

FAIRNESS OPINION ON VALUATION

OF EQUITY SHARES OF

AIA ENGINEERING LIMITED

AND

DCPL FOUNDRIES LIMITED

(In the matter of Scheme of Arrangement and Amalgamation)

Prepared By:

VIVRO

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1. ASSIGNMENT

AIA Engineering Ltd., a Company incorporated in the state of Gujarat, Ahmedabad vide its Corporate Identity Number L29259GJ1991PLC015182 having its Registered Office at Ahmedabad (referred to in this document as "AIAEL") has approached 'Vivro Financial Services Private Limited', Category I Merchant Banker registered with SEBI having its Registration No. INM000010122 (referred to in this document as "Vivro"), for issue of a Fairness Opinion Report on the Share Valuation Report as issued by M/s. Talati & Talati, Chartered Accountants (referred to in this document as "Valuer"), in respect of value of equity shares of AIA Engineering Ltd. and DCPL Foundries Ltd. (referred to herein as "DCPL").

Share Valuation is to be used as guidance in fixing Share Exchange Ratio to be used for the purpose of proposed amalgamation of DCPL (a wholly-owned subsidiary of AIAEL) with AIAEL which is listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited in terms of Clause 24 (f) and 24 (h) of the Listing Agreement.



2. DISCLAIMER

This Fairness Report is prepared by 'Vivro Financial Services Private Limited' under an engagement from AIA Engineering Limited on the basis of information, documents, papers, and explanations given by the management, officers and staff of AIAEL & DCPL to Vivro.

In preparing the Fairness Opinion Report, Vivro has relied upon and assumed, without independent verification, the truthfulness, accuracy and completeness of the information and financial data provided by AIAEL. Vivro has therefore relied upon all specific information as received and declines any responsibility should the results presented be affected by the lack of completeness or truthfulness of such information.

Publically available information deemed relevant for the purpose of the analysis contained in the Fairness Opinion Report has also been used. Therefore the Fairness Opinion Report is based on our interpretation of the information provided by AIAEL, as well as its representatives and advisors, as given to us, to date and Valuation Report as prepared by valuer.

Vivro has also considered Scheme of Arrangement and Amalgamation as furnished. It is assumed that the Amalgamation will be consummated in accordance with the expected terms and within the expected time periods.

This document is a Fairness Opinion Report on Equity Share Valuation Report prepared by valuer, in respect of Value of Equity Shares of AIAEL and DCPL as desired by management of AIAEL. Report may be used by the company for its proposed Amalgamation of DCPL with AIAEL for the submission to the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. in terms of Clause 24 (f) and 24 (h) of the Listing Agreement.

DCPL is a wholly- owned subsidiary company of AIAEL. Therefore, on Amalgamation of DCPL with AIAEL, no shares of AIAEL will be issued to the shareholders of DCPL as a consideration and all the shares of DCPL held by AIAEL shall stand cancelled and extinguished. Accordingly, exchange ratios is not required in the above mentioned transaction.

In the execution of the assignment of Fairness Opinion Report, Vivro has elaborated its own analysis based on the methodologies discussed, reaching the conclusions contained in the final paragraph of this Fairness Report.

Prepared By: *Vivro Financial Services Private Limited*



The conclusions described in the Report have been prepared with an objective to give a Fairness Opinion on the Valuation Report made out by Valuer for the purpose of the Amalgamation and, therefore, the values contained in this Final Report have no relevance for purposes other than those related to the scheme of amalgamation. The Final Report and the Opinion concern exclusively the share exchange ratio in connection with the proposed amalgamation and do not constitute an opinion by Vivro as to the absolute value of the shares of any of the two companies involved in the process of proposed amalgamation.

Vivro shall not be liable for any losses whether financial or otherwise or expenses arising directly or indirectly out of the use of or reliance on the information set out herein in this report.

Vivro has not provided any accounting, tax or legal advice to AIAEL or DCPL. Fairness Opinion Report should not be construed as investment advice or any form of recommendation either for making or divesting investment in any of the companies involved in the process of Amalgamation.

This Opinion is furnished on strictly confidential basis. Neither this Opinion nor the information contained herein may be reproduced or passed to any person or used for any purpose other than stated above.

The Final Report and the Opinion are necessarily based on various factors and conditions as of the date hereof, and the written and oral information made available to us until October 5, 2013. It is understood that subsequent developments may affect the conclusions of the Report and of the Opinion and that, in addition, Vivro has no obligation to update, revise, or reaffirm the Opinion.



3. SOURCE OF INFORMATION AND LIMITATIONS

SOURCE OF INFORMATION

We have studied the valuation report of valuer Viz. M/s. Talati & Talati, Chartered Accountants and further relied on the following information made available to us by AIAEL and DCPL for the purpose of this opinion:

1. Memorandum and Articles of Association of AIAEL and DCPL.
2. Audited Accounts of AIAEL for the Financial Year ended on March 31, 2011, March 31, 2012 and March 31, 2013.
3. Audited Accounts of DCPL for the Financial Year ended on March 31, 2011, March 31, 2012 and March 31, 2013.
4. Valuation Report prepared by M/s. Talati & Talati, Chartered Accountants dated September 24, 2013 for the purpose of ascertaining share exchange ratio for the scheme of arrangement and amalgamation of DCPL with AIAEL.
5. Shareholding Pattern of AIAEL and DCPL.
6. Scheme of Arrangement and Amalgamation of DCPL with AIAEL.

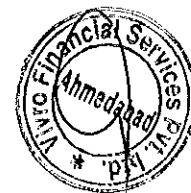
LIMITATIONS -

Our opinion is subject to the following Limitations / Exclusions:

1. Our work does not constitute an audit or certification or due diligence of the past financials of AIAEL and DCPL used in the study and we have relied upon the information provided to us by AIAEL as regards such working results.
2. Valuation of Equity Shares of AIAEL and DCPL has been arrived as on March 31, 2013 for the fairness opinion. For this purpose, we have relied upon the Audited Accounts of AIAEL for the year ended on March 31, 2011, March 31, 2012 and March 31, 2013. We have also relied upon the Audited Accounts of DCPL for the year ended on March 31, 2011, March 31, 2012 and March 31, 2013.
3. We have not independently verified the transactions carried out by AIAEL and DCPL during the Financial Year ended on March 31, 2011, March 31, 2012 and March 31, 2013 and rely on audited accounts of the Company. We do not take any responsibility as to correctness or completeness in any of the financials of these companies.



4. We have not carried out any independent due diligence or verification of the projected financial performance provided by the company for the purpose of arriving at valuation of shares of the company and it is entirely based on the management perception on the future performance of the Companies. Further, we have not received any similar market data for the similar companies operating in the similar field in the industry.
5. The valuations worked out for fairness opinion are indicative and may differ substantially from actual transactions.
6. All the workings for valuation worked out for fairness opinion are rounded off to the nearest integer rupee.
7. Prices of the relevant scripts may be different than value arrived at in this valuation / fairness report.



**4. STUDY OF VALUATION REPORT OF VALUER AND
METHODOLOGIES APPLIED**

A Valuation report prepared by M/s. Talati & Talati, Chartered Accountants (Referred to as "Valuer"), has been made available to us for giving opinion on Fairness of value of Equity Shares of AIAEL and DCPL arrived at in the report. We have studied the report given by the Valuer.

AIA ENGINEERING LIMITED

- AIAEL was incorporated in the year 1991 with the Registrar of Companies, Gujarat.
- Registered Office of AIAEL is located at 115, GVM Estate, Odhav Road, Odhav, Ahmedabad - 382 410.
- The equity shares of AIAEL are listed on The Bombay Stock Exchange Ltd. and National Stock Exchange of India Limited.
- AIAEL is engaged in the business of designing, developing, manufacturing, installation and servicing of high chromium wear, corrosion and abrasion resistant castings used in the cement, mining and thermal power generation business.
- AIAEL is an ISO 9001 certified company and the Second largest Hi- Chrome casting producer in the world.
- The Board of Directors of AIA Engineering Ltd. is as follows:

Board of Directors	Designation
Mr. Rajendra S. Shah	Non- Executive Chairman
Mr. Bhadresh K. Shah	Managing Director
Mr. Vinod Narain	Independent Director
Mr. Sanjay S. Majmudar	Independent Director
Dr. S. Srikumar	Non- Independent Director
Mr. Yashwant M. Patel	Whole- time Director

- AIAEL is having Authorized Share Capital of INR 46,00,00,000 divided into 23,00,00,000 equity shares of INR 2/- each and the Issued, Subscribed and Paid up Share Capital of INR 18,86,40,740 comprising of 9,43,20,370 equity shares of INR 2/- each as on March 31, 2013.



VALUATION METHODS

1. NET ASSET VALUE METHOD

- 1) Valuation of equity shares of AIA Engineering Ltd. under this method is arrived at by determining its Net Worth on the basis of the Audited financial results as on March 31, 2013 as submitted by the management. Net Worth is the excess of all tangible assets of the company over its liabilities to outsiders as shown on the Balance Sheet.
- 2) As per the Audited Accounts for the year ended on March 31, 2013, the subscribed and paid- up equity share capital of AIAEL is Rs. 18,86,40,740 divided into 9,43,20,370 Equity Shares of Rs. 2/- each fully paid up.
- 3) The Valuation of Business under Net Asset Value Method estimates the amount accumulated over a period of time to an equity shareholder per equity share held as on the balance sheet date.
- 4) The Valuation under this method is carried out based on the Balance Sheet prepared on historical cost basis and submitted to us.

The calculation of valuation of equity shares under this method is as under -

(INR in Lakhs)

Particulars	
Net Worth	1,08,371.86
No. of Shares (Face Value of Rs. 2/- each)	9,43,20,370
Net Asset Value (INR) Per Share	114.90

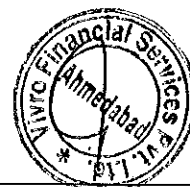
(Source: Audited Accounts for the year ended on March 31, 2013)

2. PROFIT EARNING CAPACITY VALUE METHOD

Under this method, the average of Profits after Tax of the past years is capitalized at an appropriate rate to arrive at value of shares. The methodology adopted for this method is explained hereunder:

a) Average Profit:

The crux of estimating the profit-earning capacity value lies in the assessment of the future maintainable earnings of the business. While the past trends in profits and profitability would serve as a guide, it is not be overlooked that the purpose of valuation is to arrive at the future post tax maintainable stream of earnings. All relevant factors that have a bearing on the future maintainable earnings of the business must, therefore, be given due consideration.



Method of computation of average profits:

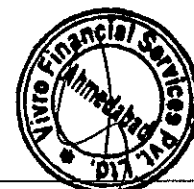
Keeping in view that the objective is to arrive at a true and realistic estimate of the future maintainable earnings of the business - the following approach is adopted in computing the average profits:

- 1) The profits shown in the audited accounts of the company are profits arrived at in financial statements prepared under historical cost convention in accordance with Indian GAAP and the provisions of the Companies Act, 1956.
- 2) Ordinarily, the averaging of profits will be worked out for the past three accounting years for which audited accounts are available. But in appropriate cases, e.g., where the capital base of the company or the profits show erratic variation or where the premium involved is substantial or the industry concerned is subject to cyclical trends a weighted average of the profits after tax will be considered.
- 3) If the year-to-year variation in the profits of the last three years is considered to be normal, the average may be calculated on the basis of a simple arithmetical average. But if the profits are rising consistently from year to year at a steady ratio and there are reasons to believe that the rising trend will be maintained into the future, the average may be calculated on a weighted basis giving a weightage of 3 for the latest year, 2 for the middle year and 1 for the farthest year. Conversely, if the profits are declining consistently from year to year, it would be advisable to consider the profits of only the latest year since any average-simple or weighted- will result in a higher figure than the profits of the latest year which is inconsistent with the situation of consistently declining profits. Here also, it would be prudent to look into the accounts of the last 5 years to make a judgment on the trend in profits.

The weighted average post - tax profits of the company has been computed from the certified audited annual accounts of the company.

b) Capitalization Rate:

The erstwhile CCI Guidelines prescribed capitalization rates for different class of companies. The guidelines categorized the capitalization rate under three broad categories viz. Manufacturing Companies, Trading Companies and Intermediate Companies.



The rates prescribed were:

- 1) 15% in the case of manufacturing companies/ Service Providers
- 2) 20% in the case of trading companies and
- 3) 17 ½% in the case of "intermediate companies", that is to say, companies whose turnover from trading activity is more than 40%, but less than 60% of their total turnover.

The calculation of valuation of equity shares under this method is as under -

Year End March 31,	Audited		
	2013	2012	2011
Net Profit After Taxes	16,910.35	15,090.75	12,974.93
Weights	3.00	2.00	1.00
Weighted Average Profit	15,647.91		
Capitalisation Rate	15%		
Value of Business	104,319.42		
No. of Shares	94,320,370		
Value Per Share (Rs.) as on 31.03.2013	110.60		

3. MARKET PRICE METHOD

Valuation under SEBI ICDR Regulations, 2009:

The equity shares of AIA Engineering Ltd. are listed on the Bombay Stock Exchange Limited as well as National Stock Exchange of India Limited. Thereby, the Valuer has considered the pricing formula provided for Preferential Issue of Equity Shares under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

Regulation 76 of Chapter VII of SEBI (ICDR) Regulations, 2009 provides for the Pricing of Shares in case of Preferential Issue of Shares of Listed Company. It is stated that:

- "76. If the equity shares of the issuer have been listed on a recognized stock exchange for a period of twenty six weeks or more as on the relevant date, the equity shares shall be allotted at a price not less than higher of the following:
- (a) The average of the weekly high and low of the closing prices of the related equity shares quoted on the recognized stock exchange during the twenty six weeks preceding the relevant date; or

- (b) The average of the weekly high and low of the closing prices of the related equity shares quoted on a recognized stock exchange during the two weeks preceding the relevant date."

For the purpose of this regulation, 'stock exchange' means any of the recognized stock exchanges in which the equity shares are listed and in which the highest trading volume in respect of the equity shares of the issuer has been recorded during the preceding twenty six weeks prior to the relevant date.

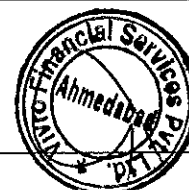
Based on the above regulation and as per the definition of stock exchange as defined in this regulation, we have arrived at the fair value of equity share of AIA Engineering Ltd. taking into consideration the trading on National Stock Exchange (NSE) since the No. of shares traded on NSE during the preceding twenty six weeks are higher than the trading on Bombay stock exchange (BSE).

For the purpose of arriving at the Fair Valuation, we have considered September 24, 2013 as the Relevant Date.

Trading on National Stock Exchange:

The average of weekly high and low of the closing prices of the equity shares during the twenty six weeks preceding the relevant date is derived at INR 320.06 per share, calculated as shown below:

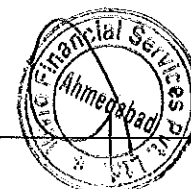
Week	Date	Open	High	Low	Close	Closing High	Closing Low	Average
1	28-Mar-13	305.05	319.9	305.05	317.9			
	26-Mar-13	317.95	325	315	319.05			
	25-Mar-13	320	321	315	318	319.05	317.9	318.48
2	5-Apr-13	308.05	310	307.9	309.1			
	4-Apr-13	316.05	316.1	309.05	311.85			
	3-Apr-13	310.5	325	305	310.6			
	2-Apr-13	324	324	312	314.2			
	1-Apr-13	314.95	317.95	310.25	313.1	314.2	309.1	311.65
3	12-Apr-13	310	316.2	307.05	314.25			
	11-Apr-13	315	321.95	310.2	312.65			
	10-Apr-13	312	318	312	315.25			
	9-Apr-13	310.8	312	308	310			
	8-Apr-13	308.15	313	308.15	309.25	315.25	309.25	312.25



Fairness Opinion on Valuation of AIAEL & DCPL

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4	18-Apr-13	310	310	305	306.35			
	17-Apr-13	302	314.4	300	305.2			
	16-Apr-13	300	317.65	300	307.2			
	15-Apr-13	318	320	305	314.15	314.15	305.2	309.68
5	26-Apr-13	314	314	305.6	306.55			
	25-Apr-13	316	318	316	317.7			
	23-Apr-13	303	312.95	301.2	312.5			
	22-Apr-13	307	317	307	308.65	317.7	306.55	312.13
6	3-May-13	301.6	309.95	301.6	309.2			
	2-May-13	305	312.7	305	310.6			
	30-Apr-13	318	318	306	308.35			
	29-Apr-13	303	319.3	303	316.25	316.25	308.35	312.30
7	11-May-13	301.55	301.55	293	293.85			
	10-May-13	295	296.1	286	294.45			
	9-May-13	304	304	289.95	290.9			
	8-May-13	304.5	308.95	296.25	299.9			
	7-May-13	302.5	306	299.05	301.05			
	6-May-13	314	321	303.3	304.8	304.8	290.9	297.85
8	17-May-13	296.6	307	285	288.8			
	16-May-13	303.8	303.95	296.05	299.5			
	15-May-13	296	299.95	294.05	299.6			
	14-May-13	297.85	299.95	290.95	292.6			
	13-May-13	293.1	301.75	292.2	295.65	299.6	288.8	294.20
9	24-May-13	284	288.9	276.3	288			
	23-May-13	290	290	283.3	284			
	22-May-13	288	294.95	285.25	289.65			
	21-May-13	285	289.9	280.05	283.1			
	20-May-13	286.05	295.45	286.05	290	290	283.1	286.55
10	31-May-13	294.95	324.4	286.65	317.4			
	30-May-13	284.3	290	277.55	285.2			
	29-May-13	280	284.45	278	280.5			
	28-May-13	288	288	280	281.05			
	27-May-13	290	292.95	283.05	285.35	317.4	280.5	298.95
11	7-Jun-13	340	359.95	320	340.15			



Fairness Opinion on Valuation of AIAEL & DCPL

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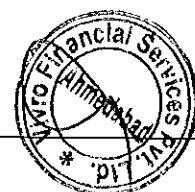
	6-Jun-13	310.05	378	310	342.5			
	5-Jun-13	314	317.8	310.6	315			
	4-Jun-13	315	320	311	314.9			
	3-Jun-13	319	319	311.05	315.35	342.5	314.9	328.70
12	14-Jun-13	335.15	341	320.75	325.65			
	13-Jun-13	340	345	330.05	332.55			
	12-Jun-13	344.05	348	341	345.4			
	11-Jun-13	347	349.75	341	347.15			
	10-Jun-13	330	349	330	346.9	347.15	325.65	336.40
13	21-Jun-13	320.05	327.5	320	325.75			
	20-Jun-13	320.05	327.95	311.6	322.7			
	19-Jun-13	324.8	330	322	322.3			
	18-Jun-13	330	334.55	322	324.8			
	17-Jun-13	344	344	323.05	331	331	322.3	326.65
14	28-Jun-13	318.15	347.85	318.15	330.15			
	27-Jun-13	322	330	316.05	323.35			
	26-Jun-13	322	326.1	305	319.3			
	25-Jun-13	325.7	328.15	320	321.45			
	24-Jun-13	324.1	345	322	324.6	330.15	319.3	324.73
15	5-Jul-13	321.15	327	321	323.3			
	4-Jul-13	330	330	323	324.4			
	3-Jul-13	320.5	330	320.45	326.95			
	2-Jul-13	322	326	304	324.5			
	1-Jul-13	349	349	325	327.15	327.15	323.3	325.23
16	12-Jul-13	314	320.95	310	317.7			
	11-Jul-13	320.05	323.15	317	319			
	10-Jul-13	324	327.85	321	322.8			
	9-Jul-13	326.45	328.8	321.1	325.8			
	8-Jul-13	328	328	319	323.95	325.8	317.7	321.75
17	19-Jul-13	311	315.9	307	307.55			
	18-Jul-13	318	320	310	311.4			
	17-Jul-13	310.05	316	310.05	313.6			
	16-Jul-13	313.05	319	311.7	313.7			
	15-Jul-13	321	321	315.05	318.75	318.75	307.55	313.15



Fairness Opinion on Valuation of AIAEL & DCPL

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18	26-Jul-13	313	350	296.4	299.8			
	25-Jul-13	305	311.55	305	308			
	24-Jul-13	310	312.95	310	310.25			
	23-Jul-13	310	312	305	310.85			
	22-Jul-13	307.55	309.95	303.5	305.1	310.85	299.8	305.33
19	2-Aug-13	307	317.95	289.05	296.35			
	1-Aug-13	302	325	295.1	302.5			
	31-Jul-13	291	315	291	307.05			
	30-Jul-13	290.6	307.1	282	286.15			
	29-Jul-13	302.95	303	293.05	294.55	307.05	286.15	296.60
20	8-Aug-13	298	303.35	289.05	299.75			
	7-Aug-13	286.05	298.35	286.05	294.7			
	6-Aug-13	290.05	294	285	289.55			
	5-Aug-13	299.05	299.05	294	294	299.75	289.55	294.65
21	16-Aug-13	331.05	344.75	320.05	332.35			
	14-Aug-13	330.95	331.5	320.05	330.6			
	13-Aug-13	307.05	332.95	305	327.65			
	12-Aug-13	296.05	324	292	309.85	332.35	309.85	321.10
22	23-Aug-13	319.85	319.9	312.1	315.45			
	22-Aug-13	313	319.9	308	314			
	21-Aug-13	327	333.65	312	318.25			
	20-Aug-13	326	331	315	322.6			
	19-Aug-13	330	337.75	320.55	327.8	327.8	314	320.90
23	30-Aug-13	320	329.1	320	322.8			
	29-Aug-13	315	336	312	320.4			
	28-Aug-13	305	319.5	301	313.75			
	27-Aug-13	316	319.85	305.5	307.05			
	26-Aug-13	316	323.55	311	316.4	322.8	307.05	314.93
24	6-Sep-13	322.5	328	322.1	322.65			
	5-Sep-13	320.05	329	320	327.85			
	4-Sep-13	320	327.8	320	322.95			
	3-Sep-13	332.05	333	315.1	324.1			
	2-Sep-13	330	341.05	326.1	338	338	322.65	330.33
25	13-Sep-13	320.95	321	316.15	319.9			



	12-Sep-13	320	320.1	315.6	320.05			
	11-Sep-13	320.85	321.95	314	318.8			
	10-Sep-13	325	328	320.1	321.1	321.1	318.8	319.95
26	20-Sep-13	317.5	324	317.15	320.05			
	19-Sep-13	320.05	321	318	320			
	18-Sep-13	319.9	323.95	318.5	322.15			
	17-Sep-13	320	330	315.05	318.2			
	16-Sep-13	325	328	319.85	320.15	322.15	318.2	320.18

Average of 26 Weeks H-L	313.64
Average of 2 Weeks H-L	320.06

On the basis of the above guidelines, the value per share of AIAEL based on the trading on NSE comes out to be INR 320.06.

(Source: Market prices of 26 weeks before the September 24, 2013 taken from NSE website for arriving at above value)

VALUE ARRIVED

On the basis of the above valuation analysis and all other factors taking into consideration, we arrive on the value of Equity Share of AIAEL on the basis of weighted average as follows:

Valuation Method	Value per Share (INR)	Weightage	Product
Net Asset Value Method	114.90	1	114.90
Profit Earning Capacity Value Method	110.60	1	110.60
Market Price Method	320.06	2	640.13
Weighted Average Value per Share (Rs.)			216.41

While arriving at the valuation of AIA Engineering Ltd., we have taken Net Asset Value Method, Profit Earning Capacity Value Method and Market Price Method for calculation of Fair value of equity share of AIAEL as the shares of the Company are infrequently traded on the Stock Exchange during the last 1 year.



DCPL FOUNDRIES LIMITED

- DCPL Foundries Ltd. was incorporated in the year 2010 with the Registrar of Companies, Gujarat.
- Registered Office of DCPL is located at 115, GVMM Estate, Odhav Road, Odhav, Ahmedabad - 382 410.
- The Company is engaged in the business of manufacture of High Chrome Mill Internals (Castings) which finds applications in Cement, Mining and Utility Industries.
- Board of Directors of DCPL Foundries Ltd. are as follows:

Board of Directors	Designation
Mr. Bhadresh K. Shah	Director
Mr. Kunal D. Shah	Director
Mr. V V R Mohana Rao	Director
Mr. Yash Raj	Director

- DCPL is having Authorized Share Capital of INR 1,00,00,000/- divided into 10,00,000 equity shares of INR 10/- each and the Issued, Subscribed and Paid up Share Capital of INR 1,00,00,000 comprising of 10,00,000 equity shares of INR 10/- each.
- The entire equity share capital of DCPL is held by AIAEL viz. DCPL is a wholly-owned subsidiary of AIAEL.

Financial Summary

(Rs. in Crores)

Particulars	Audited for the period ended on		
	2012-13	2011-12	2010-11
Total Revenues	49.51	41.93	19.56
Total Expenses (Excl. Depreciation and Interest)	47.82	42.69	18.76
EBITDA	1.69	(0.76)	0.80
Less: Depreciation	1.61	1.36	0.88
Less: Interest	1.82	2.42	1.40
Profit before Exceptional, Extraordinary, Prior Period items and Tax	(1.74)	(4.54)	(1.48)
Add: Prior Period Items	0.06	0.00	0.00
Add: Profit on sale of Fixed Assets	0.02	0.00	0.00
PBT	(1.66)	(4.54)	(1.48)
Less: Taxes (Deferred Tax Credit)	(0.007)	(0.40)	0.40
PAT	(1.65)	(4.14)	(1.88)

(Rs. in Crores)	Audited as on		
	31.03.2013	31.03.2012	31.03.2011
Assets & Liabilities			
Equity Share Capital	1.00	1.00	1.00
Reserves & Surplus	(7.68)	(6.02)	(1.88)
Net Worth	(6.68)	(5.02)	(0.88)
Long Term Borrowings	0.88	12.31	13.06
Short Term Borrowings	5.50	5.02	5.04
Total Non- Current Liabilities	0.04	0.02	0.39
Total Current Liabilities (Excl. Short- Term Borrowings)	27.68	11.55	6.33
Total Liabilities	27.43	23.88	23.94
Fixed Assets (Net)	15.81	16.81	16.26
Long Term Loans & Advances	0.68	0.69	0.61
Other Non- Current Assets	0.02	0.008	0.00
Total Current Assets	10.92	6.37	7.07
Total Assets	27.43	23.88	23.94

VALUATION METHODS

1. NET ASSET VALUE METHOD

- 1) Valuation of equity shares of DCPL Foundries Ltd. under this method is arrived at by determining its Net Worth on the basis of the Audited financial results as on March 31, 2013 as submitted by the management. Net Worth is the excess of all tangible assets of the company over its liabilities to outsiders as shown on the Balance Sheet.
- 2) As per the Audited Accounts for the year ended on March 31, 2013, the subscribed and paid- up equity share capital of DCPL is Rs. 1,00,00,000 divided into 10,00,000 Equity Shares of Rs. 10/- each fully paid up.
- 3) The Valuation of Business under Net Asset Value Method estimates the amount accumulated over a period of time to an equity shareholder per equity share held as on the balance sheet date.
- 4) The Valuation under this method is carried out based on the Balance Sheet prepared on historical cost basis and submitted to us.

The calculation of valuation of equity shares under this method is as under -

Particulars	(INR in Lakhs)
Net Worth	(667.56)
No. of Shares (Face Value of Rs. 2/- each)	10,00,000
Net Asset Value (INR) Per Share	(66.76)

(Source: Audited Accounts for the year ended on March 31, 2013)

2. PROFIT EARNING CAPACITY VALUE METHOD

Under this method, the average of Profits after Tax of the past years is capitalized at an appropriate rate to arrive at value of shares. The methodology adopted for this method is explained hereunder:

c) **Average Profit:**

The crux of estimating the profit-earning capacity value lies in the assessment of the future maintainable earnings of the business. While the past trends in profits and profitability would serve as a guide, it is not overlooked that the purpose of valuation is to arrive at the future post tax maintainable stream of earnings. All relevant factors that have a bearing on the future maintainable earnings of the business must, therefore, be given due consideration.

Method of computation of average profits:

Keeping in view that the objective is to arrive at a true and realistic estimate of the future maintainable earnings of the business - the following approach is adopted in computing the average profits:

- 1) The profits shown in the audited accounts of the company are profits arrived at in financial statements prepared under historical cost convention in accordance with Indian GAAP and the provisions of the Companies Act, 1956.
- 2) Ordinarily, the averaging of profits will be worked out for the past three accounting years for which audited accounts are available. But in appropriate cases, e.g., where the capital base of the company or the profits show erratic variation or where the premium involved is substantial or the industry concerned is subject to cyclical trends a weighted average of the profits after tax will be considered.
- 3) If the year-to-year variation in the profits of the last three years is considered to be normal, the average may be calculated on the basis of a simple arithmetical average. But if the profits are rising consistently from year to year at a steady ratio and there are reasons to believe that the rising trend will be maintained into the future, the average may be calculated on a weighted basis giving a weightage of 3 for the latest year, 2 for the middle year and 1 for the farthest year. Conversely, if the profits are declining consistently from year to year, it would be advisable to consider the profits

of only the latest year since any average-simple or weighted- will result in a higher figure than the profits of the latest year which is inconsistent with the situation of consistently declining profits. Here also, it would be prudent to look into the accounts of the last 5 years to make a judgment on the trend in profits. If the company has not earned any profits during the last three years, then value under PECV method will be taken as NIL.

The weighted average post - tax profits of the company has been computed from the certified audited annual accounts of the company.

d) Capitalization Rate:

The erstwhile CCI Guidelines prescribed capitalization rates for different class of companies. The guidelines categorized the capitalization rate under three broad categories viz. Manufacturing Companies, Trading Companies and Intermediate Companies.

The rates prescribed were:

- 4) 15% in the case of manufacturing companies/ Service Providers
- 5) 20% in the case of trading companies and
- 6) 17 ½% in the case of "intermediate companies", that is to say, companies whose turnover from trading activity is more than 40%, but less than 60% of their total turnover.

Since, DCPL has incurred losses during the last three consecutive years, we have assumed the Profit Earning Capacity Method (PECV) value as NIL.

3. MARKET PRICE METHOD

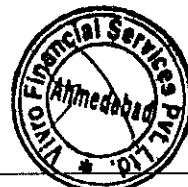
As DCPL is an unlisted company, this method is not applicable.

VALUE ARRIVED

On the basis of the above valuation analysis and all other factors taking into consideration, we have not arrived on the value of Equity Share of DCPL.

Exchange Ratio

As DCPL Foundries Ltd. is a wholly- owned subsidiary company of AIA Engineering Ltd., the Transferee Company is not required to issue any share to the shareholders of Transferor Company. Hence, the working of exchange ratio is not required.



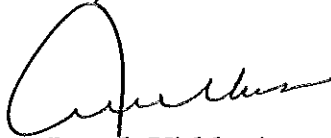
5. CONCLUSION

Valuation is very subjective and based on individual perception of valuer. Large number of valuation models and its countless variants are in vogue, each of which has its own strength and weakness. Use of different models lead to varying values arrived at by experts which at times differ by larger margin. In view of this a range of 10% of variation on either direction, is considered acceptable.

We have after incorporating certain modifications as discussed under respective method used, arrived at value of INR 216.41 for each equity share of AIAEL.

In our opinion, there is no need to exchange the equity shares for amalgamation of DCPL with AIAEL as the DCPL is a wholly owned subsidiary company of AIAEL.

For, Vivro Financial Services Private Limited



Jayesh Vithlani

(Sr. Vice President & Co. Secretary)



Date: October 08, 2013

Place: Ahmedabad

