	12.25	12.25	12.25	12.25	100	1	1225	100	100	0	0
18-May-17	12.5	12.5	12.5	12.5	12.50	400	1	5000	400	100	0	0
15-May-17	13	13	13	13	13.00	1000	1	13000	1000	100	0	0
19-Apr-17	12.6	12.6	12.6	12.6	12.60	100	1	1260	100	100	0	0
17-Apr-17	12	12	12	12	12.00	2100	4	25200	2100	100	0	0
12-Apr-17	11.5	11.5	11.5	11.5	11.50	300	1	3450	300	100	0	0
5-Apr-17	11.75	11.75	11.75	11.75	11.75	100	1	1175	100	100	0	0
30-Mar-17	11.75	11.75	11.75	11.75	11.75	560	1	6580	560	100	0	0
24-Mar-17	12.35	12.35	12.35	12.35	12.35	60	1	741	60	100	0	0
22-Mar-17	13	13	13	13	13.00	300	1	3900	300	100	0	0
21-Mar-17	13.65	13.65	13.65	13.65	13.65	640	3	8736	640	100	0	0
2-Mar-17	14.35	14.35	14.35	14.35	14.35	500	1	7175	500	100	0	0
			Total			38,413		626,869				
			Weighted Average Price					16.32				

Computation of Fair Share Exchange Ratio

Valuation Approach	P G Industry Limited		Priceless Overseas Limited	
	Value per share	**Weight**	**Value per share**	**Weight**
NAV Method (Table- I& II)	59.98	1	18.06	1
Price Earning Capitalization Value Method (Table-III & IV)	69.17	1	10.10	1
Income Approach Method-DCF Method (Annexure-II & III)	131.62	1	4.49	1
Market Approach Method (Table- V)	16.32	1	-	NA
Weighted Average	69.27	4	10.88	3
Exchange Ratio (Rounded off)	6		1	

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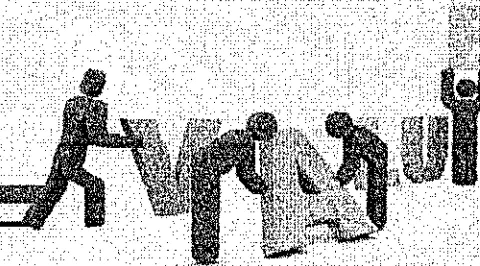
Conclusion of Business Value



We relied upon four methods as above. We consider the results obtained from these business valuation methods to arrive at an estimate of the subject business value. In our opinion, each of the business valuation methods utilized in this Report is equally relevant. Hence, we assign an equal weight to each result and calculate our estimate of the business value as the sum of these weighted values:

<u>Indicated Business Value of Merger is-SIX Shares of Priceless Overseas Limited is equal to One Share of P G Industry Limited.</u>

Statement of Limiting Conditions

This business appraisal relies upon the following contingent and limiting conditions:

1. We assume no responsibility for the legal matters concerning title to all subject business assets is assumed good and marketable.

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

3. All information provided by the client and other concerned is seems to be accurate. However, we offer no assurance as to its accuracy.

4. Unless stated otherwise in this report, we have assumed compliance of statutory provisions as applicable under SEBI, MCA, state and local laws and regulations.

5. Unless a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the subject business or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same. The report may not fully disclose all the information sources, discussions and business valuation methodologies used to arrive at the conclusion of values.

6. The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other purpose, any other context or by any other person except the client to whom the report is addressed.

7. The opinion of value expressed in this report does not obligate us to render a comprehensive business appraisal report, to give testimony, or attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been agreed previously.

8. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written approval of client to whom the report is addressed.

Appraiser Credentials and Certification

SATYA PARKASH GUPTA
B.COM.,LL. B, FCA
Partner
S C Verma & Associates
B-208 RG Complex, Paharganj
New Delhi-110055

I certify that, to the best of my knowledge and belief, the statement of facts contained in this report are true and correct as derived from the relevant financial statements and records; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions. I have no present or prospective interest in the property which is the subject of this report, and I have no personal interest with respect to the parties involved.

(Satya Parkash Gupta)

P G Industry Limited (ANNEXURE-II)

EQUITY VALUATION BASED ON BALANCE SHEET AS ON 31/03/2017

To estimate how much cash a firm can afford to return to its stockholders, we begin with the net income – the accounting measure of the stockholders' earnings during the period –and convert it to a cash flow by subtracting out a firm's reinvestment needs. First, any capital expenditures, efined broadly to include acquisitions, are subtracted from the net income, since they represent cash outflows. Depreciation and amortization, on the other hand, are added back in because they are non-cash charges. The difference between capital expenditures and depreciation is referred to as net capital expenditures and is usually a function of the growth characteristics of the firm. High-growth firms tend to have high net capital expenditures relative to earnings, whereas low-growth firms may have low, and sometimes even negative, net capital expenditures.

Second, increases in working capital drain a firm's cash flows, while decreases in working capital increase the cash flows available to equity investors. Firms that are growing fast, in industries with high working capital requirements (retailing, for instance), typically have large increases in working capital. Since we are interested in the cash flow effects, we consider only changes in non-cash working capital in this analysis. Finally, equity investors also have to consider the effect of changes in the levels of debt on their cash flows. Repaying the principal on existing debt represents a cash outflow; but the debt repayment may be fully or partially financed by the issue of new debt, which is a cash inflow. Again, netting the repayment of old debt against the new debt issues provides a measure of the cash flow effects of changes in debt. Allowing for the cash flow effects of net capital expenditures, changes in working capital and net changes in debt on equity investors, we can define the cash flows left over after these changes as the free cash flow to equity (FCFE).

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Free Cash Flow to Equity (FCFE) = Net Income - (Capital Expenditures - Depreciation) - (Change in Non-cash Working Capital) + (New Debt Issued - Debt Repayments)

(77)

INR-lakh

BACKGROUND INFORMATION

net income(before tax) =	76.48
No. of shares pending =	46.24
current capital expenditure =	1.59
current depreciation =	48.46
Increase in non- cash working capital in recent year =	164.10
net Interest bearing debt issued (paid) during the year =	134.77
Normalise Net Income	35.54
Income tax	30.59
Book value of Equity	1198.6
Cash and Marketable Securities	213.11

free cash flow to equity = Net income- (Capital expenditure- Depreciation)-Change in non-Cash working capital+Net debt issued

94.02

modified return on equity = (Normalised net income-After-tax interest income from cash)/(Book value of equity-Cash and marketable securities)

0.50%

Capital Expenditure as percentage to EBIT of Last 5 years

FY	2012-13	2013-14	2014-15	2015-16	2016-17	
	-5	-4	-3	-2	Current	Average
Net capital expenditure	-1.22	71.93	-6.87	-7.41	1.59	11.604
EBIT	399.7	288.5	289.88	321.53	282.62	316.446
Average Net cap ex. as % of EBIT						3.67%

Normalised Net capital Expenditure = Average as % of EBIT over last 5 years * EBIT in most recent year

10.36

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(78)

Non- cash working capital in current year =	1469.28
revenues in current year =	5028.43
revenues in last year =	6458.71
normalised change in non-cash working capital last year =	Non- cash working capital in current year * (1-(revenues in last year/revenues in current year))
	-417.92

Now we normalize the net debt issued by assuming that Company would continue to fund its reinvestment needs with its market debt to capital ratio

Debt Ratio	Interest bearing debt/Interest bearing debt+market value of Equity
Interest bearing Debt	3096.67
Mark Value of Equity	647.39
Debt Ratio	82.71%
Normalised debt issued in current year =	(Normalised Net capital Expenditure + normalised change in non-cash working capital) * debt ratio
	-337.09
Normalised Free Cash Flow to Equtiy (FCFE) =	Net Income - Normalised Net Cap Expenditure- Normalized change in working capital + Normalised net debt issued
	146.95
Equity Reinvestment Rate =	1-(FCFE/ Net Income)
	-92.14%
Expected Growth =	Equity Reinvestment Rate * Return on Equity
	-0.46%
Unlevered beta for agro unlisted company	0.96
Debt to Equity ratio	82.71%
Tax Rate	30.00%
	b(1+(1-tax rate)(debt to equity ratio)
Formula	
Levered Beta	151.58%
Formula	Bond rate+b68*premium
Cost of Equity	12.06%
In stable growth, we assume	
return on equity in stable period (ROE)	9.50%
growth rate in perpetuity in net income (g)	9.25%
Equity reinvestment rate in stable growth =	97.37%
Cost of Equity in stable growth =	9.50%

VALUATION

After tax interest income from cash and marketable securities	35.54
Non cash net income =	Net income- after tax interest income from cash and marketable securities
	40.94

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	Year	Expected Growth	Net income	Equity reinvestment rate	FCFE	Cost of Equity	Present value
HIGH GROWTH STAGE	10	-0.46%	40.75	-92.14%	78.30	12.06%	69.87
	9	-0.46%	40.56	-92.14%	77.94	12.06%	62.06
	8	-0.46%	40.37	-92.14%	77.58	12.06%	55.12
	7	-0.46%	40.19	-92.14%	77.22	12.06%	48.96
STEADY GROWTH RATE	6	-0.46%	40.00	-92.14%	76.86	12.06%	43.49
	5	0.73%	40.29	-73.71%	70.00	11.55%	35.50
	4	1.92%	41.07	-55.29%	63.77	11.04%	29.13
	3	3.11%	42.35	-36.86%	57.95	10.53%	23.95
	2	4.31%	44.17	-18.43%	52.31	10.01%	19.65
	1	5.50%	46.60	0.00%	46.60	9.50%	15.99
				Sum of the present values of FCFE during high growth =			403.74

Expected FCFE in year 11 = (Net Income in year 11)*(1- stable period equity reinvestment rate)
49.16

Terminal Value of Equity = Expected FCFE in year 11/(stable period cost of equity- stable growth rate)
19665

Present value of terminal Equity = 6747

Value of equity today = Sum of the present values of FCFE during high growth + PV of terminal equity
7150.98

Value of cash and marketable securities at the end of 2017 = 213.11

Value of equity including cash and marketable securities = 7364.09

value of equity per share = value of equity/ No. of shares
Value of Equity/ No of shares outstanding 159.26
Less: Discount Factor 0.83

Net Value 131.62

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P.G. INDUSTRY LIMITED NEW DELHI

Priceless Overseas Limited (ANNEXURE-III)

EQUITY VALUATION BASED ON BALANCE SHEET AS ON 31/03/2017

To estimate how much cash a firm can afford to return to its stockholders, we begin with the net income – the accounting measure of the stockholders' earnings during the period – and convert it to a cash flow by subtracting out a firm's reinvestment needs. First, any capital expenditures, efined broadly to include acquisitions, are subtracted from the net income, since they represent cash outflows. Depreciation and amortization, on the other hand, are added back in because they are non-cash charges. The difference between capital expenditures and depreciation is referred to as net capital expenditures and is usually a function of the growth characteristics of the firm. High-growth firms tend to have high net capital expenditures relative to earnings, whereas low-growth firms may have low, and sometimes even negative, net capital expenditures.

Second, increases in working capital drain a firm's cash flows, while decreases in working capital increase the cash flows available to equity investors. Firms that are growing fast, in industries with high working capital requirements (retailing, for instance), typically have large increases in working capital. Since we are interested in the cash flow effects, we consider only changes in non-cash working capital in this analysis. Finally, equity investors also have to consider the effect of changes in the levels of debt on their cash flows. Repaying the principal on existing debt represents a cash outflow; but the debt repayment may be fully or partially financed by the issue of new debt, which is a cash inflow. Again, netting the repayment of old debt against the new debt issues provides a measure of the cash flow effects of changes in debt. Allowing for the cash flow effects of net capital expenditures, changes in working capital and net changes in debt on equity investors, we can define the cash flows left over after these changes as the free cash flow to equity (FCFE).

(81)

Free Cash Flow to Equity (FCFE) = Net Income - (Capital Expenditures - Depreciation) - (Change in Non-cash Working Capital) + (New Debt Issued - Debt Repayments)

INR-lakh

BACKGROUND INFORMATION

net income(before tax) =	46.39
No. of shares pending =	80.97
current capital expenditure =	23.11
current depreciation =	45.73
Increase in non- cash working capital in most recent year =	-128.95
net debt issued (paid) during the year =	149.37
Normalise Net Income	28.87
Income tax	15.16
Book value of Equity	1459.87
Cash and Marketable Securities	10.38

free cash flow to equity = Net income- (Capital expenditure- Depreciation)-Change in non-Cash working capital+Net debt issued

347.33

modified return on equity = (Normalised net income-After-tax interest income from cash)/(Book value of equity-Cash and marketable securities)

0.95%

Capital Expenditure as percentage to EBIT of Last 5 years

Financial Year	2012-13	2013-14	2014-15	2015-16	2016-17	
	-5	-4	-3	-2	Current	Average
Net capital expenditure	64.8	-31.31	-5.79	-4.78	23.11	9.206
EBIT	136.03	202.06	178.25	187.96	163.55	173.57
Average Net cap ex. as % of EBIT						5.30%

Normalised Net capital Expenditure = Average as % of EBIT over last 5 years * EBIT in most recent year

8.67

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Non- cash working capital in current year =		2,694.00
revenues in current year =		2,958.78
revenues in last year =		3,421.96
normalised change in non-cash working capital last year =	Non- cash working capital in current year * (1-(revenues in last year/revenues in current year))	
		-421.73

Now we normalize the net debt issued by assuming that Company would continue to fund its reinvestment needs with its market debt to capital ratio

Debt Ratio	Interest bearing debt/Interest bearing debt+market value of Equity	
Interest bearing Debt		930.04
Mark Value of Equity		809.66
Debt Ratio		53.46%
Normalised debt issued in current year =	(Normalised Net capital Expenditure + normalised change in non-cash working capital) * debt ratio	
		-220.82
Normalised Free Cash Flow to Equtiy (FCFE) =	Net Income - Normalised Net Cap Expenditure- Normalized change in working capital + Normalised net debt issued	
		238.63
Equity Reinvestment Rate =	1-(FCFE/ Net Income)	
		-414.39%
Expected Growth =	Equity Reinvestment Rate * Return on Equity	
		-3.92%
Unlevered beta for agro unlisted company		0.96
Debt to Equity ratio		53.46%
Tax Rate		30.00%
Formula	b(1+(1-tax rate)(debt to equity ratio)	
Levered Beta		131.92%
Formula	Bond rate+b68*premium	
Cost of Equity		15.60%
In stable growth, we assume		
return on equity in stable period (ROE)		4.00%
growth rate in perpetuity in net income (g)		5.00%
Equity reinvestment rate in stable growth =		125.00%
Cost of Equity in stable growth =		12.00%

VALUATION

After tax interest income from cash and marketable securities		28.87
Non cash net income =	Net income- after tax interest income from cash and marketable securities	
		17.52

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	Year	Expected Growth	Net Income	Equity reinvestment rate	FCFE	Cost of Equity	Present value
HIGH GROWTH STAGE	10	-3.92%	16.83	-414.39%	86.59	15.60%	74.91
	9	-3.92%	16.17	-414.39%	83.20	15.60%	62.26
	8	-3.92%	15.54	-414.39%	79.93	15.60%	51.75
	7	-3.92%	14.93	-414.39%	76.80	15.60%	43.01
	6	-3.92%	14.35	-414.39%	73.79	15.60%	35.75
STEADY GROWTH RATE							
	5	-2.04%	14.05	-331.51%	60.64	14.88%	25.58
	4	-0.15%	14.03	-248.64%	48.92	14.16%	18.07
	3	1.73%	14.28	-165.76%	37.94	13.44%	12.36
	2	3.62%	14.79	-82.88%	27.05	12.72%	7.82
	1	5.50%	15.60	0.00%	15.60	12.00%	4.03

Sum of the present values of FCFE during high growth = 335.52

Expected FCFE in year 11 = (Net Income in year 11)*(1- stable period equity reinvestment rate)
16.46

Terminal Value of Equity = Expected FCFE in year 11/(stable period cost of equity- stable growth rate)
235

Present value of terminal Equity = 61

Value of equity today = Sum of the present values of FCFE during high growth + PV of terminal equity
396.19

Value of cash and marketable securities at the end of 2017 = 103.78

Value of equity including cash and marketable securities = 499.97

value of equity per share = value of equity/ No. of shares
Value of Equity/ No of shares outstanding 6.17
Less: Discount Factor 0.73

Net Value **4.49**

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