

VALUATION

Report on Share Exchange Ratio on Merger of
Tirupati Aluminum Limited (TAL) with Sturdy Industries Limited (SIL)

Prepared by:

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To

Date: 26th Oct. 2015

The Board of Directors
Sturdy Industries Limited
21, Industrial Area, Baddi
Himachal Pradesh
Pin- 173205

Re: Recommendation of equity share exchange ratio for the proposed merger of Tirupati Aluminum Limited (TAL) with Sturdy Industries Limited (SIL)

Dear Sirs,

We have been appointed by the management of Sturdy Industries Limited, hereinafter (SIL) for the purpose of estimation of the fair value of equity shares of SIL ("Transferee Company") and Tirupati Aluminum Limited, herein after called TAL ("Transferor Company") as of 31st March 2015 for the above mentioned purpose.

The management has proposed a composite scheme of arrangement under section 391 to 394 of the Companies Act, 1956 whereby TAL will be merged with SIL. The valuation opinion is required for the recommendation of exchange ratio in connection with the proposed merger.

We conducted the valuation exercise on the basis of information/documents and explanations supplied to us by the management of your Company. Based on the same, our report on valuation of Equity Shares of SIL and TAL is being submitted for your kind reference.

1. Purpose of Valuation

Based on the discussion with the management, we understand that the purpose of valuation is to determine the share swap ratio for the Composite Scheme of arrangement for revival of Sturdy Industries Limited, and amalgamation of Tirupati Aluminium Limited (transferor company) with Sturdy Industries Limited (transferee company), and re-organization of share capital of Sturdy Industries Limited (Transferee Company). In this context, the management requires our assistance in determining the fair value of equity shares of both the Companies to determine the share exchange ratio.

2. Source of Information

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

1. Discussions with the Company's Management
2. Memorandum and Articles of Association
3. Audited Financial Statements of Sturdy Industries Limited of FY 2012-13, 2013-14 and 2014-15.
4. Audited Financial Statements of Tirupati Aluminium Limited FY 2012-13, 2013-14 and 2014-15.
5. Market related data like share price of SIL and other relevant information from public domain like Bombay Stock Exchange etc.
6. Other relevant internal details such as history of both the Company, its promoters, shareholding patterns, past and present activities, future plans and prospects, other information and explanation as provided by the executives and representatives of the Company's

It may be mentioned that all factual information appearing in the report has been provided and confirmed by the management of SIL.

3. Background of SIL and TAL

The transferee company i.e. **Sturdy Industries Limited** (hereinafter referred to as 'SIL') is a listed company having its registered office at Plot No 21, Industrial Area, BADDI, (Himachal Pradesh) which was incorporated on 27th July, 1989. The shares of the Company are presently listed at Bombay Stock Exchange, Mumbai.

The present Authorized Share Capital of the Company is Rs.18,50,00,000/- (Rupees Eighteen Crore) divided into 2,00,000 (Two Lac) Preference Shares of Rs.100/- (One Hundred) each and 8,25,00,000 (Eight Crore Twenty Five Lac) Equity Shares of Rs. 2/- each.

The Issued, Subscribed and Paid up Capital of the Company as on date is Rs.14,86,17,920/- (Fourteen Crore Eighty Six Lac Seventeen Thousand Nine Hundred Twenty) divided into 2,00,000 (Two Lac) Preference Shares of Rs. 100/-(One Hundred) each and 6,43,08,960 (Six Crore Forty Three Lac Eight Thousand Nine Hundred Sixty) Equity Shares of Rs. 2/- each.

Sturdy Industries Limited is engaged in the business of manufacturing and supplying specialized pipes, irrigation systems for the agriculture sector, aluminium composite panels for IT Parks, Malls, Hotel, etc., power transmission and distribution aluminium conductors.

Since the last three years, the company has been suffering huge losses, and for this the promoters of the Company have been trying hard to come out from such worst scenario. However, with the increased cost of production, almost entire capital of Sturdy Industries Limited went near to erosion. Hence the Company has decided to go for amalgamation with the fund reached company.

Tirupati Aluminum Limited (hereinafter referred to as 'TAL') is also a Listed Company and was incorporated on the 17th day of October, 1994 under the provisions of the Companies Act, 1956 having its registered office at 44/1, Pipli Wala Town, Mani Majra, Chandigarh-160101. The shares of the Company were listed on Ludhiana Stock Exchange Limited (LSE), Ludhiana which is not in operation now and the same are on the Dissemination Board of National Stock Exchange w.e.f. December 01, 2014.

The present Authorized Share Capital of the Company is Rs.3,50,00,000/- (Rupees Three Crore Fifty Lac) divided into 35,00,000 (Thirty Five Lac) Equity Shares of Rs.10/-(Ten) each.

The Issued, Subscribed and Paid up Capital of the Company as on date is Rs.3,00,23,000/- (Three Crore Twenty Three Thousand) divided into 30,02,000 (Thirty Lac Two Thousand) Equity Shares of Rs. 10/-(Ten) each.

The Unit-I has installed capacity of 10800MT for manufacturing of aluminum wire rods. The Unit-I is registered as a medium/large scale industry with department of Industries Himachal Pradesh. The raw material for the product is Aluminium Ingots. The raw material is procured from NALCO/HINDALCO/BALCO and from open market and can be imported from the other countries like South AFRICA, Australia and UAE etc. Aluminium wire rods are used in various industries involved in production of transmission line conductors, forging, cable, wires etc.

4. Methodology of Valuation

A business valuation determines the value of a business enterprise or ownership interest. A valuation estimates the economic benefits that arise from combining a group of physical assets with a group of intangible assets of the business as a going concern. There are various methods adopted for valuation of shares. Each method proceeds on different fundamental assumptions which have greater or lesser relevance and at times even no relevance, to a given situation. The methods usually depends upon purpose. The theoretical valuation arrived at has to be perfected with market criteria, as the final purpose is usually to determine potential market prices.

We have considered the following methods for valuation of **Sturdy Industries Limited (SIL)**

- a) Net Asset Value Method (NAV)
- b) Price Earning Capacity Value Method (PECV)
- c) Market Based Value Method (MBV)

Net Asset Value Method (NAV)

Under the Net Asset Value Method, value of an entity is calculated starting from the total assets of the company and deducting from it all debts, dues, borrowings and liabilities, including current and preference capital, if any. In other words, it should represent the true "net worth" of the business after providing for all outside present and potential liabilities. The resultant figure so arrived at, also known as 'Net Worth' is then divided by the number of equity shares, which gives the Net Asset Value per equity share.

In this case, the NAV per equity share has been calculated on the basis of values as reported in the Audited Financial Statements as on 31.03.2015, and other financial information provided by the management. Accordingly, the number of shares considered for calculating net asset value has been taken to be 64,308,960 of Rs.2 Face Value issued till March 31st, 2015.

Hence, in our opinion, the Net Asset Value per equity share of SIL comes to **Rs.2.22**, the detailed workings for which are attached as Annexure-A.

Price Earning Capacity Value Method (PECV)

The basis of this approach is to find the normalized earning capacity of the business and to capitalize it on the basis of appropriate rate considering the business fundamentals of business cycle, safety, return and time. For this the past trends in the profits and profitability would serve as a guide, to calculate the price earning capacity value we have capitalized the average of the before tax profits with Industry PE multiple.

Since, the company was in losses in past two financial years 2013-14 and 2014-15 the Price Earning Capacity Value is Nil for per equity shares of SIL.

Market Based Value Method (MBV)

The Market Price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity share of that Company, where such quotation are arising from the share being regularly and freely traded in, subject to the element of speculation support that may be inbuilt in the value of the share. However, no specific method has been prescribed for calculation of Market Price of equity shares. In such a case, since the transferee company is a listed company, it was felt appropriate to rely on method as provided in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Accordingly, the Market Value has been calculated as follows:

Particulars	Amount (Rs.)
26 Weeks Average (A)	1.79
2 Weeks Average (B)	1.36
Higher of the (A) or (B)	1.79

Hence, in our opinion, the Market Value of SIL comes to Rs. 1.79 per share.

Fair Value (FV)

Considering, the Supreme Court decision in the Hindustan Lever Employee Union Vs. Hindustan Lever Ltd., (1995) 83 Com Case 30, wherein Hon'ble Supreme Court has opined that the fair value for a listed value could be assessed on the following weightages:-

Methods	Value (Rs.)	Weights	Total (Rs.)
Net Asset Value	2.22	1	2.22
Price Earning Capacity Value	0.00	2	0.00
Market Based Value	1.79	2	3.59
Total		5	5.81
Fair Value			1.16

In our opinion, the recommended fair value of the Rs.1.16 Face Value Equity Shares of Sturdy Industries Limited on the valuation date is **Rs. 2.00**

We have considered the following methods for valuation of Tirupati Aluminum Limited (TAL)

- Net Asset Value Method (NAV)
- Price Earning Capacity Value Method (EPS)
- Market Based Value

Net Asset Value Method (NAV)

Under the Net Asset Value Method, value of an entity is calculated starting from the total assets of the company and deducting from it all debts, dues, borrowings and liabilities, including current and preference capital, if any. In other words, it should represent the true "net worth" of the business after providing for all outside present and potential liabilities. The resultant figure so arrived at, also known as 'Net Worth' is then divided by the number of equity shares, which gives the Net Asset Value per equity share.

In this case, the NAV per equity share has been calculated on the basis of values as reported in the Audited Financial Statements as on 31.03.2015, and other financial information provided by the management. To make the face value equal for both the companies, the total number of equity shares of TAL 3002300 of Rs.10 Face Value as on 31st March 2015 has been modified accordingly to 15,011,500 of Rs.2 Face Value only for the calculation purpose.

Hence, in our opinion, the Net Asset Value per equity share of TAL comes to **Rs.4.30**, the detailed workings for which are attached as Annexure-B.

Price Earning Capacity Value Method (PECV)

The basis of this approach is to find the normalized earning capacity of the business and to capitalize it on the basis of appropriate rate considering the business fundamentals of business cycle, safety, return and time. For this the past trends in the profits and profitability would serve as a guide, to calculate the price earning capacity value we have capitalize the average of the before tax profits with Industry PE multiple.

In this case, since the company TAL was in loss for the FY 2014-15, the price per share according to this method has arrived as **NIL**.

Market Based Value

The equity shares of the Tirupati Aluminium Limited were listed on the LSE but there has been no trading in the shares of the Company on LSE during 6 (Six) calendar months preceding the month in which this appointed date is being made. Based on the information available, the equity shares of the Tirupati Aluminium Limited are infrequently traded on LSE and trading price cannot be considered for valuation.

Fair Value (FV)

The Fair Value of Equity Share would have to be determined after considering above methodologies. However after providing the appropriate weightages to each method we have further discounted the Fair Value of TAL with 30% for Illiquidity.

Methods	Value (Rs.)	Weights	Total (Rs.)
Net Asset Value	4.30	1	4.30
Price Earning Capacity Value	0.00	2	0.00
Fair Value		3	1.43
30% Discounting for Illiquidity			0.43
			1.00

In our opinion, the recommended fair value of Rs.2 Face Value of the Equity Shares of Tirupati Industries Limited on the valuation date is **Rs. 1.00**

Suggested Fair Share Exchange Ratio for the Merger

The Share Exchange Ratio has been arrived on the basis of a relative valuation of the shares of both the companies based on the methodology explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the business of the companies, having regard to information base, management representation and perception, key underlying assumptions and limitations.

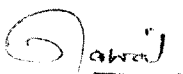
In the ultimate analysis, valuation will have to be tampered by exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors e.g. quality and integrity of the management, present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheet but which will strongly influence the worth of a share. Valuation is an art not an exact science. Mathematical certainty is not demanded nor indeed is it possible.

In our opinion the swap ratio for the proposed merger of TAL into SIL would be:

Company	Fair Value	No. of Equity Shares	Equity Value
Sturdy Industries Ltd. (Acquiring Company)	1.16	64308960	74598393.6
Tirupati Aluminium Ltd. (Target Company)	1	15011500	15011500
Total Equity Value			89609893.6
No of Shares of SIL to be issued			77249908
No of Shares of SIL			64308960
Balance shares to TAL			12940948
No. of Existing Shares of TAL			15011500
Swap Ratio			0.86

Hence, for Every 10(ten) Equity Shares of Rs10 Face Value held in TAL shareholders will receive 43(forty three) shares of Rs.2 Face Value of SIL in Exchange

For Master Capital Services Ltd.



Authorised Signatory

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