Valuation report of shares of Amines & Plasticizers Limited

17th June 2013

1. Background:

Amines & Plasticizers Limited (APL) was incorporated in 1973 as a Public Limited Company, registered under the Indian Companies Act of 1956 registered in the state of Assam the company is the pioneer and largest producer of Ethanolamines, Alkyl Alkanolamines, Plasticizers, Morpholine, Alkyl Morpholines Methyl Diethanolamine and Gas Treating Solvents in India.

APL through its Specialty Amines Group caters to the total sour gas treatment requirements of Refineries, Ammonia Plants etc. and has offered the technology for the first time in India. APL has a dedicated team of engineers / chemists providing a range of Gas Treating Technologies / Services to Refineries, Natural Gas Plants, Ammonia Plants etc in India and overseas.

In the field of Plasticizers, APL manufactures a wide range of products which include Phthalates, Sebacates, Trimellitates, Acetates, Maleates, etc.

APL also offers consultancy services for setting up plants for the manufacture of the Ethanolamines and Plasticizers on a case to case basis and its range of services extend for technology transfer, designing, procurement of equipment, erection, testing and commissioning of plant and training of plant personnel.

The company APL has one subsidiary namely 'APL Engineering Private Limited' (APEPL) which is engaged in business of carrying out Turnkey Engineering Project, EPC contracts etc. The board of the APL has now decided to do group restructuring by proposing the merger of APEPL into APL in view of the benefits arising from synergies of business operations & for optimum utilization of resources of both companies.

The Share holding pattern of both the Company namely is as under;

Name	APL
Indian Promoter & Group	73.16%
Institutional	0.02%
Non Institutional including individuals	26.82%
Total	**100%**

2. Objectives:

The objective of this 'Valuation Report' is to arrive at a fair value of Equity shares of APL for the proposed merger.

3. Source of Information:

3.1. Relevant extracts of the Memorandum and Articles of Association of APL.

3.2. The write-up denoting the activities and background of APL & APEPL.

3.3. Audited Accounts for the year ended 31st March 2013 of APL & APEPL.

3.4. Discussion with the management of the Companies in connection with the operation of the companies, future plan and prospect including capital expenditure, taxation and litigation related matter.

4. Valuation Methodologies:

The following valuation methodologies have been selected:

- Net Asset Value (Book Value Method)
- Market Price Method
- Profit Earning Capitalization Method
- Fair Value Method

4.1. Net Asset Value (Book Value Method)

Net Asset Value (NAV) can be arrived by calculating the equity shareholders' funds invested in the business as at the latest audited balance sheet date before proposed merger and deducting there from all current and likely contingent liabilities. Thus, the value is calculated by adding paid up equity capital plus free reserves.

Net Asset Value approach as elucidated in lines to follow has been adopted. The aptness of this approach is better appreciated in light of the fact that the shares are being valued for the purpose of group reorganization.

We enclose **Annexure "A"** showing the valuation based on the above method as per the latest audited balance sheet. The value per share is 48.36 as per NAV method of valuation.

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4.2. Market Price Method

The market price of an equity shares as quoted on a stock exchange is normally considered as the Value of equity shares of that company where such quotation are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares. But there could be situation where the value of the shares as quoted on the stock exchange would not be regarded as a proper index of the fair value of the share especially where the market value are fluctuating in a volatile capital market. Further in case of merger, where there is a question of evaluating the shares of one company against those of another, the volume of transactions and the number if shares available for trading on the stock exchange over a reasonable period would have to be of a comparable standard.

In the present case the shares of the company are listed on BSE and there is very less number of transaction with low volume. Accordingly this method is been ignored.

4.3. Profit Earning Capitalization Method:

The Profit Earning Capitalization Method seeks to determine the net maintainable profits on the basis of the past performance of the Company, which is capitalized at the rate equivalent to the expected market rate of return for investment in a similar business.

The said method required averaging of the profits for the latest three years for which the audited accounts are available. We enclose **Annexure "B"** showing the valuation based on the above method as per the latest audited balance sheet. The value per share is 33.53 as per NAV method of valuation.

4.4. Fair Method Value:

The Fair Value is the final stage of the valuation process from which a reasonable judgment of the value of the shares is derived. The Fair Value is calculated by taking a simple average of the Net Asset Value and Profit Earning Capacity Value. Which comes to Rs 40.95 per share

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5. Conclusion:

The proposed amalgamation is between Holding Company and Subsidiary Company. Thus, the fair value of shares of the company is considered as value of shares for the purpose of amalgamation. The fair value of shares is **INR 40.95** per fully paid up equity share.

6. Limitation:

This report is based on the information provided to us by the management of the Company and on a going concern basis. We have relied on the representations made to us by the management. We have assumed such representations to be reliable and our conclusions are dependent on such information being complete and accurate in all material respects.

Our findings do not constitute a recommendation as to whether to carry out the transaction based on this valuation.

Our work was not designed to verify the accuracy, reliability or achievability of the information provided to us and nothing in this report should be taken to imply that we have conducted procedures, audits or investigations in an attempt to verify or confirm any of the information supplied to us.

For Bhandari Dastur Gupta & Associates
Chartered accountants
FRN No 119739W

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Sunil Bhandari
Partner
Membership No. 047981
Mumbai, 17th June 2013.

Annexure "B"

Valuation of Shares of Amines & Plasticizers Limited (APL) as on March 31, 2013			
Method of Valuation: Book Value Method			
Sr. No.	**Particulars**		**Amount (In Lacs)**
2)	Net Profit After Tax		
	March 2013		310.70
	March 2012		306.84
	March 2011		212.53
	Average Taxable Profit	A	276.69
3)	Capitalisation rate considering manufacturing company	B	15%
4)	Value of the Company	C=A/B	1,844.60
5)	Number of Shares		5,502,000.00
6)	**PECV Value per share**	**J=I/A**	**33.53**

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Annexure "A"

Valuation of Shares of Amines & Plasticizers Limited (APL) as on March 31, 2013

Method of Valuation: Book Value Method

Sr. No.	Particulars		Amount (In Lacs)
1)	Face Value of Equity Share Capital		
	Number of shares	A	55.02
	Face Value per share	B	10.00
		C=AxB	550.20
2)	Reserves and Surplus		
	General Reserve	D	-
	Securities Premium Account	E	-
	Profit and Loss Account	F	2,110.80
		G=D+E+F	2,110.80
3)	Miscellaneous Expenditure, to the extent not written off		
	Deferred Revenue Expenditure		-
	Preliminary Expenses		-
		H	-
4)	Networth of the company	I=C+G-H	2,661.00
5)	**Net Asset Value per share**	**J=I/A**	**48.36**

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