

# **FAIRNESS OPINION REPORT**

FOR THE PROPOSED AMALGAMATION OF

MIDDLE PATH TRADING PRIVATE LIMITED  
(TRANSFEROR COMPANY 1)

AND

SHIRAJ MARKETING PRIVATE LIMITED  
(TRANSFEROR COMPANY 2)

AND

PURSHOTTAM INVESTOFIN LIMITED  
(TRANSFeree COMPANY)

UNDER SECTION 230 - 232 OF THE COMPANIES ACT, 2013

 **Corporate  
Professionals**

24<sup>th</sup> December, 2021

Strictly Private & Confidential



To  
The Board of Directors  
Purshottam Investofin Limited  
L-7, Menz Floor, Greenpark Extension,  
New Delhi – 110016

To  
The Board of Directors  
Middle Path Trading Private Limited  
Unit No. 4, Pocket -7 Sector- B4, Narela New Delhi – 110040

To  
The Board of Directors  
Shiraj Marketing Private Limited  
Unit No. 4, Pocket -7 Sector- B4, Narela New Delhi - 110040

**Sub: Fairness Opinion on Equity Share Exchange Ratio pursuant to the proposed scheme of amalgamation of Middle Path Trading Private Limited and Shiraj Marketing Private Limited with Purshottam Investofin Limited.**

Dear Sir,

We refer to our discussion wherein management of Middle Path Trading Private Limited, Shiraj Marketing Private Limited and Purshottam Investofin Limited, who appointed Corporate Professionals Capital Private Limited (SEBI registered category I Merchant Banker) to provide a Fairness Opinion on the share exchange ratio certified by Ajay Siwach, Registered in connection with the proposed amalgamation of Middle Path Trading Private Limited (Transferor Company 1) and Shiraj Marketing Private Limited (Transferor Company 2) with Purshottam Investofin Limited (Transferee Company), pursuant to a Scheme of Amalgamation under Sections 230 to 232 and other applicable clauses of the Companies Act, 2013.

In terms of our engagement, we are enclosing our opinion along with this letter. All comments as contained herein must be read in conjunction with the caveats to this opinion. The opinion is confidential and has been made in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "**Listing Regulations**") read with SEBI Master Circular no. SEBI/HO/CFD/DIL1/CIR/P/2021/0000000665 dated November 23, 2021, it should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of **Corporate Professionals Capital Private Limited**, such consent will only be given after full consideration of the circumstances at the time. We are however aware that the conclusion in this report may be used for the purpose of disclosure to be made to the stock exchanges, Hon'ble National company Law Tribunal ("NCLT") and notices to be dispatched to the shareholders and creditors for convening the meeting pursuant to the directions of Hon'ble NCLT and we provide consent for the same.

Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully,  
For Corporate Professionals Capital Private Limited

  
[Authorized Signatory]



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**CONTEXT AND BACKGROUND**

The Transferor Company -1 and Transferor Company -2 were not engaged in any business activities however both the companies have surplus fund which were unutilized for both the companies hence, the management of both the Transferor Companies have utilized the fund in line of business activities of the Transferee Company. The proposed amalgamation of the Transferor Company 1 and Transferor Company 2 with Transferee Company will strengthening the financial business activity of Transferee Company as both the Transferor Companies business activities are in line of Transferee Company business activities. The scheme of arrangement shall provide a similar kind of business to the Transferee Company which has growth potential and shall also provide the shareholders of Transferor Companies liquidity through listing and hence there is significant synergy for consolidation of all the entities.

The independent operations of the Transferor Companies and Transferee Company leads to incurrance of significant costs and the amalgamation would enable economies of scale by attaining critical mass and achieving cost saving. The amalgamation will thus eliminate a multi-layered structure and reduce managerial overlaps, which are necessarily involved in running multiple entities and also prevent cost duplication that can erode financial efficiencies of a holding structure and the resultant operations would be substantially cost-efficient. This Scheme would result in simplified corporate structure of the Transferee Company and its businesses, thereby leading to more efficient utilization of capital and creation of a consolidated base for future growth of the Transferee Company.

The amalgamation will contribute in furthering and fulfilling the objectives and business strategies of both the companies thereby accelerating growth, expansion and development of the respective businesses through the Transferee Company. The amalgamation will thus enable further expansion of the Transferee Company and provide a strong and focused base to undertake the business more advantageously. Further, this arrangement would bring concentrated management focus, integration, streamlining of the management structure, seamless implementation of policy changes and shall also help enhance the efficiency and control of the Transferor Companies and Transferee Company.

The synergies created by scheme of arrangement would increase operational efficiency and integrate business functions.

The proposed arrangement will provide greater integration and flexibility to the Transferee Company and strengthen its position in the industry, in terms of the asset base, revenues, product and service range.

Further This Scheme of Arrangement for Amalgamation of the Transferor Company with the Transferee Company would result, inter-alia, in the following additional benefits to their respective members:

- Optimum and efficient utilization of capital, resources, assets and facilities;
- Enhancement of competitive strengths including financial resources;
- Consolidation of businesses and enhancement of economic value addition and shareholder value;
- Obtaining synergy benefits;
- Better management and focus on growing the businesses.
- The amalgamation would result in reduction of overheads, administrative, managerial and other expenditure and bring about operational rationalization, efficiency and optimum utilization of various resources.
- A larger growing company will mean enhanced financial and growth prospects for the people and organization connected therewith, and will be in public interest. The amalgamation will conducive for better and more efficient and economical control over the business and financial conduct of the Companies.



**BRIEF ABOUT COMPANIES**

1. **PURSHOTTAM INVESTOFIN LIMITED** (herein after also referred to as 'PIL' or 'Transferee Company') bearing CIN L65910DL1988PLC033799 was incorporated on 04th November, 1988 under the provisions of Companies Act, 1956 as a private limited company with the name and style of 'Satya Financing Services Private Limited'. Subsequently, the Transferee Company was converted into public limited company and name of the Company was changed to 'Satya Financing Services Limited' upon issuance of fresh certificate of Incorporation dated 24th November, 1994. Further, the name of the company was changed to 'D.B. Merchant Banking Services Limited' on 7th December, 1994. The name of the company was again changed to its present name 'Purshottam Investofin Limited' on 27th November, 2002. The Registered office of the Transferee Company is presently situated at L-7, Menz. Floor, Green Park Extension South Delhi - 110016. The Transferee Company is widely held listed company and the equity shares are listed on BSE limited.

The Transferee Company is a Non-Banking Financial Company (NBFC) registered with Reserve Bank of India vide certificate of registration B-14.01044.

The Transferee Company provides/ is engaged in the business of providing loans and advance, investment in shares and other securities and other related activities

**Limited Review Report Balance Sheet of Purshottam Investofin Limited as on 30<sup>th</sup> September, 2021:**

Particulars	Amt in INR Million
Share Capital	62.84
Reserve and Surplus	252.694
<b>Total Shareholder's Fund</b>	<b>315.53</b>
Financial Liabilities	150.296
Non-Financial Liabilities	0.011
<b>Total Equity and Liabilities</b>	<b>465.84</b>
Financial Assets	462.51
Non-Financial Assets	3.323
<b>Total Assets</b>	<b>465.84</b>

**The Capital Structure of the Company as on 30<sup>th</sup> September, 2021:**

Particulars	Amt in INR
Authorized Share Capital	
1,51,00,000 Equity Shares of INR 10/- each	15,10,00,000
<b>Total</b>	<b>15,10,00,000</b>
Issued, Subscribed and Paid up Share Capital	
62,83,575 Equity Shares of INR 10/- each	6,28,35,750
<b>Total</b>	<b>6,28,35,750</b>



2. MIDDLE PATH TRADING PRIVATE LIMITED (herein after also referred to as 'MPTPL' or 'Transferor Company 1'), bearing CIN U51100DL2009PTC186443 was incorporated on 06<sup>th</sup> January, 2009 under the provisions of Companies Act, 1956. The Registered office of the Transferor Company 1 is presently situated at Unit No.4, Pocket - 7 Sector – B4, Narela, New Delhi North West - 110040. Transferor Company 1 is engaged in the business of general trader, merchant, transactions in nature of hedging, spot-trading, options market, investment and other related activities.

**Audited Balance Sheet of Middle Path Trading Private Limited as on 30<sup>th</sup> September, 2021:**

Particulars	Amt in INR Million
Share Capital	12.18
Reserve and Surplus	97.54
<b>Total Shareholder's Fund</b>	<b>109.72</b>
Non-Current Liabilities	0.00
Current Liabilities	35.04
<b>Total Equity and Liabilities</b>	<b>144.76</b>
Non-Current Assets	0.25
Current Assets	144.52
<b>Total Assets</b>	<b>144.76</b>

**The Capital Structure of the Company as on 30<sup>th</sup> September, 2021:**

Particulars	Amt in INR
Authorized Share Capital 12,50,000 Equity Shares of INR 10/- each	1,25,00,000
<b>Total</b>	<b>1,25,00,000</b>
Issued, Subscribed and Paid up Share Capital 12,18,250 Equity Shares of INR 10/- each	1,21,82,500
<b>Total</b>	<b>1,21,82,500</b>



3. SHIRAJ MARKETING PRIVATE LIMITED (herein after also referred to as 'SMPL' or 'Transferor Company 2'), bearing CIN U51100DL2009PTC186445 was incorporated on 06th January, 2009 under the provisions of Companies Act, 1956. The Registered office of the Transferor Company 2 is presently situated at Unit No. 4, Pocket - 7 Sector – B4, Narela, New Delhi North West - 110040. Transferor Company 2 is engaged in the business of general trader, merchant, transactions in nature of hedging, spot-trading, options market, investment and other related activities.

Audited Balance Sheet of Shiraj Marketing Private Limited as on 30<sup>th</sup> September, 2021:

Particulars	Amt in INR Million
Share Capital	10.70
Reserve and Surplus	97.33
<b>Total Shareholder's Fund</b>	<b>108.03</b>
Non-Current Liabilities	-
Current Liabilities	13.82
<b>Total Equity and Liabilities</b>	<b>121.85</b>
Non-Current Assets	0.27
Current Assets	121.59
<b>Total Assets</b>	<b>121.86</b>

The Capital Structure of the Company as on 30<sup>th</sup> September, 2021:

Particulars	Amt in INR
Authorized Share Capital 11,00,000 Equity Shares of INR 10/- each	110,00,000
Total	110,00,000
Issued, Subscribed and Paid up Share Capital 10,70,000 Equity Shares of INR 10/- each	107,00,000
Total	107,00,000



**SHARE EXCHANGE RATIO FOR AMALGAMATION**
**SHARE EXCHANGE RATIO FOR AMALGAMATION:-**

BSE Circular No. LIST/COMP/02/2017-18 dated 29 May 2017 require the valuation report for a Scheme of Arrangement to provide certain requisite information in a specified format. The disclosures as required under BSE Circular is mentioned below:

Valuation Approach	Methodology Applied	Purshottam Investofin Limited (Transferee Company)			Middle Path Trading Private Limited (Transferor Company 1)			Shiraj Marketing Private Limited (Transferor Company 2)		
		Weight	Equity Value	Weighted Average Equity Value	Weight	Equity Value	Weighted Average Equity Value	Weight	Equity Value	Weighted Average Equity Value
Asset	Adjusted Book Value	NIL	NIL	NIL	100%	109.72	109.72	100%	108.03	108.03
Market	Price to Book Value	100%	584.90	584.90	NIL	NIL	NIL	NIL	NIL	NIL
	Preferential Allotment	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Income	Discounted Cash Flow	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
<b>Weighted Average Equity Value</b>				<b>584.90</b>			<b>109.72</b>			<b>108.03</b>
<b>No. of Equity Shares</b>				<b>6,283,575</b>			<b>1,218,250</b>			<b>1,070,000</b>
<b>Value per Equity share (INR)</b>				<b>93.08</b>			<b>90.07</b>			<b>100.96</b>

On the basis of above analysis the share exchange ratio has been arrived at and accordingly the Transferee Company shall, without any further act or deed and without any further payment, issue and allot equity shares on a proportionate basis to each member of the Transferor Companies whose names are recorded in the Register of Members/ List of Beneficial Owners for shares in dematerialized form of the Transferor Companies on the Record Date.

CALCULATION OF EXCHANGE RATIO			
Particulars	Purshottam Investofin Limited (Transferee Company)	Middle Path Trading Private Limited (Transferor Company 1)	Shiraj Marketing Private Limited (Transferor Company 2)
Equity Value (INR MN)	584.90	109.72	108.03
No of shares	6,283,575.00	1,218,250.00	1,070,000.00
Value Per Share (INR)	93.08	90.07	100.96
Exchange Ratio	1.00	0.97	1.08
Exchange Ratio For 100 Shares	100.00	97.00	108.00

Transferee Company shall issue and allot 97 (Ninety Seven) Equity Shares of face value of INR 10/- (INR Ten) each in PIL to the shareholders of Transferor Company 1 for every 100 (One Hundred) equity share of face value of INR 10/- (INR Ten) each held by them in Transferor Company 1.

Transferee Company shall issue and allot 108 (One Hundred Eight) Equity Shares of face value of INR 10/- (INR Ten) each in Transferee Company to the shareholders of Transferor Company 2 for every 100 (One Hundred) equity share of face value of INR 10/- (INR Ten) each held by them in Transferor Company 2.





**CONCLUSION & OPINION**

In case of a merger valuation, the emphasis is on arriving at the "relative" values of the shares of the merging companies to facilitate determination of the "share exchange ratio". Hence, the purpose is not to arrive at absolute values of the shares of the companies.

**Judicial Pronouncements:-**

**Hindustan lever Employees' Union v/s Hindustan lever Limited and others (1995) 83 Company cases 30 (SC)**

The jurisdiction of the Court in sanctioning a claim of merger is not to ascertain mathematical accuracy if the determination satisfied the arithmetical test. A company court does not exercise an appellate jurisdiction. It exercises a jurisdiction founded on fairness. It is not required to interfere only because the figure arrived at by the valuer was not as good as it would have been if another method had been adopted. What is imperative is that such determination should not have been contrary to law and that it was not unfair for the shareholders of the company which was being merged.

The Hon'ble Supreme Court held "We do not think that the internal management, business activity or institutional operation of public bodies can be subjected to inspection by the court. To do so, is incompetent and improper and, therefore, out of bounds."

The **dominance of profits for valuation of share was emphasised in "McCathies case"** (Taxation, 69 CLR 1) where it was said that "*the real value of shares in a company will depend more on the profits which the company has been making and should be capable of making, having regard to the nature of its business, than upon the amount which the shares would realize on liquidation*". This was also re-iterated by the Indian Courts in Commissioner of Wealth Tax v. **MahadeoJalan's case (S.C.)** (86 ITR 621) and Additional Commissioner of Gift Tax v. Kusumben D. Mahadevia (S.C.) (122 ITR 38).

In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. Present and prospective competition, yield on comparable securities, and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share.

**Based on the facts of the case, we have valued PIL as per Comparable Companies Method (CCM) and have valued MPTPL and SMPL as per Net Asset Value (NAV) Method.**

*"Subject to above read with the caveats as detailed later, we as a Merchant Banker hereby certify that pursuant to SEBI Master Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/000000665 dated November 23, 2021, we have reviewed the proposed Scheme of Arrangement for Amalgamation with respect to the share exchange ratio aspects and consider it to be fair and reasonable from the point of view of equity shareholders of the Companies.*



### CAVEATS

- We wish to emphasize that, we have relied on explanations and information provided by the respective management and other publicly available information. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed / validated the financial data except what is provided to us by the Restructured Companies.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this Scheme, which might be relevant in the context of the transaction and which a wider scope might uncover.
- We have no present or planned future interest in the Restructured Company/ies and the fee payable for this opinion is not contingent upon the opinion reported herein.
- Our Fairness Opinion should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Fairness Opinion Report. This opinion is issued on the understanding that the Management of the Restructured Companies under the Scheme have drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Fairness Opinion.

