Annexure - II

D. K. CHHAJER & CO.

CHARTERED ACCOUNTANTS

NILHAT HOUSE
11, R. N. MUKHERJEE ROAD
GROUND FL., KOLKATA - 700 001
PHONES : 2230-6106 / 2213-3179
FAX : 033 2230-6106
E-mail : dkchhajer@gmail.com
kolkata@dkcindia.com

12th November,2014

To

The Board of Directors,

Dhunseri Investments Limited

"Dhunseri House",

4A, Woodburn Park,

Kolkata 700020.

Dear Sirs,

Re: **The equity share entitlement ratio in consideration of proposed Merger of Dhunseri Investments Limited(DIL) and Plenty Valley Intra Limited(PVI) and issue and allotment of shares in consideration of proposed Reorganisation.**

This has reference to our engagement letter and the discussions that we have had with the senior executives and representatives of Dhunseri Investments Limited ("DIL") and Plenty Valley Intra Limited ("PVI") (hereinafter collectively referred to as the "Companies") from time to time in the above matter.

SCOPE OF WORK

The managements of Dhunseri Investments Limited (DIL) and Plenty Valley Intra Limited (PVI) for the purpose of administrative convenience to seek advantages of economics of scale and to have financial leverage intend to merge. The management of Dhunseri Investments Limited (DIL), therefore intend to merge Plenty Valley Intra Limited (PVI) into Dhunseri Investments Limited (DIL). The merger of the Companies is proposed to be carried out through a scheme of merger under Sections 230-240 of the Companies Act, 2013 under which the businesses of PVI would be merged with the businesses of DIL and DIL would allot its shares to the shareholders of PVI.

In this context, DIL has approached us vide letter dated September 10, 2014, to assist in arriving at the relative share exchange ratio for the purpose of issue of equity shares in DIL to the shareholders of PVI based on the valuation of equity shares of the Companies as on 01 April, 2014 (the "Valuation date")

We have not been asked to carry out due diligence review, independent audit or other test or validation of such financial statements. We have therefore, not carried out due diligence review, independent audit or other test or validation of such financial and other information to establish the accuracy or sufficiency of the financial statements referred to above or of the informations, explanations and representations provided to us. We therefore, do not express an opinion or any other form of assurance thereon.

Accordingly, we have carried out our assignment of assessment of relative share exchange ratio for the proposed merger of Plenty Valley Intra Limited (PVI) with Dhunseri Investments Limited (DIL), together, "the Companies" and are pleased to provide our assessment.

BACKGROUND OF COMPANIES

(A) DHUNSERI INVESTMENTS LIMITED (DIL)

i) The company was incorporated as DHUNSERI MARKETING LIMITED, on 04.02.1997 under provisions of The Companies Act, 1956 and got certificate of commencement of business on 14.02.1997. The registered office of the company is at Dhunseri House, 4A, Woodburn Park, Kolkata – 700 020.

ii) The company's name was subsequently revised to D I Marketing Limited (DIML) and fresh certificate of incorporation was issued on 03.01.2000. The company's name again changed to Dhunseri Investments Limited and fresh certificate of incorporation consequent upon change of name was issued on 17.07.2010.

iii) The share capital of the company was Rs. 5,00,000/- divided into 50,000 Equity Share of Rs.10/- each fully paid up. By a scheme of arrangement between Dhunseri Tea & Industries Limited (DTIL), D I Marketing Limited (DIML), South Asian Petrochem Limited (SAPL) and Dhunseri Polycarbonate Limited (DPL) and their respective shareholder entailing demerger and amalgamation w.e.f. 1st April, 2009 sanctioned by a Hon'ble High Court at Calcutta by an order passed on 6th day of May, 2010, the authorized share capital of the company was increased to Rs.5,90,54,480/- (Rupees Five crore ninty lac fifty four thousand four hundred eighty only) divided into 59,05,448 (Fifty nine lac five thousand four hundred forty eight) equity shares of Rs.10/- (Ten) fully paid up. The subscribed and issed paid up capital as at 31..03.2014 was Rs.5,85,54,480/- (Rupees Five crore eighty five lac fifty four thousand four hundred eighty only) divided into 58,55,448 equity shares of Rs.10/- each fully paid up after reduction in share capital by Rs.5,00,000/-, which were initially subscribed before the scheme of arrangement.

iv) By the said scheme of arrangement, assets of Investment division and Jaipur Packet Factory and liabilities of these divisions were transferred to the DI Marketing Limited (renamed subsequently as Dhunseri Investments Limited) by demerging DTIL and in lieu thereof Dhunseri Investments Limited issued equity shares to shareholders of DTIL.

v) The Memorandum and Articles of Association were altered duly approved by shareholders.

D. K. CHHAJER & CO.
CHARTERED ACCOUNTANTS
11, R. N. Mukherjee Road

vi) The main object of the Company is Investment activity. The company is a Non Banking Finance Company and is registered with Reserve Bank of India vide registration no. N.05.06909. The company is also engaged in packeting tea for Dhunseri Tea & Industries Limited.

vii) The Company's shares are listed at National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

viii) The Promoter and Promoter Group holding in the Company is 43,91,584/ shares which works out to 75% of the total share capital of the company.

ix) The company is paying dividend every year continuously from financial year ended 31st March 2010.

x) DIL has reported gross income of Rs. 9.79 Crore and a net profit after tax of Rs.8.62 Crore for the year ended 31st March, 2014.

(B) PLENTY VALLEY INTRA LIMITED (PVI)

i) The Company was incorporated as Plenty Valley Timber & Coffee Limited on 21.07.1989 and is having its registered office at Dhunseri House, 4A, Woodburn Park, Kolkata – 700 020. The company was given Certificate of Commencement of Business on 18.08.1989. The company was subsequently renamed as Plenty Valley Intra Limited a fresh certificate of incorporation on change of name was issued on 17.09.1996.

ii) The Company's shares are listed at Calcutta Stock Exchange (CSE) and Madras Stock Exchange (MSE).

iii) The is mainly engaged in the business of trading and investment in shares and securities and is a Non Banking Finance Company registered with Reserve Bank of India vide registration no. 05.02179 dated 14.05.1998.

iv) Authorized Share Capital of the company is Rs.5,00,00,000/- (Rupees five crore only) divided into 50,00,000 (Fifty Lac) Equity Shares of Rs.10/- each. The Issued, Subscribed and Paid up Share Capital as on 31.03.2014 was Rs.5,00,00,000/- (Rupees one crore only) divided into 50,00,000 Equity Shares of Rs.10/- each fully paid up.

v) The Promoter and Promoter Group holding in the Company is 20,56,300 equity shares, which is about 41.13% of the total issued and subscribed capital of the company as at 31.03.2014.

vi) The company has not declared dividend except interim dividend @ 50 Paise per equity share paid and declared for the FY 1999-2000.

vii) PVI has reported gross revenue of Rs.3.83 Crore and a net profit after tax of Rs.0.86 Crore for the year ended 31st March, 2014.

D. K. CHHAJER & CO.
CHARTERED ACCOUNTANTS
11, R. N. Mukherjee Road

PRINCIPAL SOURCES OF INFORMATION

We have obtained data, information, explanations, documents, accounts, statements and sought clarifications to arrive at a fair share exchange ratio. We have placed reliance on the data, information, documents, accounts, statements, information, explanations and clarifications provided to us by the Management of DIL and PVI. Our assessment is dependent on such information being complete and accurate in all material respects. We hereunder broadly summarise the principal sources of information obtained for arriving at fair share exchange ratio:

- Past Audited Financial Statements of DIL and PVI for the three preceding accounting years ending March 31, 2012 to March 31, 2014;

- Un-audited financial statements for the quarter ended June 30, 2014 of DIL and PVI;

- Assumptions on which Projected financial statements are prepared by Management of DIL and PVI and projected financial statements of DIL and PVI for five consecutive subsequent years till March 31, 2019;

- Informations, explanations, clarifications and discussions with the management of DIL and PVI;

- Financial results of comparable small and medium Indian listed companies operating in the investment business;

- Market value of shares in stock exchanges from April 2014; and

- Industry Research Reports covering the areas in which the Companies operate;

D. K. CHHAJER & CO.
CHARTERED ACCOUNTANTS
11, R. N. Mukherjee Road

PROCEDURE ADOPTED FOR VALUATION

We have analysed & reviewed the following and also considered other information & explanations, which we considered necessary, for arriving at fair Business values of DIL and PVI:

- Review of the historical operating performance of the Companies;
- Review of the audited Financial Statements of DIL and PVI for the past three years ended March 31, 2014, provided by the Companies' Management;
- Review of the un-audited Financial Statements of DIL and PVI for the quarter ended June 30, 2014;
- Review of the financial projections for five (5) years till March 31, 2018,of DIL and PVI provided by the Management of the Companies together with the assumptions made for preparation of the projections;
- Discussions with the Companies' Management on aspects considered necessary including weighted average cost of capital, terminal growth rate, etc.;
- Analysis of publicly available industry and financial data for listed comparable Indian companies engaged in similar lines of business;
- Such other analysis of published market data, reviews and inquiries, as considered necessary, to obtain necessary information, explanations, and clarifications, through correspondence with the respective managements.

VALUATION METHODOLOGY

We have taken into consideration the Business Values of DIL and PVI and the outstanding debts of respective Companies as per the audited financial statements as at the Valuation Date for arriving at fair share exchange ratio.

Share Exchange Ratio here is defined as the number of equity shares of DIL (pre merger) to which a shareholder of PVI (pre merger) would be entitled in proportion to their existing shareholding.

In the context of fixation of the Share Exchange Ratio between two merging companies, a fair and proper approach for valuing the shares of the companies would be to use a combination of following well known methods, namely:

a) Discounted Cash Flow method;

b) Net Worth Method;

c) Market Value Method; and

d) Price Earning Method.

The above methodologies of valuing shares are dealt hereunder before arriving at a decision to choose best one methodology or a combination of methodologies of valuing shares of a NBFC company:

D. K. CHHAJER & CO.
CHARTERED ACCOUNTANTS
11, R. N. Mukherjee Road

A. DISCOUNTED CASH FLOW METHOD

The Discounted Cash Flow (DCF) approach indicates the Fair Market Value of a business based upon the cash flows that the business can be expected to generate in the future. Under this method, post-tax cash flows for a projection period are estimated after considering company's requirement of re- investment in fixed assets and also incremental working capital requirements. These cash flows are discounted at a weighted average cost of capital provided by management of Companies, which reflects the risks of the company and the capital structure.

The company is an NBFC company and dealing in capital market, which is uncertain and lot of external factors like political, international scenario, country's growth etc. also influences the capital market. So, estimating reinvestment and growth is very difficult and may lead to incorrect estimation. This also affects correct estimation of cost of capital, which is required for discounting cash flows.

Therefore, in case of Non Banking Finance Companies, normally discounted cash flow method is not applied in valuation of business and hence, not considered while valuing business valuation of DIL and PVI.

B. NET WORTH METHOD

This method indicates the Value of the business by adjusting the assets and liabilities appearing in the Balance Sheet of the company, which are being valued as on the Valuation Date.

D. K. CHHAJER & CO.
CHARTERED ACCOUNTANTS
11, R. N. Mukherjee Road

The Fixed Assets may be adjusted by carrying out a revaluation where considered appropriate. Investments in Shares in Balance Sheet, are marked to market as per market price as on the valuation date. Investments in properties have not been re-valued and are stated at cost price as shown in Balance Sheet. Valuation so arrived at is added to the value of fixed assets.

Cash and Cash Equivalents, Net current assets as on the Valuation Date, adjusted on the basis of discussions regarding realisability, with Management, are added to the value of fixed assets.

For the purposes of this engagement, we have not been asked to carry out asset revaluation as at March 31, 2014 and have relied on audited Balance Sheets of DIL and PVI and considered the Fixed Assets at values appearing in the audited Balance Sheets as at March 31, 2014.

So, this method is applied while valuing business of DIL and PVI.

C. <u>MARKET VALUE METHOD</u>

Under this approach, business value is arrived at after multiplying earnings before interest depreciation and tax (EBITDA) with the comparable industry. Earning of the companies operating in capital market is very volatile and depends on many factors. Therefore, to avoid fluctuation, a mean of similar comparable industry has been considered. The marked to market value of Investments and surplus cash balance is added in the business value so arrived at and reduced by the contingent liability.

D.K. CHHAJER & CO. CHARTERED ACCOUNTANTS 11, R.N. Mukherjee

D. <u>PRICE EARNING METHOD</u>

Under this approach, business value is arrived at after multiplying Profit after tax with price earning of similar companies. Earning of the companies operating in capital market is very volatile and depends on many factors. Therefore, to avoid fluctuation, a mean of similar comparable industry has been considered. The marked to market value of Investments and surplus cash balance is added in the business value so arrived at and reduced by the contingent liability.

Considering above, we have adopted following methodologies for valuing business of DIL and PVI:

a) Underlying Business Assets

b) Market Value Method

c) Price Earning Method

We have further observed that shares of DIL is more liquid as the shares are being traded in the stock exchange and market price of shares are available and company is also declaring dividends every year. On the other hand, neither shares of PVI is liquid as there is no trading in last couple of years nor company has declared dividend. Therefore, business value of PVI under different methodologies is reduced by 20%.

D. K. CHHAJER & CO.
CHARTERED ACCOUNTANTS
11, R. N. Mukherjee Road

SHARE EXCHANGE RATIO

For assessing the fair share exchange ratio, we have considered the paid up equity capital of DIL as 58,55,448 equity shares of Rs. 10/- each fully paid up, PVI as 50,00,000 equity shares of Rs. 10/- each fully paid up respectively as on 01st April, 2014 for arriving at the value of equity shares of DIL and PVI as on the valuation date.

Based on business valuation under aforesaid approaches and after giving due weight to each approach and discount, the value per share of DIL and PVI worked out as under:

DHUNSERI INVESTMENTS LIMITED

The weighted average value range of shares of the company at (-) / (+) works out to Rs.419 and Rs.464 per share respectively.

PLENTY VALLEY INTRA LIMITED

The weighted average value range of shares of the company at (-) / (+) works out to Rs.53 and Rs.58 per share respectively.

Based on the above information, approaches and procedures, we assess the "Share Exchange Ratio" for issue of equity shares of DIL to the shareholders of PVI as 1:8, i.e. 1 (One) (Rupees Ten fully paid up) equity shares of DIL for every 8 (Eight) (Rupees Ten fully paid up) equity share of PVI.

D. K. CHHAJER & CO.
CHARTERED ACCOUNTANTS
1, R. N. Mukherjee Road

RECOMMENDATION

We have arrived at respective fair values of Shares of DIL and PVI after applying different valuation techniques which in our opinion is fair and reasonable and giving proper weightage, are of the view that "Share Exchange Ratio" for issue of equity shares of DIL to the shareholders of PVI as 1 (One) (Rupees Ten fully paid up) equity shares of DIL for every 8 (Eight) (Rupees Ten fully paid up) equity share of PVI, is fair and reasonable and accordingly recommend the same.

DISTRIBUTION OF REPORT

This Report is prepared for the Management of DIL and PVI and may be produced before the shareholders, respective Registrar of Companies, respective Stock Exchanges, respective High Courts and any other government authorities in connection with the proposed purpose outlined in the Context, and the purported Section. It is not to be used, referred to, or distributed for any other purpose without our written permission. While due care has been exercised in carrying out the engagement, we shall not accept any responsibility or liability to third parties to whom our Report may have been shown or into whose hands it may come. Such parties are advised to carry out their own independent assessment or to obtain professional advice before taking relevant decisions.

D. K. CHHAJER & CO. CHARTERED ACCOUNTANTS 11, R. N. Mukherjee Rd.

Our conclusions are based on the assumptions, forecasts and other information given by/ on behalf of the all companies. The management of all the companies has indicated to us that they have fully understood that any omissions, inaccuracies or misstatements might materially affect our results. Accordingly, we assume no responsibility for any errors in the information furnished to us by all the companies and their impact on the present exercise. We also, assume no responsibility for technical information furnished to us by all the companies and believe the same to be reliable.

We express no opinion on the achievability of the forecasts given to us. The assumptions used in the preparation of this Report are based on present circumstances, both as to the most likely set of conditions and course of action. It is usually the case that some events and circumstances do not occur as expected or they are not incapable of anticipation. Therefore, actual results for the forecast period may differ from the forecast itself and such differences may be material.

We have not investigated all the companies' titles to their respective assets for the purpose of this Report and assumed them to be authentic. Also, no consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the audited accounts.

For **D K Chhajer & Co**
Chartered Accountants
FRN-304138E

Niraj K Jhunjhunwala
Partner
Mem No. F057170
Place: Kolkata.
Date: 12th November, 2014

D K CHHAJER & CO
CHARTERED ACCOUNTANTS
N Mukherjee Road