

**REPORT ON THE VALUATION OF**

**ADI RASAYAN LIMITED**

**AS AT 31<sup>ST</sup> MARCH, 2015**

**J.H.GHUMARA & CO.**

**CHARTERED ACCOUNTANTS**

**MUMBAI**



**J.H. GHUMARA & CO.**  
CHARTERED ACCOUNTANTS

**JAGDISHCHANDRA H. GHUMARA**  
B.Com., F.C.A.

B/15, Kavita Apartment, Natakwala Lane,  
S.V. Road, Borivali (W), Mumbai - 400 092.  
Mob.: 98925 27200  
Email : jhghumara@gmail.com

**STRICTLY PRIVATE AND CONFIDENTIAL**

To,

The Board of Directors  
ADI RASAYAN LIMITED  
G/C, Ground floor, Trupti Apartment, B/H. Old High Court,  
Navarnagpura, Ahmedabad - 380009

Re: Valuation Report of Equity Share Capital of Adi Rasayan Limited

**1. PURPOSE OF THE REPORT**

- (a) There is a proposal before the Board of Directors of Adi Rasayan Limited (ARL) to consider a Scheme of Reduction of Capital in accordance with the provisions of Section 100 to 104 of the companies Act, 1956.
- (b) We have been requested by the Board of Directors of Adi Rasayan Limited (ARL) to submit a report to the Board of Directors of the Company about a fair valuation of Equity shares.
- (c) This Report is provided upon the express understanding that the information contained herein or made available in connection with the proposed arrangement, is strictly confidential and is only intended for the exclusive use of the Board of Directors of ARL and such other recipient/s authorized by them. This Report shall not be photocopied, reproduced or distributed to others at any time without the prior written consent of J. H. Ghumara & Co, Chartered Accountants, or ARL. This Report shall remain at all times the property of J. H. Ghumara & Co, Chartered Accountants, and ARL. It must be returned



immediately along with any other informative material received in this connection, without retaining any copies thereof upon request or forthwith, for any reason whatsoever, if the transaction is not concluded or the recipient has no further interest in the transaction.

- (d) The report shall be used for all purposes as would be required for getting clearances from all applicable regulatory authorities/ approval from the Stock Exchange (BSE Limited) / the Hon'ble High Court of Gujarat at Ahmedabad for giving effect to the Scheme of Reduction of Equity Share capital.

## 2. INTRODUCTION

### 2.1 Back ground

ADI RASAYAN LIMITED, a company registered under the Companies Act, 1956 having its registered office at G/C, Ground floor, Trupti Apartment, B/H. Old High Court, Navarnagpura, Ahmedabad - 380009 and was incorporated with an object of manufacture and trading of all kinds of chemical, (organic and inorganic), and other compounds, raw materials and chemicals, and, dyes and pigments and intermediates thereof for industrial and consumer use, derivatives and bye-products thereof and products to be made therefrom and products derived from phosphate mines, limestone, quarries, bauxite mines, petroleum, natural gas and other natural deposits useful or suitable in the manufacture of any chemicals and chemical products related and generally products and articles of any nature and kind whatsoever.

There is no manufacturing activity in the recent past. Presently, the company is engaged in the business of trading and commissioning of various goods and merchandise on small scale.

The shares of the company are listed on BSE Limited.

### 2.2 Date of Valuation

The appointed date for valuation is considered as 31<sup>st</sup> March, 2015.

### 2.3 Applicability of the scheme

- (i) The existing issued, subscribed and paid up Equity share capital of the Company shall be reduced from Rs.6,51,97,000/- divided into 65,19,700 Equity Shares of Rs.



10/- (Rupees Ten only) each fully paid up to Rs. 32,59,850/- divided into 3,25,985 Equity Shares of Rs. 10/- (Rupees Ten only) each and that such reduction be effected by cancelling of 61,93,715 Equity Shares of Rs. 10/- each amounting to Rs. 6,19,37,150/- which is lost or un-represented by the available assets i.e. Debit balance in Profit and Loss Account

- (ii) Consequent upon Reduction, the Equity Share Capital of the company will be Rs. 32,59,850/- divided into 3,25,985 Equity Shares of Rs. 10/- (Rupees Ten only) each.
- (iii) Consequent upon reduction, the accumulated losses will be Rs. 1,34,92,398/-
- (iv) An Equity share holder holding 100 Equity shares of Rs.10/- each, then post reduction, he will get it 5 new Equity shares of Rs.10/- each. The face value of Equity share will remain at Rs.10/- only.
- (v) The details of Pre and post reduction of Capital and accumulated losses are as under.

Particulars	Pre Reduction of Capital	Post Reduction of Capital
Number of Equity Shares	65,19,700	3,25,985
Value of each Share (Rs.)	10	10
Total Paid up Capital (Rs.)	6,51,97,000	32,59,850
Accumulated losses ( Rs.)	7,54,29,548	1,34,92,398

- (vi) The pre and post shareholding pattern of the Company, upon the approval of Scheme shall be in the following manner:

Shareholding pattern	Pre Reduction		Post Reduction	
	No. Of shares	% of holding	No. Of Shares	% of holding
Promoter	0	0.00	0	0.00
Public	65,19,700	100.00	3,25,985	100.00
Custodian	-	-	-	-



TOTAL	69,19,700	100.00	3,25,985	100.00
-------	-----------	--------	----------	--------

There is no change in the percentage (%) of the shareholders holding of the company.

#### 2.4 Objective of the scheme

Broadly, the objectives of the financial restructuring are as under:

- A Since writing off losses has become inevitable for growth of the Company and its shareholders, the Company is now proposing to undertake a financial restructuring exercise whereby the Company would create a "Capital Restructuring Account" from its paid up Equity Share capital whereby the Company would write off Part off its debit balance of Profit and Loss Account.
- B The reduction of capital in the manner proposed would enable the Company to have a rational capital structure which is commensurate with its remaining business and assets.
- C The financial restructuring will help the Company to reflect better its operational efficiency, improvements in the future years and reflect the true shareholder value.
- D The restructuring will also not cause any prejudice to the creditors of the Company. For stake of clarity, it is specified that the reduction in Share Capital does not involve either the diminution of any liability in respect of any unpaid capital or the payment to any shareholder of any paid-up capital nor is any call being waived. The Creditors of the Company are in no way affected by the proposed restructuring by way of the reduction of capital as there is no reduction in the amount payable to any of the creditors, no compromise or arrangement is contemplated with the creditors. Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the Company or the ability of the Company to honour its commitments or to pay its debts in the ordinary course of business.
- E There is no cash outflow from the Company.
- F Hence, the proposed reduction will be for the benefit of the Company and its shareholders, creditors and all concerned as a whole.
- G Accordingly, The Board of Directors of the Company at their meeting held on 28<sup>th</sup> September, 2015 has considered necessary to carry out financial

restructuring so as to show a true and fair view of the Balance sheet and operate with a leaner base Balance Sheet.

### 3. COMPANY INFORMATION

#### 3.1 Management

The Board of Directors of the company is as under.

1. Mr. Sanjiv Joshi
2. Mr. Ashish S Pandare
3. Ms. Veda B Adhatrao
4. Ms. Amisha Dani

#### 3.2 Financial summary

The following table gives the financial summary of the financial position of the company for the last three years as per the audited financial statements are as under.

(Rs. in Lacs)

Particulars	As per Limited Reviewed Three months period ended on	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year
	30-06-2015	2014-15	2013-14	2012-13
Equity Paid up Capital	651.97	651.97	651.97	651.97
Reserves and surplus	(748.62)	(754.30)	(756.46)	(758.46)
Net Worth	(96.65)	(102.33)	(104.49)	(106.49)
Miscellaneous Expenditure	0	0	0	0



Secured Loans	0	0	0	0
Unsecured Loans	107.42	107.41	106.41	110.06
Fixed Assets	0.23	0.25	0.36	0.50
Income from Operations	8.90	41.36	5.65	36.37
Total Income	8.90	41.36	5.65	36.37
Total Expenditure	3.22	39.21	3.61	35.89
Profit before Tax	5.68	2.15	2.04	0.48
Profit after Tax	5.68	2.16	2.00	0.49
Cash profit	5.70	2.26	2.15	0.53
EPS	0.09	0.03	0.03	0.01
Book value	(1.48)	(1.57)	(1.60)	(1.63)

#### 4. FINANCIAL RESTRUCTURING AND ACCOUNTING TREATMENT

##### CREATION AND UTILISATION OF CAPITAL RESTRUCTURING ACCOUNT

Pursuant to the Scheme of Reduction of capital, the treatment in the books of accounts of the Company will be as follows:

On the Effective Date

- A sum of Rs. 6,19,37,150/- upon reduction from existing Equity Capital of Rs.6,51,97,000/- divided into 65,19,700 Equity Shares of Rs.10/- (Rupees Ten) each fully paid up to Rs.32,59,850/- divided into 3,25,985 Equity Shares of Re.10/- (Rupees Ten) each be transferred to "Capital Restructuring Account.
- As referred above, the issued, subscribed and paid up Equity Share capital of the company, post reduction, will be Rs.32,59,850/- divided into 3,25,985 Equity Shares of Rs.10/- (Rupees Ten) each.

- iii. Part of the balance of Accumulated Losses amounting to Rs. 6,19,37,150/- as at 31<sup>st</sup> March, 2015, be transferred to "Capital Restructuring Account".
- iv. The Company shall comply with all the Accounting Standards specified by the Central Government in Section 133 of the Companies Act, 2013.

## 5. VALUATION

### APPROACH TO VALUATION

- a. The objective and purpose of the valuation is to seek approval from BSE Limited as per the requirement of the Listing Agreement for a Scheme of Reduction of Capital. The Valuation exercise has been carried out bearing in mind the said purpose.
- b. The principles, concepts and methods on the basis of which determination of the value of the business was made are briefly discussed hereunder.
- c. Valuation of anything is an estimate of the value of that thing in terms of money. In common parlance as well as in court, the word value is used to mean valuation, or an estimate of the value, which, in turn, denotes its market value. When we speak of the price of anything we do not necessarily mean the value or market value of that thing. Again, value or valuation of anything and its price cannot be the same except by coincidence. Hadley has stated "a price is a fact and the value is an estimate of what the price ought to be".
- d. In the assessment of compensation, the word "value" is used to mean valuation or an estimate of the value, which in term denotes its market value. Valuation is not an exact science. It is not an algebraic problem which can be solved by an abstract formula. It is quite true in all valuations, judicial or otherwise, there must be room for inferences and indications of opinion which being more or less conjectural, all difficult to reduce to exact reasoning or to explain to others.
- e. Estimating values necessarily involves selecting a method or an approach that is suitable for the purpose. In this valuation, it is not the absolute values but the relative values which are of concern. Besides courts in India (whose permission will have to be sought for effecting the Scheme), have over a period of time, evolved certain guiding principles in various judgements.
- f. From the generally used various methods of valuation, we have considered Net Assets Value / Net worth method as due to heavy losses incurred by the Company during last few years, the capital of the company has been eroded and the net worth has become negative.





- g. In the net asset value method, net asset value is computed based on the latest available audited balance sheet. The genesis of this method of valuation lies in the total assets that the company own.
- h. Valuation of Adi Rasayan Limited (pre and post Reduction of Capital) as per NAV as on 31<sup>st</sup> March, 2015.

The below statement has been complied on the basis of audited Balance sheet as on 31<sup>st</sup> March, 2015 and records and documents produced before us for our verification.

Particulars	Pre Reduction of Capital (Amount in Rupees)	Post Reduction of Capital (Amount in Rupees)
Equity Share Capital as on 31 <sup>st</sup> March, 2015	6,51,97,000	32,59,850
Add: Reserves and Surplus Surplus/(Deficit) in profit and loss account	(7,54,29,548)	(1,34,92,398)
NAV as on 31 <sup>st</sup> March, 2015	(1,02,32,548)	(1,02,32,548)

Notes:

1. There would be no change in the valuation of the company pre and post reduction of capital.
2. There would be no change in the shareholding pattern of the company pre and post reduction of capital.
3. Hence the Net Assets Value of "Adi Rasayan Limited" is determined as Rs.(1,02,32,548/-). The capital of the company has been eroded and the net worth has become negative.
4. The valuation is done merely for the purpose of deriving the fair value for the better understanding of the shareholder's wealth and this valuation does not have any impact on the reduction of capital.

**6. Limitations and Disclaimers**

- a. Our valuation is based on the information furnished to us by the management and the same is assumed to be complete and accurate in all material respect. The



information is based on the audited balance sheets of the Companies for the last years.

- b. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review or examination of any of the historical information used and therefore, does not express any opinion with regards to the same.
- c. The information presented in the report does not reflect the outcome of any due diligence procedures. The reader is cautioned that the outcome of that process could change the information herein and, therefore, the valuation materially.
- d. The Report is meant for the purpose of seeking approval under clause 24 (f) of the Listing Agreement entered by the company with BSE Limited and should not be used for any purpose other than the purpose mentioned therein. The Report should not be copied or reproduced without obtaining our prior written approval for any purpose other than the purpose for which it is prepared.
- e. We have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.
- f. Our recommendation is dependent upon the information furnished to us being complete and accurate in all material respect.

## 7. OPINION ON VALUATION

The Proposed Scheme of reduction of capital is to write off debit balance of profit and loss account against Equity share capital of the company to reflect better operational efficiency, improvements in the future years and reflect the true shareholder value and is in the interest of all the stakeholders.

Since the reduction is carried out for the mere purpose of wiping out the accumulated losses, the valuation is carried out for the requirements of the Statute and also for the awareness of the stakeholders.



We considered the draft proposed Scheme of Reduction of Capital of the company for the purpose of reduction of capital, based on net assets valuation method for the net worth of the company as on 31<sup>st</sup> March, 2015.

The Board has recommended reduction 95% of the paid up capital of the Company and in our opinion this is fair and justifiable on the basis of this valuation with reference to paragraph 5.

For J. H. Ghumara & Co.

Chartered Accountants



J. H. Ghumara

Proprietor

Membership No. 014320

Place: Mumbai

Date: 26-10-2015

