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# Chartered Capital And Investment Ltd.

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Website : www.charteredcapital.net

**Date:** Wednesday, August 28, 2013

**Board of Directors**  
**Mapro Industries Limited,**  
505, Corporate Corner,  
Sunder Nagar, Malad (W),  
Mumbai - 400 064,

and

**Board of Directors**  
**Potential Infra Projects Limited,**  
505, Corporate Corner,  
Sunder Nagar, Malad (W),  
Mumbai - 400 064,

Dear Sirs,

**FAIRNESS OPINION CERTIFICATE ON VALUATION OF SWAP RATIO**  
**FOR THE AMALGAMATION OF POTENTIAL INFRA PROJECTS**  
**LIMITED WITH MAPRO INDUSTRIES LIMITED**

We, Chartered Capital and Investment Limited (**'Chartered Capital'** or **'CCIL'**), refer to our discussion and letter dated August 27, 2013, which has been duly accepted by you, whereby you have appointed us as an Independent Merchant Banker for furnishing a **'Fairness Opinion'** on the valuation carried out by the Valuer, viz., Jain & Sultania, Chartered Accountants, pursuant to Clause 24 (f) of Listing Agreement.

We have been given to understand that the proposed Swap Ratio upon amalgamation of Potential Infra Projects Limited (the **'Transferor Company'**) with Mapro Industries Limited (the **'Transferee Company'**) has been recommended at **1:1** i.e. shareholders of Potential Infra Projects Limited will receive One (1) share of face value of Rs. 10/- each of Mapro Industries Limited for every one (1) shares of face value of Rs. 10/- each, held by them in Potential Infra Projects Limited on **Record Date**.

The methodologies used and corresponding share valuation to arrive at Swap Ratio based on the Valuation Report furnished by Jain & Sultania, Chartered Accountants, of **1:1** as proposed under the scheme of amalgamation is **Fair**.



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We enclose herewith a Report on the Fairness of the Valuations carried out by Jain & Sultania, Chartered Accountants.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of Potential Infra Projects Limited and Mapro Industries Limited pursuant to Clause 24(f) of Listing Agreement and to the Registrar of Companies, Mumbai, Maharashtra, BSE Limited ('**BSE**') and the High Court and any other regulatory / competent authorities in connection with the proposed purpose outlined above.

We highly appreciate the co-operation and support received by us from your representatives during preparation of the said Report on Fairness of Valuation.

Thanking you,

Yours faithfully,

For and on behalf of

**Chartered Capital and Investment Limited**

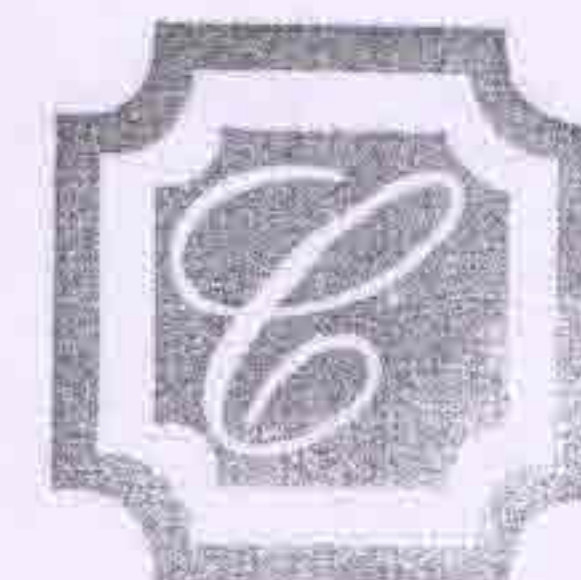
  


**Menka Jha**  
**(Vice President-Investment Banking)**

Encl: a/a



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**REPORT ON FAIRNESS OF VALUATION OF SHARES USED IN  
AMALGAMATION OF POTENTIAL INFRA PROJECTS LIMITED WITH  
MAPRO INDUSTRIES LIMITED**

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## FAIRNESS OF VALUATION OF SHARES

### I. TERMS OF REFERENCE

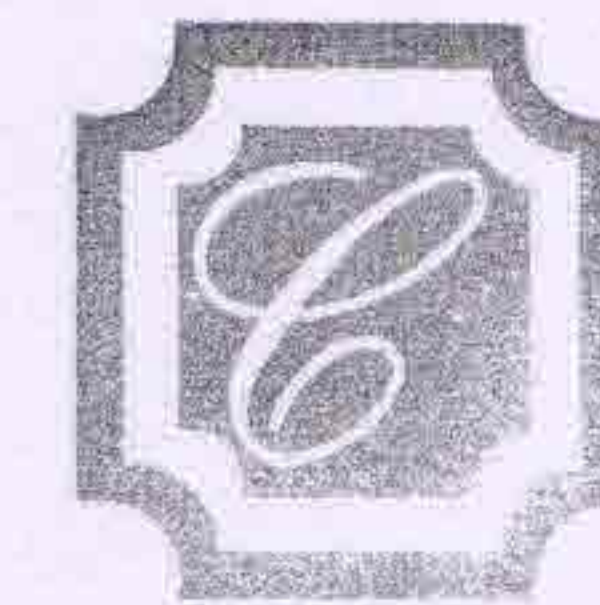
- 1.1 **Mapro Industries Limited** is a listed Company which is incorporated under the Companies Act, 1956 and the Equity Shares of the Company are listed at BSE Limited (BSE) while Potential Infra Projects Limited is a public limited Company incorporated under the Companies Act, 1956.
- 1.2 The Boards of Potential Infra Projects Limited and Mapro Industries Limited are proposing to amalgamate Potential Infra Projects Limited with Mapro Industries Limited under a scheme of amalgamation under sections 391 to 394 of the Companies Act, 1956. The Swap Ratio for the scheme of amalgamation has been decided based on the independent Valuation Report prepared by Jain & Sultania, Chartered Accountants (**Valuer**).
- 1.3 For the purpose of ascertaining the fairness of the valuation used by Jain & Sultania, Chartered Accountants, Board of Directors of Potential Infra Projects Limited and Mapro Industries Limited, have appointed, Chartered Capital and Investment Limited (**Chartered Capital** or **CCIL**), as Merchant Banker, for furnishing a **Fairness Opinion** on the valuation carried by the aforesaid Valuer.

### II. INFORMATION RECEIVED AND RELIED UPON BY US FOR THE FAIRNESS OPINION

- 2.1 We, CCIL, have prepared the **Fairness Opinion** on the basis of the following information provided to us and collated by us from publicly available sources:
- (a) Valuation Report of Jain & Sultania, Chartered Accountants.
  - (b) Annual Reports of Potential Infra Projects Limited and Mapro Industries Limited for the Financial Years 31<sup>st</sup> March 2011; 31<sup>st</sup> March 2012; and 31<sup>st</sup> March 2013.
  - (c) Share price and trading volume history of the equity shares of Mapro Industries Limited on BSE.
- 2.2 This Report is issued on the understanding that Potential Infra Projects Limited and Mapro Industries Limited have drawn our attention to all the relevant matters, of which they were aware of, concerning the respective company's financial position and businesses, which may have an impact on this Report.



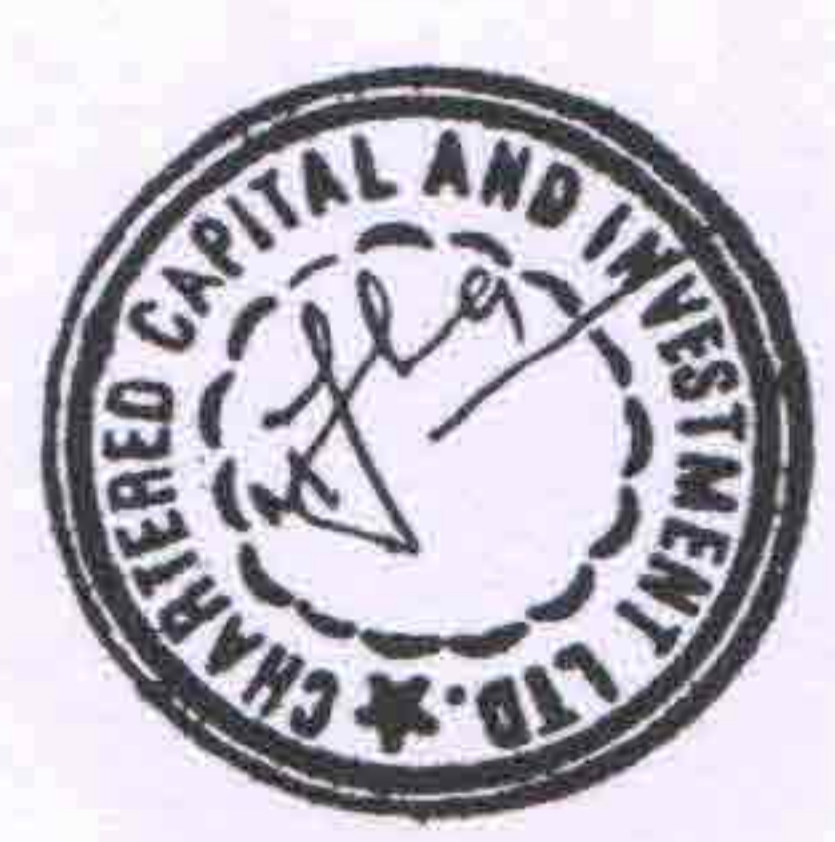
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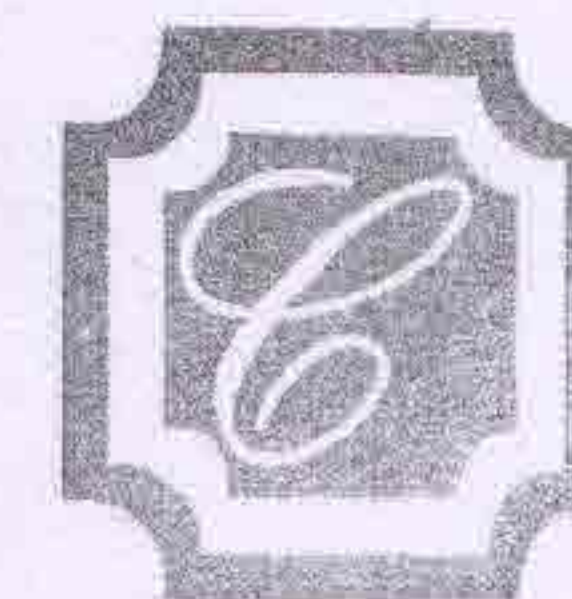
2.3 Our work does not constitute an audit or certification of the historical financial statements of Potential Infra Projects Limited and Mapro Industries Limited, including their working results referred to in this Report. Accordingly, we are unable to and do not express any opinion on the accuracy of any financial information referred to in this Report. We assume no responsibility for any errors in the information submitted by the Managements and their impact on the present exercise. **This Fairness Opinion has been furnished on the methodologies and resultant share valuation used by the Valuer.**

**III. DISCLAIMER**

- 3.1 We have not considered any finding made by other external agencies in carrying out this work.
- 3.2 This report is intended solely for the limited purpose mentioned earlier and should not be regarded as a recommendation to the investors to invest in Mapro Industries Limited or deal in any form in the securities of the Company and should also not be considered as a final equity value of the Company.
- 3.3 Our report is for the benefit of and confidential use by the Company. This report is not meant for save and except as specified above, under any Indian or foreign law, statute, act guideline or similar instruction. The Company is prohibited from using this report other than for its sole limited purpose and not to make a copy of this report available to any party other than those required by statute for carrying out the limited purpose of this report.
- 3.4 In no circumstances whatsoever, will Chartered Capital and Investment Limited, its Directors and employees, accept any responsibility of liability towards any third party for consequences arising out of the use of this report.
- 3.5 This Valuation Report shall by no means be considered as basis for Investment by any Investor.



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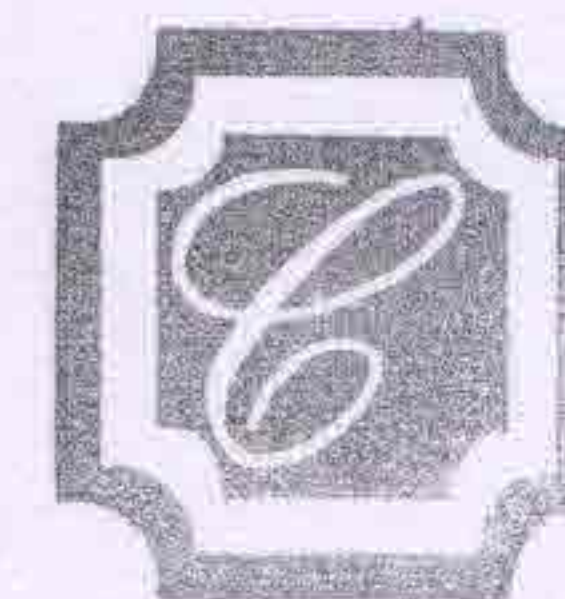


#### IV. BRIEF BACKGROUND OF COMPANIES UNDER REFERENCE

##### Mapro Industries I limited

- 4.1 Mapro Industries Limited was originally incorporated on February 08, 1973 as Meena Air Products Limited with Registrar of Companies, Delhi & Haryana and got Certificate for Commencement of Business on February 16, 1973. The name of the company was changed from Meena Air Products Limited to Mapro Industries Limited and had consequently obtained fresh certificate of incorporation on September 15, 1995. The Registered Office of the Company is currently situated at 505, Corporate Corner, Sunder Nagar, Malad (W), Mumbai 400064.
- 4.2 The Company was initially in the business of industrial gases and related services and subsequently the company has changed its object clause vide special resolution passed by shareholder of the Company through Postal Ballot on June 25, 2013 for which Registrar of Companies has issued Certificate of the Special Resolution Confirming Alteration of Object Clause(s) dated July 20, 2013. The New Object Clause of the Company is detailed as under:
- 4.2.1 To carry on the business of civil mechanical, electrical and consulting engineers, architect, surveyors, designers, town planners, estimators, valuer, interior and exterior decorator, general and government civil contractors of immovable properties including building, highway, roads, earth ways, bridges, tunnels, water ways, sea ports in general and all type of structural and pilling engineering work, interior designing and graphics.
- 4.2.2 To purchase, acquire, take on lease or in exchange or in any other lawful manner any area, land, building, structures and develop or promote the same and dispose of or maintain the same and to build township, markets or other building residential or commercial or conveniences thereon and to equip the same or part thereof with all or any amenities or conveniences, drainage facility, electric, telephone, television installation and to deal with the same in any manner whatsoever, any financing money to and entering





into contract and arrangements of all kinds with builders, tenants and others.

- 4.2.3 To work as structural contractor, steel fabricators, engineers and contractors, designers and decorators, furnisher for interiors and exteriors and to contract, erect, build, repair, re-model, demolish, develop, improve, grades, curve, pave macadamize, cement and maintain building structures, houses, apartments, hospitals, schools, place of worship, highway roads, paths, streets, sideways, court, alleys, pavement and to do other similar construction, leveling or paving work and for these purpose to purchase, take on lease or otherwise acquire and hold any land and prepare layout thereon or building of any tenure or description wherever suitable, or interests therein or connected therewith.
- 4.3 The equity share (ISIN: INE848M01019) of the Company are currently listed at BSE Limited, Mumbai ("BSE") (Scrip Code: 509762). (Source: BSE website)
- 4.4 As on date, the Authorized Capital of the Company is Rs. 8,00,00,000 (Rupees Eight Crores) divided into 25,000 (Twenty Five Thousand) Preference shares of Rs.100 each amounting to Rs. 25,00,000 (Rupees Twenty Five Lakhs) and 77,50,000 (Seventy Seven Lakhs Fifty Thousand) Equity Shares of Rs 10 each amounting to Rs. 7,75,00,000 (Rupees Seven Crores and Seventy Five Lakhs). The Issued, Subscribed and Paid-up Capital of the Company is Rs. 6,71,50,000 (Rupees Twenty Nine Crores Ninety Nine Lakhs and Eighty Thousand) consisting of 67,15,000 (Sixty Seven Lakhs and Fifteen Thousand) shares of Rs. 10 each.
- 4.5 Other details of Mapro Industries Limited, including history and financial data have been covered under the valuation report of the Valuer, and hence not incorporated herein, deliberately.

#### **Potential Infra Projects Limited**

- 4.6 Potential Infra Projects Limited was originally incorporated on December 16, 2010 as Potential Infra Projects Private Limited with Registrar of Companies, Kolkata- West Bengal. The name of the Company was subsequently changed from Potential Infra Projects Private Limited to Potential Infra Projects Limited vide fresh Certificate of Incorporation dated July 19, 2012. The Company has shifted its Registered office from Kolkata in the state of West

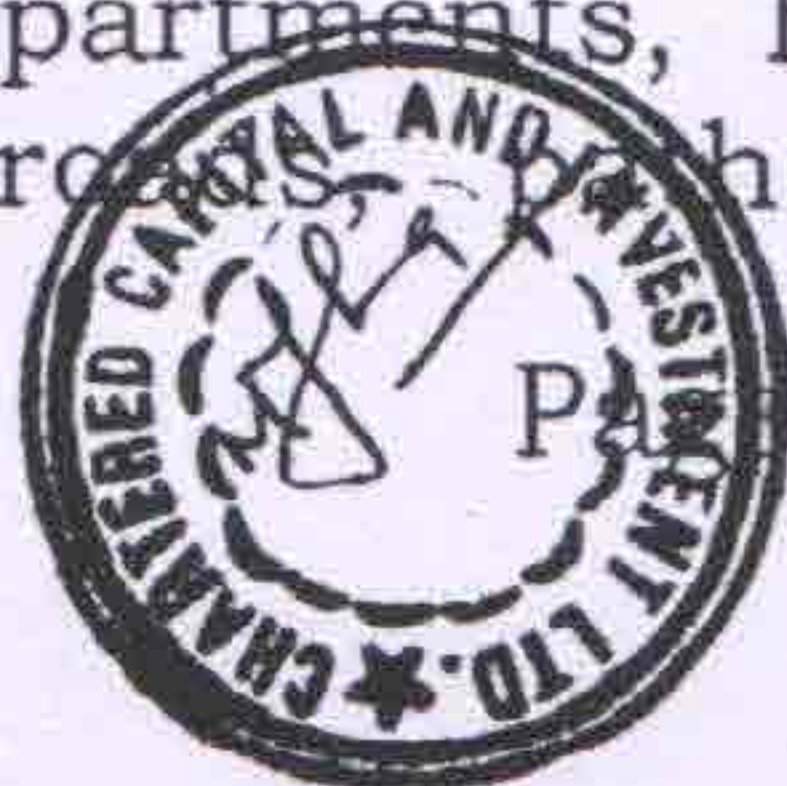


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Bengal to Mumbai in the state of Maharashtra vide Certificate of registration for change of state dated May 25, 2013. The Registered Office of the Company is currently situated at 505, Corporate Corner, Sunder Nagar, Malad (W), Mumbai-400064.

- 4.7 As on date the Authorized Capital of the Company is Rs. 30,00,00,000 (Rupees Thirty Crores) divided into 3,00,00,000 (Three Crores) Equity Shares of Rs 10 each. The Issued, Subscribed and Paid-up Capital of the Company is Rs. 29,99,80,000 (Rupees Twenty Nine Crores Ninety Nine Lakhs and Eighty Thousand) being divided into 2,99,98,000 (Two Crores Ninety Nine Lakhs and Ninety Eight Thousand) shares of Rs. 10 each
- 4.8 The Company is a public limited Company and is engaged in the business of infrastructure, infrastructure related projects, real estate and construction activities and having the main object as under:
- 4.8.1 To carry on the business of civil mechanical, electrical and consulting engineers, architect, surveyors, designers, town planners, estimators, valuer, interior and exterior decorator, general and government civil contractors of immovable properties including building, highway, roads, earth ways, bridges, tunnels, water ways, sea ports in general and all type of structural and pilling engineering work, interior designing and graphics.
- 4.8.2 To purchase, acquire, take on lease or in exchange or in any other lawful manner any area, land, building, structures and develop or promote the same and dispose of or maintain the same and to build township, markets or other building residential or commercial or conveniences thereon and to equip the same or part thereof with all or any amenities or conveniences, drainage facility, electric, telephone, television installation and to deal with the same in any manner whatsoever, any by advancing money to and entering into contract and arrangements of all kinds with builders, tenants and others.
- 4.8.3 To work as structural contractor, steel fabricators, engineers and contractors, designers and decorators, furnisher for interiors and exteriors and to contract, erect, build, repair, re-model, demolish, develop, improve, grades, curve, pave macadamize, cement and maintain building structures, houses, apartments, hospitals, schools, place of worship, highway roads, streets, sideways, court, alleys,





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pavement and to do other similar construction, leveling or paving work and for these purpose to purchase, take on lease or otherwise acquire and hold any land and prepare layout thereon or building of any tenure or description wherever suitable, or interests therein or connected therewith.

- 4.9 Other details of Potential Infra Projects Limited, including history and financial data have been covered under the valuation report of the Valuer, and hence not incorporated herein, deliberately.

## V. METHODS OF VALUATION

There are several methods / models used for valuing the shares of a company, however Jain & Sultania, Chartered Accountants has used some of the valuation methods for arriving the valuation which are as under:

- (a) Book Value Method
- (b) Profit Earning Capacity Value (PECV)
- (c) Market value (MV) in the case of listed shares

Each of these methods has its suitability, depending upon the facts of the case and the objectives of the valuation. These methods are briefly explained below, for ready reference.

### (a) Book Value Method

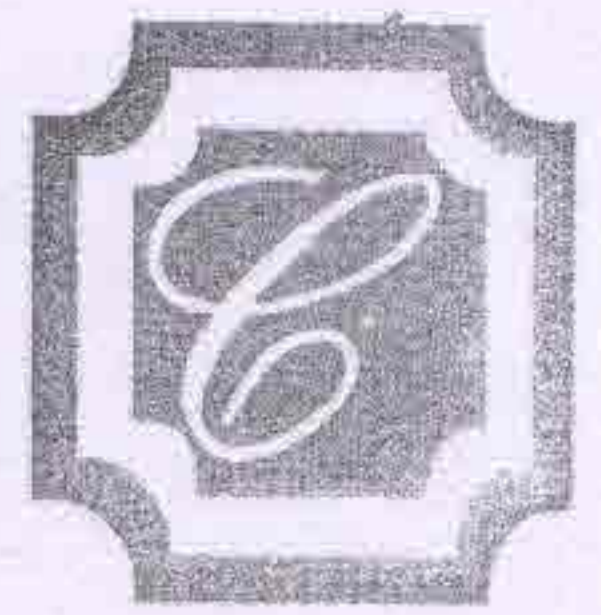
This method of valuation indicates the asset backing to the business. For the purposes of arriving at Book value per share, the miscellaneous expenses carried forward, accumulated losses, total outside liabilities, revaluation reserves and capital reserves (except subsidy received in cash) shall be reduced from the value of the total assets and the net figure so arrived at shall be divided by the number of equity shares issued and paid-up. Alternatively, intangible assets shall be reduced from the equity capital and reserves (excluding revaluation reserves) and the figure so arrived at shall be divided by the number of equity shares issued and paid-up.

### (b) Profit Earning Capacity Value (PECV)

This method of valuation presumes the continuity of business and uses the past and projected earnings to arrive at an estimate of future maintainable profits. For the purpose of the Profit Earning Capacity Value (PECV) of the shares, the commonly accepted approach is to capitalise the average earnings, past and projected at an



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appropriate rate of capitalization, to arrive at a fair value per share. In the calculation of PECV, provision for taxation at the current statutory rate is normally considered because the crux of estimate the PECV lies in the assessment of the future maintainable profits of the business. It should not be overlooked that the valuation is for the future and that it is the future maintainable streams of earnings that is of greater significance in the process of valuation.

(c) **Market value (MV) in the case of listed shares**

Under this method, the price of the shares of the company quoted on a recognized stock exchange forms the basis for valuation. Since, market price reflects the fair value of the company, for all listed companies its one of the best method for valuation provided the shares of the company are frequently traded or highly liquid, i.e. there is a large quantum of shares traded on daily basis.

VI. **COMMENTS ON VALUATION OF AMALGAMATION OF POTENTIAL INFRA PROJECTS LIMITED WITH MAPRO INDUSTRIES LIMITED BY JAIN & SULTANIA, CHARTERED ACCOUNTANTS**

The Valuer, viz. Jain & Sultania, Chartered Accountants, have arrived at the Swap Ratio considering valuation under following methodologies:

**Mapro Industries Limited (Transferee Company)**

(a) **Book Value Method**

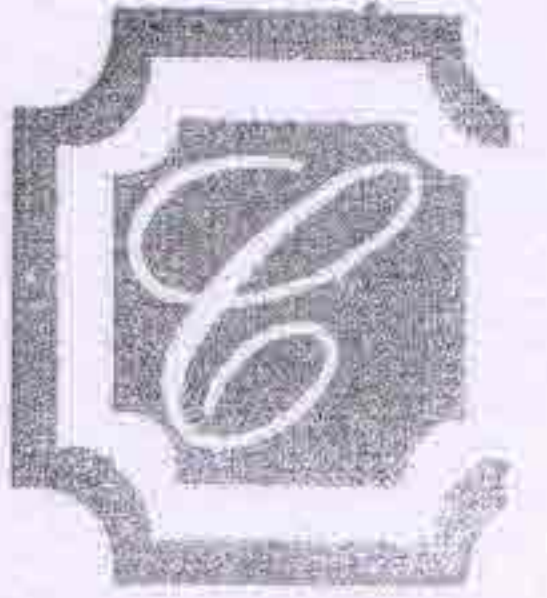
The Book Value of the Company as per the last audited financial statement i.e. for the year ended March 31, 2013 has been considered. Furthermore, while calculating value of equity shares as per Book Value Method, they have taken into consideration allotment of 56,27,500 shares issued on Preferential basis on July 9, 2013. Based on that the Book Value as arrived is Rs 10.88.

(b) **Profit Earning Capacity Value (PECV)**

While calculating following have been taken into consideration by the Valuer:

1. Three accounting periods Profit/Loss before Tax, for the financial year ended March 31, 2011, March 31, 2012 and March 31, 2013.
2. An Average rate at 33.33% has been considered





3. While calculating the Price Earning Capacity Value (PECV) of the Company, EPS is multiplied by taking Average Industrial Composite P.E. Multiple rate of 15.5 (Source: **P/E RATIO of Engineering Turnkey Services taken from the CAPITAL MARKET MAGAZINE**, Volume; XXVIII/12, Industry ENGINEERING, Page No 43).
4. The Profit of the Company for the year ended March 31, 2012 and March 31, 2013 are negative and hence the PECV Method has not been considered.

(c) **Market value (MV) in the case of listed shares**

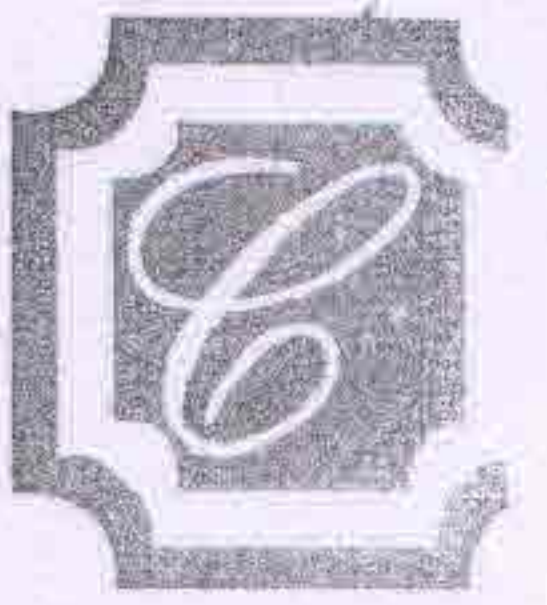
With reference to Market Value, last year's weighted average of total traded turnover and no. of shares traded of the company's share on the Stock Exchanges, where the shares of the Company are listed is taken into consideration. The shares of the Company are listed at BSE. The shares of the Company have not been traded for the past 6 months i.e. February 2013 to July 2013 on BSE and hence Market Value method has not been considered for Share Valuation.

**Value Per Equity Share:**

The value per equity share is to be considered as average of the values arrived/ determined on the basis of three methods mentioned above after giving them appropriate weights.

In the present case only Book Value is available and based on "The Valuation Guidelines" issued by the erstwhile Controller of Capital Issue, Dept. Of Economic Affairs, Ministry of Finance, Government of India, in such a situation 50% of the Book Value is considered by the Valuer.

Method	Price Per Share (In Rs.)	Weights	Product (In Rs.)
Book Value	10.88	50%	5.44
P.E. Capacity Value	NA	NA	NA
Market Value	NA	NA	NA
<b>Fair value per share of Rs. 10/-</b>			<b>Rs. 5.44</b>



### Potential Infra Projects Limited (Transferor Company)

#### (a) Book Value Method

The Book Value of the company as per the last financial accounts i.e. for the year ended March 31, 2013 has been considered. Based on that, the Book Value is Rs. 10.04

#### (b) Profit Earning Capacity Value (PECV)

While calculating following have been taken into consideration by the Valuer:

1. The Profit of the Company for the two years ended March 31, 2012 and March 31, 2013 have been considered. The Financials for the year ended March 31, 2011 has not been considered since the company has not carried any activities
2. An Average tax rate at 33.33% has been considered
3. Weighted Average Number of Equity Shares for the year ended March 31, 2013 and
4. While calculating the Price Earning Capacity Value (PECV) of the Company, EPS is multiplied by taking Average Industrial Composite P.E. Multiple rate of 15.5 (Source: **P/E RATIO of Engineering Turnkey Services taken from the CAPITAL MARKET MAGAZINE**, Volume; XXVIII/12, Industry ENGINEERING, Page No 43). Based on that, the Profit Earning Capacity Value is Rs. 18.66

#### (c) Market Approach

The shares of the Company are not listed on any Stock Exchanges and hence it has not been considered for Market Value method.

### Value Per Equity Share:

Since the Company is a Going Concern, Book Value has been assigned weight 1. Since the Company is making incremental profits on a year to year basis, Profit Earning Capacity Value has been assigned weight 2.



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Method	Price Per Share (In Rs.)	Weights	Product (In Rs.)
Book Value	10.04	1	10.04
PECV	18.66	2	37.32
<b>Total</b>	<b>28.70</b>	<b>3</b>	<b>47.36</b>
<b>Fair value per share of Rs. 10/-</b>		<b>Rs.15.79</b>	

**Swap Ratio** – From the above calculations and analysis by Valuer, the share exchange ratio is taken as follows:

The Share Exchange Ratio is 1:3, i.e. for every One (1) Equity Share of Rs. 10/- each of Potential Infra Projects Limited, Three (3) Equity Shares of Rs 10/- each of Mapro Industries Limited shall be issued. However, since the Transferor Company is an Unlisted Company, the Share Exchange Ratio recommended by the Valuer is 1:1 i.e. for every One (1) Equity Share of Rs. 10/- each of Potential Infra Projects Limited, One (1) New Equity Share of Rs 10/- each of Mapro Industries Limited shall be issued.

We are of the opinion that Jain & Sultania, Chartered Accountants has used the appropriate valuation methodologies for valuation of shares of Mapro Industries Limited and Potential Infra Projects Limited and the corresponding Swap Ratio as it takes into account a capitalisation rate for PECV method, which could be considered fair for both the companies.

## VII. OPINION ON VALUATION REPORT

Based on the information, material, data made available to us, including the Valuation Report and working thereto, **to best of our knowledge and belief**, the methodologies used and corresponding share valuation to arrive Swap Ratio suggested by Jain & Sultania, Chartered Accountants under the scheme of amalgamation is **Fair**.

