



MARK
CORPORATE ADVISORS

March 05, 2020

MCAPL: MUM: 2019-20: 207

To,
The Board of Directors
RRIL Limited
(formerly known as SRK Industries Limited)
A-325, Hari Om Plaza,
M.G. Road
Borivali (East),
Mumbai-400066.

Sub : Fairness Opinion Certificate on the Valuation of shares in the matter of proposed merger of KRKumar Industries Limited (hereinafter referred to as "KRK") with RRIL Limited (formerly known as SRK Industries Limited) (hereinafter referred to as "RRIL")

Dear Sir,

The Board of Directors of RRIL Limited has appointed us on 27th February, 2020 and has requested us to issue Fairness Opinion Certificate in connection with the valuation exercise being carried out by Mr. Dinesh Kumar Deora, Registered Valuer having IBBI Registration Number IBBI/RV/03/2019/12711 (hereinafter referred to as "the Valuer").

1. PURPOSE OF VALUATION

- 1.1 The Board of Directors of both the Companies have considered proposal for the Merger of KRK ("Transferor") with RRIL ("Transferee").
- 1.2 In this regard, Mr. Dinesh Kumar Deora Registered Valuer having IBBI Registration Number IBBI/RV/03/2019/12711 was appointed to carry out the valuation with a view to recommend an exchange ratio of shares in the event of Merger of KRK with RRIL and to determine the Equity Shares to be issued by RRIL to the Shareholders of KRK.
- 1.3 The information contained herein and our certificate is confidential. It is intended only for the sole use of captioned purpose including for the purpose of obtaining requisite approvals as per SEBI (LODR) Regulations, 2015.

2. SOURCE OF INFORMATION

For the purpose of the valuation, we have relied upon the following source of information provided by the management of the KRK and RRIL.

- (i) Memorandum and Articles of Association;
- (ii) Audited Annual Accounts for FY 2016-2017, FY 2017-2018, FY 2018-2019 and for the nine (9) months period ended December 31, 2019;
- (iii) Copy of Valuation Report dated March 04, 2020 issued by Mr. Dinesh Kumar Deora, Registered Valuer having ,IBBI Registration Number IBBI/RV/03/2019/12711 and

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(iv) Draft Scheme of Arrangement.

3. EXCLUSIONS AND LIMITATIONS

- 3.1 Conclusions reached by us are dependent on the information provided to us being complete & accurate in all material respects. 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 fairness or accuracy of any financial or analytical information used during the course of our work. 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 any responsibility for any changes in the information used for any reason, which may occur subsequent to the date of our certificate.
- 3.2 This certificate is prepared with a limited purpose/scope as identified/stated earlier and will be confidential being for use only to whom it is issued. It must not be copied, disclosed or circulated in any correspondence or discussions with any person, except to whom it is issued and to those who are involved in this transaction and for various approvals for this transaction.

4. VALUATION METHODOLOGY ADOPTED BY THE VALUER

4.1 In arriving at the exchange ratio of the equity shares for the merger of the KRK with RRIL. The Valuer have determined the values independently but on a relative basis. He has considered the methods relevant and applicable, which included:

- i. Net Assets Value (NAV) Method;
- ii. Market Price (MP) Method;
- iii. Profit Earning Capacity Value (PECV) Method.

i. Net Assets Value (NAV) Method:

The asset based valuation technique is based on the value of the underlying net assets of the company on a Book Value basis. This method is also known as the Net Asset Valuation ("NAV") methodology. Considering the nature of business of the company and other facts and based on the discussions with the management, including the fact that the two companies are closely held companies and as informed, owned by the same group and upon the proposed restructuring, none of the stake holders are likely to be adversely affected, the asset based valuation technique seems to be appropriate for valuing the shares of the two companies. In other words, net assets (operating business assets) have been valued using book value as reflected in the Accounts as at 31st December 2019.

ii. Market Price (MP) Method:

Market Value of Shares quoted on Stock Exchanges-The Market Value of a listed stock carries significant weightage in the analysis of the Equity Value of the Company. The Price at which the shares of a listed company are quoted on a recognized Stock Exchange, is an indicator of the value of the Company. This method is effective in various situations as market force collectively determine the price quoted on the stock exchanges. The market value is an outcome of various factors like quality and integrity of the Management, present and prospective competition, yield on comparable securities, market sentiment, etc.





Since the shares of RRIL (Transferee Company) is listed on the Stock Exchange, this method have been considered while on the other hand since KRK (Transferor Company) is unlisted company so Market Value Method is not considered. The Weighted Average Market Price for a period ended twelve (12) months from March 2019 till February 2020 have been considered by the Valuer.

iii. **Price Earning Capacity Valuation (PECV) Method:**

This method of valuation presumes the continuity of business and uses the past earnings. For the purpose of the Profit Earning Capacity Value of the shares, the commonly accepted approach is to capitalize average earnings of past at an appropriate rate of capitalization, to arrive at a fair value per share. While calculating Average Earning Per Share, the audited financial statements for the year ended March 31, 2017, March 31, 2018 and March 31, 2019 have been taken into consideration and EPS is capitalized by taking Industry Composite PE of 9.20 .

4.2 Accordingly, Fair Valuation of shares of the Transferor Company has been determined on the basis of Weightage of the Two Methods i.e., Net Asset Value Method and PECV Method, and the Transferee Company has been determined on the basis of Weightage of the Two Method i.e. Net Asset Value Method and Market Value Method for the purpose of working out of share exchange swap ratio for amalgamation/merger.

5. CONCLUSION

We have reviewed the methodology as mentioned above adopted by the Valuer for arriving at the fair valuation of the equity shares of Companies and also reviewed the working and underlining assumptions adopted to arrive at the values under each of the above approaches, for the purposes of recommending a ratio of entitlement/exchange.

On the basis of the foregoing points, we are of the opinion that the valuation done by Mr. Dinesh Kumar Deora, , Registered Valuer, having IBBI Registration Number IBBI/RV/03/2019/12711 is fair & reasonable for the proposed Share Exchange Ratio of 14 Equity Shares of Rs 5/- each of RRIL Limited for every 1 Equity Share of Rs 10/-each of KRKumar Industries Limited.

Thanking you,

For Mark Corporate Advisors Private Limited.


Rajendra Kanoongo
Jt. Managing Director

Place: Mumbai