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PRIVATE

AND

CONFIDENTIAL

BUSINESS VALUATION REPORT OF

LESHA INDUSTRIES LIMITED ("LIL")

AND RECOMMENDATION OF SHARE EXCHANGE RATIO UPON DEMERGER

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VALUATION REPORT

1. INTRODUCTION

We refer to our engagement letter dated 6th January, 2016 confirming our appointment as independent valuers for undertaking valuation of business of Lesha Industries Limited (LIL) for the purpose of a Scheme of De-merger of Trading and Investment Business of LIL ("the Demerged Company") and vesting the same into Ashnisha Alloys Private Limited (AAPL) ("the Resulting Company"). We have summarized our Valuation Analysis of the business, based on the data and information as provided by the management and also based on some methodologies and techniques considering the scope of work as under:

2. COMPANY BACKGROUND AND PRESENT STATUS

LIL has been engaged in the business of Trading of Steel, Shares & Stock, Toys, Information Technology (IT) and Investments. AAPL is incorporated to engage, inter alia, in the business of trading of steel.

Further, LIL wants to discontinue with its Trading and Investment Business and has accordingly decided to de-merge its Trading and Investment Business.

The registered office of LIL is situated at 7th Floor, Ashoka Chambers, Mithakhali Six Roads, Ahmedabad – 380 006. 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.

The registered office of Ashnisha Alloys Private Limited is situated at 7th Floor, Ashoka Chambers, Opposite H.C.G. Hospital, Mithakhali Six Roads, Mithakhali, Ahmedabad – 380 006 and the company is incorporated on 27.07.2009.

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3. PURPOSE OF VALUATION

Based on discussion with the management of the companies, we understand that the purpose of valuation is to determine the share's swap ratio for the scheme of de-merger of Trading and Investment Business of LIL (Demerged Company) to vest into AAPL (Resulting Company). In this context, the management required our assistance for the purpose of fair Valuation of Trading and Investment Business as well as the Remaining Business of LIL and to determine the share exchange ratio for the purpose of the proposed de-merger.

The de-merger of Trading and Investment business of LIL and vest it to AAPL will be helpful in achieving synergic advantages and focus on core strength. This would make the administration easy and control systems more efficient by concentrating on focused line of business. Further, the Resulting Company would be in a strong position to maximize its profits through optimum utilization of its own resources and by trying to minimize the administrative and operative costs by utilizing maximum available benefits emerging out of such amalgamation. The Resulting Company would also be able to build high market capitalisation which will provide a financial edge to it for its development and futuristic plans.

4. VALUATION DATE

The analysis of fair value of the business for the scheme of de-merger of Trading and Investment business of LIL (Demerged Company) to vest into with AAPL (Resulting Company) has been carried out as on 31st December, 2015.

5. SOURCE OF INFORMATION

For the valuation exercise, we have relied on the following sources of information:

I. Memorandum and Articles of Association of both companies.

II. Information provided by the Company's Management including the Audited Financial Statements of both companies for last three years ended on 31st March, 2013, 31st March, 2014, 31st March, 2015 and audited accounts for nine months' period ended on 31st December, 2015.

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III. Leading database sources, market research reports and other published data.

IV. Draft Scheme of De-merger.

V. Discussions with the Company's Management.

6. VALUATION TECHNIQUES

By its very nature, valuation work cannot be regarded as an exact science and given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions, which have to be made. There can therefore be no standard formula to establish an indisputable value, although certain appropriate formula is useful in establishing reasonableness.

Though different values can be arrived at under each of the methodologies, for the purposes of recommending the valuation of Business it is necessary to arrive at a fair value of the undertaking by trying to neutralize the effect of a particular method of valuation.

The techniques which are generally used for the purpose of fair valuation of business are;

1. Net Assets Value (NAV)

   NAV is a method within the assets approach whereby all assets and liabilities (including off-balance sheet, intangible and contingent) are adjusted to their fair values. Further, this is generally done on the basis of audited financial statements of the entity for the year preceding the date of transfer after considering the fair value of the assets and a fair judgement of the liabilities payable.

   This method enables different macro-economic parameters which have an impact on the operations of the business considering the Assets and Liabilities of the Companies on the date of transfer.

2. Profit Earning Capacity Value (PECV)

In this method, the weighted average of earnings in terms of Profits are taken from the audited balance sheets of last three years of the company which are capitalised on the basis of standard price earnings ratio to get the value of equity of the company.

But in the present case, this method is not suitable as LIL is engaged in diverse business segments and it is not possible to separate out the exact profit of each sector as LIL is not maintaining separate accounting records and books of accounts. Further the AAPL does not have any significant track record in the business of steel or otherwise. Accordingly, this method of valuation can't be considered in the present case.

3. Market Price Basis

In case of listed companies, the market price method based on market value of the shares is also one of the methods for valuation of Equity Shares. The market values of shares of the companies which are involved in the Scheme are considered when the shares are actively traded in the market and the volume of trading of such shares in the market is reasonable. The "LIL" is a listed company on the Bombay Stock Exchange, Mumbai.

However, as far as this valuation is concerned this method is not at all suitable as the demerged company wants to de-merge its Trading and Investment business and to evaluate such share price of division out of current market price would not be possible. Further, while equity shares of LIL are listed on the Stock Exchange and its market price is available, the equity shares of AAPL involved in the Scheme are not listed on any Stock Exchange and being Private Limited Company, its market prices is not available.

4. Discounted Cash Flow Method (DCF)

This method is called economic method of valuation of any business as every business is only concerned with its cash generating ability. Further, in this method the value of business is derived by discounting its Free Cash Flows (FCF) for a pre-determined forecasted period to the present discounting. For this purpose, FCF is cash available for distribution to the capital provider after considering the change in capital expenditure and re-investment required to sustain the operations and growth of the business.

LIL is having diverse business activities and it is not easy to identify the prospective profits and generation of futuristic advantages of all the business. AAPL does not have any reliable past record which can be used to judge the prospective generations of cash flows. It would therefore not be appropriate to make futuristic projections of the companies involved in the Scheme with insignificant or no track record. This method of valuation is therefore not relevant in the present case.

7. RECOMMENDED METHOD OF VALUATION

We have proposed that the shareholding pattern of both companies involved in the Scheme should have a mirror image and the percentage shareholding of the promoters and public shareholders in both companies should remain exactly the same as the existing shareholding in LIL. Accordingly, we have adopted Net Assets Value Method (NAV) for the purpose of valuation of business of the company. Considering the nature of business in the present case, this should be the correct method of valuation. Further, for the proper and appropriate valuation of the business of the companies we have taken Book Value (BV) of the assets and liabilities.

8. SHARE EXCHANGE RATIO

Valuation of Business of the Companies and their exchange ratios are computed as under.

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Step: 1

The issued, subscribed and paid-up share capital of AAPL (Resulting Company) is Rs. 1,00,000/- divided in to 10,000 Equity Shares of Rs. 10/- each. We propose cancellation of the entire existing share capital and do not recommend any fresh issue of any shares against such cancelled 10,000 Equity Shares of AAPL. This is proposed in order to ensure the mirror image of shareholding pattern of both companies involved in the Scheme.

Step: 2

Division wise break up of Financial Position as on 31st December, 2015, based on the audited accounts of LIL.

(Rupees in Lacs)

Particulars	Trading & Investment Business	Remaining Business ₹	Total ₹
[A] ASSETS Non-Current Assets Fixed Assets	6.28	744.43	750.71
Long Term Loans and Advances	18.29	124.25	142.54
Other Non-Current Investments	229.10	10.00	239.10
Total	253.67	878.68	1132.36
Current Assets Inventories	0	4.89	4.89
Trade Receivables	889.35	0	889.35
Cash & Cash Equivalents	0	2.09	2.09
Short Term Loans & Advances	423.07	166.82	589.89

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Other Current Assets	0	11.15	11.15
Total	1312.42	184.95	1497.37
Total Assets	**1566.09**	**1063.64**	**2629.72**
[B] LIABILITIES Non-Current Liabilities	0	45.48	45.48
Total	0	45.48	45.48
Current Liabilities			
Short Term Borrowings	0	196.65	196.65
Trade Payables	283.21	2.45	285.66
Other Current Liabilities	0	4.64	4.64
Short Term Provisions	0	0	0
Total	283.21	203.74	486.95
Total Liabilities	283.21	249.22	532.43
Net Assets [A-B]	1282.87	814.42	2097.29
% Allocation	61.17%	38.83%	100%
% Allocation (rounded off to full digit)	61%	39%	100%

Since 61% of the Net Assets of the Demerged Company are proposed to be passed on to the Resulting Company, it is proposed that the issued, subscribed and paid up capital of the Demerged Company LIL and the Resulting Company AAPL shall be in proportion of 39% and 61% respectively. The management of both companies has decided that upon implementation of the Scheme, equity in LIL and AAPL should be restructured in such manner that servicing of the same can be done more effectively. It is therefore

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proposed that the present share capital of LIL should be first divided in the ratio of 39% : 61% - i.e. LIL's new equity should be 39% of its existing equity, and AAPL's equity should be 61% of LIL's existing equity. Thereafter, such distributed equity amongst de-merged LIL and AAPL should be further reduced by 70%. Accordingly, LIL's new equity should become around 12% (39x0.30) of its existing equity; and AAPL's equity should become 18% (61x0.30). However, since the Scheme proposes Listing of AAPL's equity share on Bombay Stock Exchange (BSE), AAPL is required to have a minimum paid up capital of Rs. 3 crores. Accordingly, while LIL's equity is proposed to be further reduced by 70%, further reduction of 70% of AAPL's equity would bring the paid up capital of AAPL to about 1.7 crores. It is therefore proposed that LIL's equity be further reduced by 70% whereas AAPL's equity be further reduced by 47.54% in order to comply Listing Eligibility Criteria of Bombay Stock Exchange (BSE). Since the valuation and exchange ratio are recommended on the basis on Asset Approach – i.e. Net Asset Method, and the shareholding pattern of LIL and AAPL shall have a mirror image of the existing shareholding pattern of LIL; such restructuring shall not be prejudicial to the interest of any shareholder of LIL. Each shareholder of LIL shall have the same value/ percentage of stake, ownership, control and voting rights in LIL as well as AAPL.

RECOMMENDED RATIO

A. REORGANISATION OF SHARE CAPITAL OF LIL

As elaborately calculated in Step 2 hereinabove, LIL's new equity share capital be reduced to 12% of its existing equity share capital, we recommend issue and allotment of (i) 11,32,037 new Equity Shares of LIL in proportion of 3 (Three) new Equity Shares of LIL for every 25 (Twenty Five) Equity Shares held by the shareholders of LIL, and (ii) 30,18,764 Equity Shares of AAPL in proportion of 8 (Eight) Equity Shares of AAPL for every 25 (Twenty Five) Equity Shares held by the shareholders of LIL.

B. CANCELLATION OF EXISTING CAPITAL OF AAPL

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In order to comply with SEBI Circular CIR/CFD/DIL/5/2013 dated February 4, 2013 and to reflect mirror image of shareholding of Demerged Company as well as the Resulting Company, we recommend to cancel the entire existing paid up share capital of the of Rs. 1,00,000/- of AAPL and also recommend that no shares be allotted against such cancelled 10,000 shares of AAPL.

9. DISCLAIMER

In preparing this valuation Report ("the Report"), we have relied upon and assumed, without independent verification, the accuracy and completeness of all data and information obtained from the company and other databases.

Hence while submitting up and taking into account all the relevant facts as discussed here on before and working out the valuation of shares, in our opinion exchange ratio as determined by us is to be suggested subject to methods of valuation of shares and other relevant factors as discussed earlier and on the basis of our own professional wisdom.

The Report is being provided solely for the benefit of de-merger of Trading and Investment Division of Lesha Industries Limited (LIL) (Demerged Company) to vest into with Ashnisha Alloys Private Limited (AAPL) (Resulting Company), and is not on behalf of, and shall not confer rights or remedies upon, any other person other than "LIL" & "AAPL". The Report may not be used or relied upon by, or disclosed, referred to, or communicated by "LIL" & "AAPL" (in whole or in part) to any third party for any purpose whatsoever except with the prior written consent of us in each instance.

While the information provided to us is believed to be accurate and reliable, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of such information.

The valuation contained herein is purely for discussion purposes and is not intended to be the price with which the Companies should approach prospective sellers/ buyer of shares of all Companies. Our analysis does not purport to be appraisals or otherwise reflective of the price at which the shares could actually be bought or sold.

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10. ACKNOWLEDGEMENT

We are thankful to the Management & Staff of "LIL" & "AAPL" for their kind co-operation extended to us during the course of our assignment.

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CHARTERED ACCOUNTANTS

M K Shah
(Naimish Shah)

Proprietor

M. No. 31147

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Date: 15/02/2016

Place: Ahmedabad