

Date 16/02/2016

**FAIRNESS OPINION REPORT ON VALUATION  
FOR THE PROPOSED SCHEME OF ARRANGEMENT**

**OF**

**LESHA INDUSTRIES LIMITED  
(DEMERGED COMPANY)**

**INTO**

**ASHNISHA ALLOYS PRIVATE LIMITED  
(RESULTING COMPANY)**

**PREPARED BY**

**HEM SECURITIES LTD.**



Hem Securities Limited ("HSL" or "Authors of the Report" ) is a SEBI registered "Category I "Merchant banker in India and was engaged by Board of Directors of Lesha Industries Limited (herein after referred as "LIL") & Ashnisha Alloys Private Limited (herein after referred as "AAPL") to prepare an Independent Fairness Opinion Report ("Report") with respect to providing an Independent opinion and assessment as to fairness of Valuation Report determined by Naimish K.Shah & Co., Chartered Accountants an independent valuer for the purpose of intended proposed Demerger of Trading & Investment Business of Lesha Industries Limited into Ashnisha Alloys Private Limited are collectively referred as " Companies ".

Our report is subject to the scope and limitations detailed hereinafter. As such the report is to be read in totality and not in parts.

This report has been based on certificate of Naimish K.Shah & Co., Chartered Accountants and other information provided by management of companies and also from other sources believed to be reliable.

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**Date 16/02/2016**

The Board of Directors,  
**Lesha Industries Limited,**  
7th Floor, Ashoka Chambers,  
Mithakhali Six Roads, Ahmedabad – 380 006.

The Board of Directors,  
**Ashnisha Alloys Private Limited**  
7th Floor, Ashoka Chambers  
Opposite H.C.G. Hospital,  
Mithakhali Six Roads, Mithakhali, Ahmedabad – 380 006.

## **1. Background of Engagement**

In accordance with Clause 24(h) of the Listing agreement and SEBI circular no CIR/CFD/DIL/5/2013 dated February 04, 2013 as modified by its subsequent circular no.CIR/CFD/DIL/8/2013 dated May 21, 2013 as applicable to the listed companies, the listed company as well as the unlisted company require to obtain a fairness opinion on the valuation of assets / equity shares by the valuers for the company from an Independent Merchant banker.

Clause 24(h) of the Listing agreement

"The company agrees that in the explanatory statement forwarded by it to the shareholders u/s 393 or accompanying a proposed resolution to be passed u/s 100 of the Companies Act, it shall disclose the pre and post-arrangement or amalgamation (expected) capital structure and shareholding pattern, and the "fairness opinion" obtained from an independent merchant bankers on valuation of assets / shares done by the valuer for the company and unlisted company"



Executive Summary	
Purpose :	Express an Independent Fairness Opinion and assessment with respect to fairness of Valuation Report determined by Naimish K.Shah & Co., Chartered Accountants.
Name of the Companies:	Demerged Company: Lesha Industries Limited Resulting Company : Ashnisha Alloys Private Limited
Business :	This arrangement will lead to synergies of operations and thus contribute to the profitability of combined entity.

## 2. Background of companies

Lesha Industries Limited ("the Demerged Company") is a company incorporated under the provisions of the Companies Act, 1956 having its registered office at 7th Floor, Ashoka Chambers, Mithakhali Six Roads, Ahmedabad – 380 006. The Demerged Company is engaged, inter-alia, in the business of Trading of Steel, Shares & Stock, Toys, Information Technology (IT) and Investments. The company's Equity shares are listed on the Bombay Stock Exchange Limited, Mumbai. The Company was incorporated in the name of Lesha Finstock Private Limited on 23/11/1992 and the present name of the company viz. Lesha Industries Limited was changed on 31.08.2009.

Ashnisha Alloys Private Limited ("the Resulting Company") is a company incorporated under the provisions of the Companies Act, 1956 having its registered office at 7th Floor, Ashoka Chambers, Opposite H.C.G. Hospital, Mithakhali Six Roads, Mithakhali, Ahmedabad – 380 006, Gujarat. Resulting Company is incorporated to engage, inter alia, in the business of trading of steel.

## 3. Sources of information

- Annual report of LIL and AAPL for FY 2014-15
- Audited Balance Sheet of LIL for the period ended Dec.'15
- Scheme of Arrangement
- Certificate of Naimish K.Shah & Co , Chartered Accountants
- Document available as on date on MCA portal for LIL and AAPL
- Website of BSE Limited ("BSE")



#### 4. Basis of Valuation made by Naimish K.Shah & Co

1. Naimish K.Shah & Co, Chartered Accountants adopted Net Assets Value method (NAV) for the purpose of valuation of business of the company. Further Naimish K.Shah & Co has taken Book Value (BV) of the assets and liabilities for the proper and appropriate valuation.
2. The Valuation and exchange ratio are determined on the basis of Assets Approach.
3. As per valuation report the exchange ratio is determined as follows:
  - i) 11,32,037 new equity shares of LIL in proportion of 3 new Equity Shares of LIL for every 25 Equity Shares held by the shareholders of LIL, and
  - ii) 30,18,764 Equity Shares of AAPL in proportion of 8 Equity Shares of AAPL for every 25 Equity Shares held by the shareholders of LIL.

Based upon valuation carried out by Naimish K.Shah & Co, Chartered Accountants, we are of the opinion that the purpose of the proposed arrangement is fair, from a financial point of view.

#### 5. Synopsis of Scheme of Arrangement

With a view to maintain a simple corporate structure and eliminate duplicate corporate procedures, it is desirable to merge and amalgamate Trading & Investment Business of LIL into AAPL. The Demerger Trading & Investment Business of LIL into AAPL will facilitate consolidation of all the undertakings in order to enable effective management and unified control of operations. Further, the demerger would create economies in administrative and managerial costs by consolidating operations and would substantially reduce duplication of administrative responsibilities and multiplicity of records and legal and regulatory compliances.

We have been informed that existing equity shares of the Demerged Company are listed on BSE. The equity shares of the resulting Company are not listed on any Stock Exchange.

#### 6. Exclusions and Limitations

Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment did not involve us performing audit tests for the purpose of expressing an opinion on the accuracy of any financial information or analytical information that was used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used, and therefore, do not express any opinion with regard



to the same. In addition, we do not take responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our report.

Our Fairness Opinion will not be offered to any section of the public to subscribe for or purchase any securities in or assets or liabilities of any company or business valued by us.

We assume no responsibility for revising or updating our opinion based on circumstances or events occurring after date hereof. Our opinion is specific and is being issued as per requirement of clause 24(f) of the listing agreement in force as on the date.

## 7. Conclusion

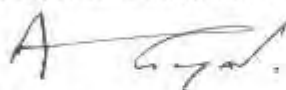
Based upon valuation carried out by Naimish K. Shah & Co, Chartered Accountants, we are of the opinion that the purpose of the proposed arrangement is fair.

The Fairness of the proposed Scheme is tested by:

- 1. Considering whether the valuation methods adopted by Naimish K. Shah & Co a correct picture on the value of shares of companies.
- 2. Considering qualitative factors such as economics of scale of operations, synergy benefits that may result from the proposed Demerger.
- 3. The rationale for share exchange ratio as explained above, will be issued as assumed by Naimish K. Shah & Co. is justified.

This being of our best of professional understating, we hereby sign the Fairness Opinion Report on valuation for the proposed scheme as under.

For, Hem Securities Ltd



Akun Goyal

Merchant Banking Division

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