



**B. M. SHARMA & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

3507/6, KIRTI SADAN, PYARELAL ROAD  
BANK STREET, KAROL BAGH  
NEW DELHI-110 005.  
TELEFAX : 91-11-41545667

The Board of Directors,  
Hari Om Narayan Alloys Pvt. Ltd.,  
RJT-319 3<sup>rd</sup> Floor,  
Rajendra Jaina Tower-1, Plot No-18,  
Wazirpur Community Centre,  
Delhi-110052

And

The Board of Directors,  
SRU Steels Limited,  
416-417-432, Rajendra Jaina tower-1  
Plot No. 18, Community Centre,  
Wazirpur Industrial Area,  
Delhi - 110 052

Re: Determination of Share Exchange Ratio between Hari Om Narayan Alloys Private Limited and SRU Steels Limited

**1. INTRODUCTION**

- 1.1 This has reference to various discussions and your letter dated 15-12-2012 wherein you had requested us to examine and determine the exchange ratio of the shares of Hari Om Narayan Alloys Pvt. Ltd. and SRU Steels Ltd.
- 1.2 We have analyzed the information; particulars and explanations along with the audited annual report of the two companies for the year ending 31st March 2012.
- 1.3 Our valuation of shares is based on Net Assets Value (NAV) based on latest available Audited Financial Statements.

The background behind our analysis about the companies are summarized below:

**2. FACTORS CONSIDERED FOR VALUATION**

- 2.1 Valuation of shares for the purpose of determining the exchange ratio in Amalgamation is based upon large number of relevant factors such as dividend paid, future earning capacity, net assets value, future growth prospects, etc. The application of these factors depends on the circumstances of each case.

- 2.2 Valuation is not an arithmetical exercise as it is based on a large number of intangible factors like goodwill, brand equity, etc. and as such it cannot be reduced to a uniform inflexible exercise.
- 2.3 In the present case, what is relevant in our opinion is not the determination of the value of shares of the above companies individually, but the determination of the value of share of one company vis-a-vis the value of the shares of the other company. It is similar to a barter transaction where the relevant values are equated. Hence, we have opted for the Net Assets Value Method.
- 2.4 For the purpose of this exercise, Assets have been valued on the following basis:
- a) Current Assets & Liabilities have been taken at Book value.
- 2.5 Value of shares arrived at for the purpose of amalgamation has been rounded off.
- 2.6 We have relied on the above basic framework for valuation but at the same time due weightage has been given to the exercise of discretion and judgement needed to arrive at a fair and equitable exchange ratio.

### **3 HARI OM NARAYAN ALLOYS PVT.LTD.**

- 3.1 Hari Om Narayan Alloys Private Limited was incorporated on 30<sup>th</sup> November 2007 under the Companies Act, 1956 with the registrar of Companies, Delhi and Haryana.
- 3.2 The shares of the company are not listed on any stock exchange.
- 3.3 Par value of each share is Rupees Ten.
- 3.4 As per the Annual Accounts of Hari Om Narayan Alloys Pvt. Ltd. for the year ending 31.03.2012, its Issued, Subscribed and Paid up Capital is Rs. 15,00,000 and it has Accumulated Reserve & Surplus of Rs. 1,27,37,781 which includes Share premium account of Rs. 1,26,00,000.
- 3.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.
- 3.6 The company will be amalgamated with SRU Steels Ltd. as a going concern.

### **4 SRU STEELS LTD.**

- 4.1 SRU Steels Limited. (SRU) was incorporated on 11th September 1995 under the Companies Act, 1956 with the Registrar of Companies, Ludhiana, Punjab.



- 4.2 SRU is a listed company. Its shares are listed at Delhi stock exchange. However, these shares are not traded regularly. Last trading was done on 4<sup>th</sup> August, 2010 at Rs 1.55 per share. No trading has taken place since then.
- 4.3 Par value of each share is Rs. Ten only.
- 4.4 As per the Annual Accounts of SRU for the year ending 31.03.2012, its Issued, Subscribed and Paid Up Capital is Rs. 3,62,74,000 and it has Accumulated Reserve & Surplus of Rs. 88,14,408, which includes capital Reserve of Rs. 61,55,400.
- 4.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.

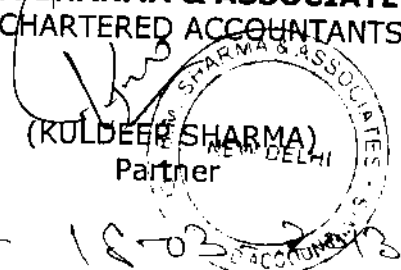
**5 SHARE EXCHANGE RATIO**

- 5.1 Based on the above consideration we are of the opinion that the fair and equitable basis for Amalgamation of the two companies viz Hari Om Narayan Alloys Pvt. Ltd. and SRU Steels Ltd. is:  
7 Equity Shares of Rs.10/- each of SRU Steels Ltd. for every 1 Equity Share of Rs.10/- each of Hari Om Narayan Alloys Pvt. Ltd.
- 5.2 The arithmetical working for calculating shares exchange ratio is annexed.

Yours truly,

For **B.M. SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS

(**RULDEEP SHARMA**)  
Partner



Dated - 18/03/12

Place - ND del

**HARI OM NARAYAN ALLOYS PRIVATE LIMITED**

(figure in ₹)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	1,500,000	Gross Assets	14,273,661
Reserve and Surplus	12,737,781	Less:- Misc. Expenditure	24479
Less:- Misc. Expenditure	24479	Net Assets	<u>14,249,182</u>
<b>Total Value</b>	<u>14,213,302</u>	Less:-Liabilities	35880
No. of Shares (Issued)	150000	Net Worth	<u>14,213,302</u>
Per Share Value as	94.76		
Per Book Value (Rs.)			

**Exchange Ratio of Hari Om Narayan Alloys pvt ltd**

Exchange ratio on the basis of book value of share is 1:7

**SRU STEELS LIMITED**

(Figure in thousand)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	36,274	Gross Assets	74,406
Reserve and Surplus	8,814	Less:- Misc. Expenditure	99
Less:- Misc. Expenditure	99	Def. Assets	94
Def. Assets	94	Net Assets	<u>74,213</u>
<b>Total Value</b>	<u>44,895</u>	Less:-Liabilities	29318
No. of Shares (Issued)	3627400	Net Worth	<u>44,895</u>
Per Share Value as	12.38	No. of Shares (Issued)	3627400
Per Book Value (Rs.)		Per Share Value as	12.38
		Per Book Value (Rs.)	





**B. M. SHARMA & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

3507/6, KIRTI SADAN, PYARELAL ROAD  
BANK STREET, KAROL BAGH  
NEW DELHI-110 005.  
TELEFAX : 91-11-41545667

The Board of Directors,  
Goverdhan Metals Pvt. Ltd.,  
RJT-319 3<sup>rd</sup> Floor,  
Rajendra Jaina Tower-1, Plot No-18,  
Wazirpur Community Centre,  
Delhi-110052

And

The Board of Directors,  
SRU Steels Limited,  
416-417-432, Rajendra Jaina tower-1  
Plot No. 18, Community Centre,  
Wazirpur Industrial Area,  
Delhi - 110 052

Re: Determination of Share Exchange Ratio between Goverdhan Metals Private Limited and SRU Steels Limited

**1. INTRODUCTION**

- 1.1 This has reference to various discussions and your letter dated 15<sup>th</sup> Dec, 2012 wherein you had requested us to examine and determine the exchange ratio of the shares of Goverdhan Metals Pvt. Ltd. and SRU Steels Ltd.
- 1.2 We have analyzed the information; particulars and explanations along with the audited annual report of the two companies for the year ending 31st March 2012.
- 1.3 Our valuation of shares is based on Net Assets Value (NAV) based on latest available Audited Financial Statements.

The backgrounds behind our analysis about the companies are summarized below:

**2. FACTORS CONSIDERED FOR VALUATION**

- 2.1 Valuation of shares for the purpose of determining the exchange ratio in Amalgamation is based upon large number of relevant factors such as dividend paid, future earning capacity, net assets value, future growth prospects, etc. The application of these factors depends on the circumstances of each case.



- 2.2 Valuation is not an arithmetical exercise as it is based on a large number of intangible factors like goodwill, brand equity, etc. and as such it cannot be reduced to a uniform inflexible exercise.
- 2.3 In the present case, what is relevant in our opinion is not the determination of the value of shares of the above companies individually, but the determination of the value of share of one company vis-a-vis the value of the shares of the other company. It is similar to a barter transaction where the relevant values are equated. Hence, we have opted for the Net Assets Value Method.
- 2.4 For the purpose of this exercise, Assets have been valued on the following basis:
- a) Current Assets & Liabilities have been taken at Book value.
- 2.5 Value of shares arrived at for the purpose of amalgamation has been rounded off.
- 2.6 We have relied on the above basic framework for valuation but at the same time due weight age has been given to the exercise of discretion and judgement needed to arrive at a fair and equitable exchange ratio.

### **3 GOVERDHAN METALS PVT.LTD.**

- 3.1 Goverdhan Metals Private Limited was incorporated on 27<sup>th</sup> February, 2008 under the Companies Act, 1956 with the registrar of Companies, Delhi and Haryana.
- 3.2 The shares of the company are not listed on any stock exchange.
- 3.3 Par value of each share is Rupees Ten.
- 3.4 As per the Annual Accounts of Goverdhan Metals Pvt. Ltd. for the year ending 31.03.2012, its Issued, Subscribed and Paid up Capital is Rs. 7,65,000 and it has Accumulated Reserve & Surplus of Rs. 60,66,547 which includes Share premium account of Rs. 59,85,000.
- 3.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.
- 3.6 The company will be amalgamated with SRU Steels Ltd. as a going concern.



**4 SRU STEELS LTD.**

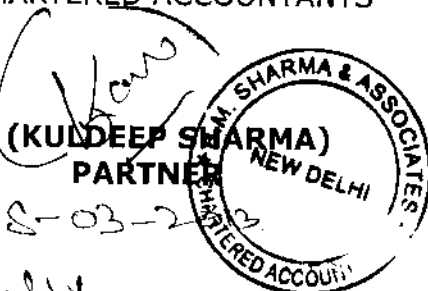
- 4.1 SRU Steels Limited. (SRU) was incorporated on 11th September 1995 under the Companies Act, 1956 with the Registrar of Companies, Ludhiana, Punjab.
- 4.2 SRU is a listed company. Its shares are listed at Delhi stock exchange. However, these shares are not traded regularly. Last trading was done on 4<sup>th</sup> August, 2010 at Rs 1.55 per share. No trading has taken place since then.
- 4.3 Par value of each share is Rs. Ten only.
- 4.4 As per the Annual Accounts of SRU for the year ending 31.03.2012, its Issued, Subscribed and Paid Up Capital is Rs. 3,62,74,000 and it has Accumulated Reserve & Surplus of Rs. 88,14,408, which includes capital Reserve of Rs. 61,55,400.
- 4.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.

**5 SHARE EXCHANGE RATIO**

- 5.1 Based on the above consideration we are of the opinion that the fair and equitable basis for Amalgamation of the two companies viz Goverdhan Metal Pvt. Ltd. and SRU Steels Ltd. is:  
7 Equity Shares of Rs.10/- each of SRU Steels Ltd. for every 1 Equity Share of Rs.10/- each of Govardhan Metals Pvt. Ltd.
- 5.2 The arithmetical working for calculating shares exchange ratio is annexed.

Yours truly,

For **B.M SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS



Date - 18-03-2012  
New Delhi

**GOVERDHAN METALS PRIVATE LIMITED**

(figure in ₹)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	765,000	Gross Assets	6,862,277
Reserve and Surplus	6,066,547	Less:- Misc. Expenditure	4102
Less:- Misc. Expenditure	4102	Net Assets	<u>6,858,175</u>
Total Value	<u>6,827,445</u>	Less:- Liabilities	30730
No. of Shares (Issued)	76500	Net Worth	<u>6,827,445</u>
Per Share Value as	89.25		
Per Book Value (Rs.)			

**Exchange Ratio of Goverdhan Metal pvt ltd**

Exchange ratio on the basis of book value of share is 1:7

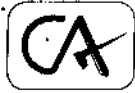
**SRU STEELS LIMITED**

(Figure in thousand)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	36,274	Gross Assets	74,406
Reserve and Surplus	8,814	Less:- Misc. Expenditure	99
Less:- Misc. Expenditure	99	Def. Assets	94
Def. Assets	94	Net Assets	<u>74,213</u>
Total Value	<u>44,895</u>	Less:-Liabilities	29318
No. of Shares (Issued)	3627400	Net Worth	<u>44,895</u>
Per Share Value as	12.38		
Per Book Value (Rs.)		No. of Shares (Issued)	3627400
		Per Share Value as	12.38
		Per Book Value (Rs.)	







The Board of Directors,  
Hari Om Narayan Steels Pvt. Ltd.,  
RJT-319 3<sup>rd</sup> Floor,  
Rajendra Jaina Tower-1, Plot No-18,  
Wazirpur Community Centre,  
Delhi-110052

And

The Board of Directors,  
SRU Steels Limited,  
416-417-432, Rajendra Jaina tower-1  
Plot No. 18, Community Centre,  
Wazirpur Industrial Area,  
Delhi - 110 052

Re: Determination of Share Exchange Ratio between Hari om narayan steel  
Private Limited and SRU Steels Limited

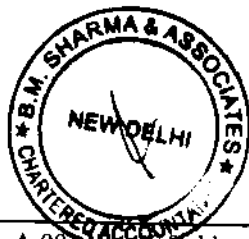
## 1. INTRODUCTION

- 1.1 This has reference to various discussions and your letter dated 15<sup>th</sup> Dec, 2012 wherein you had requested us to examine and determine the exchange ratio of the shares of Hari Om Narayan Steels Pvt. Ltd. and SRU Steels Ltd.
- 1.2 We have analyzed the information; particulars and explanations along with the audited annual report of the two companies for the year ending 31st March 2012.
- 1.3 Our valuation of shares is based on Net Assets Value (NAV) based on latest available Audited Financial Statements.

The background behind our analysis about the companies are summarized below:

## 2. FACTORS CONSIDERED FOR VALUATION

- 2.1 Valuation of shares for the purpose of determining the exchange ratio in Amalgamation is based upon large number of relevant factors such as dividend paid, future earning capacity, net assets value, future growth prospects, etc. The application of these factors depends on the circumstances of each case.



- 2.2 Valuation is not an arithmetical exercise as it is based on a large number of intangible factors like goodwill, brand equity, etc. and as such it cannot be reduced to a uniform inflexible exercise.
- 2.3 In the present case, what is relevant in our opinion is not the determination of the value of shares of the above companies individually, but the determination of the value of share of one company vis-a-vis the value of the shares of the other company. It is similar to a barter transaction where the relevant values are equated. Hence, we have opted for the Net Assets Value Method.
- 2.4 For the purpose of this exercise, Assets have been valued on the following basis:
- a) Current Assets & Liabilities have been taken at Book value.
- 2.5 Value of shares arrived at for the purpose of amalgamation has been rounded off.
- 2.6 We have relied on the above basic framework for valuation but at the same time due weightage has been given to the exercise of discretion and judgement needed to arrive at a fair and equitable exchange ratio.

### **3 HARI OM NARAYAN STEELS PVT.LTD.**

- 3.1 Hari Om Narayan Steels Private Limited was incorporated on 3<sup>rd</sup> December 2007 under the Companies Act, 1956 with the registrar of Companies, Delhi and Haryana.
- 3.2 The shares of the company are not listed on any stock exchange.
- 3.3 Par value of each share is Rupees Ten.
- 3.4 As per the Annual Accounts of Hari Om Narayan Steels Pvt. Ltd. for the year ending 31.03.2012, its Issued, Subscribed and Paid up Capital is Rs. 9,70,000/- and it has Accumulated Reserve & Surplus of Rs. 80,05,574/- which includes Share premium account of Rs. 78,30,000/-.
- 3.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.
- 3.6 The company will be amalgamated with SRU Steels Ltd. as a going concern.



**4 SRU STEELS LTD.**

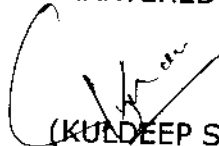

- 4.1 SRU Steels Limited. (SRU) was incorporated on 11th September 1995 under the Companies Act, 1956 with the Registrar of Companies, Ludhiana, Punjab.
- 4.2 SRU is a listed company. Its shares are listed at Delhi stock exchange. However, these shares are not traded regularly. Last trading was done on 4<sup>th</sup> August, 2010 at Rs 1.55 per share. No trading has taken place since then.
- 4.3 Par value of each share is Rs. Ten only.
- 4.4 As per the Annual Accounts of SRU for the year ending 31.03.2012, its Issued, Subscribed and Paid Up Capital is Rs. 3,62,74,000/- and it has Accumulated Reserve & Surplus of Rs. 88,14,408/-, which includes capital Reserve of Rs. 61,55,400/-.
- 4.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.

**5 SHARE EXCHANGE RATIO**

- 5.1 Based on the above consideration we are of the opinion that the fair and equitable basis for Amalgamation of the two companies viz Hari Om Narayan Steels Pvt. Ltd. and SRU Steels Ltd. is:  
7 Equity Shares of Rs.10/- each of SRU Steels Ltd. for every 1 Equity Share of Rs.10/- each of Hari Om Narayan Steels Pvt. Ltd.
- 5.2 The arithmetical working for calculating shares exchange ratio is annexed.

Yours truly,

For **B.M SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS

  
(KULDEEP SHARMA)  
PARTNER  


Date - 18-03-2012  
Place - NDW

**HARI OM NARAYAN STEELS PRIVATE LIMITED**

(figure in ₹)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	970,000	Gross Assets	9,001,074
Reserve and Surplus	8,005,574	Less:- Misc. Expenditu	47304
Less:- Misc. Expenditure	47304	Net Assets	<u>8,953,770</u>
Total Value	<u>8,928,270</u>	Less:-Liabilities	25500
No. of Shares (Issued)	97000	Net Worth	<u>8,928,270</u>
Per Share Value as	92.04		
Per Book Value (Rs.)			

**Exchange Ratio of Hari Om Narayan Steel pvt ltd**

Exchange ratio on the basis of book value of share is 1:7

**SRU STEELS LIMITED**

(Figure in thousand)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	36,274	Gross Assets	74,406
Reserve and Surplus	8,814	Less:- Misc. Expenditu	99
Less:- Misc. Expenditure	99	Def. Assets	94
Def. Assets	94	Net Assets	<u>74,213</u>
Total Value	<u>44,895</u>	Less:-Liabilities	29318
No. of Shares (Issued)	3627400	Net Worth	<u>44,895</u>
Per Share Value as	12.38	No. of Shares (Issued)	3627400
Per Book Value (Rs.)		Per Share Value as	12.38
		Per Book Value (Rs.)	





**B. M. SHARMA & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

3507/6, KIRTI SADAN, PYARELAL ROAD  
BANK STREET, KAROL BAGH  
NEW DELHI-110 005.  
TELEFAX : 91-11-41545667

The Board of Directors,  
Nand Gaon Alloys Pvt. Ltd.,  
RJT-304 3<sup>rd</sup> Floor,  
Rajendra Jaina Tower-1,  
Wazirpur Community Centre,  
Delhi-110052

And

The Board of Directors,  
SRU Steels Limited,  
416-417-432, Rajendra Jaina tower-1  
Plot No. 18, Community Centre,  
Wazirpur Industrial Area,  
Delhi - 110 052

Re: Determination of Share Exchange Ratio between Nand Gaon Alloys Private Limited  
and SRU Steels Limited

**1. INTRODUCTION**

- 1.1 This has reference to various discussions and your letter dated 15<sup>th</sup> Dec, 2012 wherein you had requested us to examine and determine the exchange ratio of the shares of Nand Gaon Alloys Pvt. Ltd. and SRU Steels Ltd.
- 1.2 We have analyzed the information; particulars and explanations along with the audited annual report of the two companies for the year ending 31st March 2012.
- 1.3 Our valuation of shares is based on Net Assets Value (NAV) based on latest available Audited Financial Statements.

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**2. FACTORS CONSIDERED FOR VALUATION**

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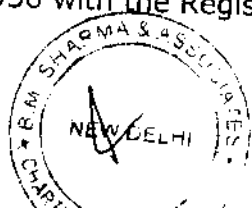
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### **3 NAND GAON ALLOYS PVT.LTD.**

- 3.1 Nand Gaon Alloys Private Limited was incorporated on 14<sup>th</sup> December, 2007 under the Companies Act, 1956 with the registrar of Companies, Delhi and Haryana.
- 3.2 The shares of the company are not listed on any stock exchange.
- 3.3 Par value of each share is Rupees Ten.
- 3.4 As per the Annual Accounts of Nand Gaon Alloys Pvt. Ltd. for the year ending 31.03.2012, its Issued, Subscribed and Paid up Capital is Rs. 9,25,000 and it has Accumulated Reserve & Surplus of Rs. 75,79,389 which includes Share premium account of Rs. 74,25,000.
- 3.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.
- 3.6 The company will be amalgamated with SRU Steels Ltd. as a going concern.

### **4 SRU STEELS LTD.**

- 4.1 SRU Steels Limited. (SRU) was incorporated on 11th September 1995 under the Companies Act, 1956 with the Registrar of Companies, Ludhiana, Punjab.



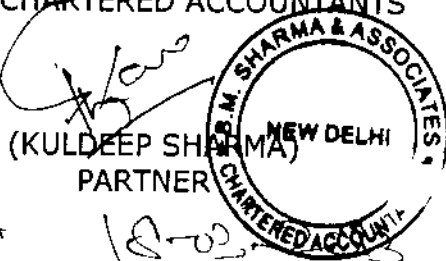
- 4.2 SRU is a listed company. Its shares are listed at Delhi stock exchange. However, these shares are not traded regularly. Last trading was done on 4<sup>th</sup> August, 2010 at Rs 1.55 per share. No trading has taken place since then.
- 4.3 Par value of each share is Rs. Ten only.
- 4.4 As per the Annual Accounts of SRU for the year ending 31.03.2012, its Issued, Subscribed and Paid Up Capital is Rs. 3,62,74,000 and it has Accumulated Reserve & Surplus of Rs. 88,14,408, which includes capital Reserve of Rs. 61,55,400.
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## 5 SHARE EXCHANGE RATIO

- 5.1 Based on the above consideration we are of the opinion that the fair and equitable basis for Amalgamation of the two companies viz Nand Gaon Alloys Pvt. Ltd. and SRU Steels Ltd. is:  
7 Equity Shares of Rs.10/- each of SRU Steels Ltd. for every 1 Equity Share of Rs.10/- each of Nand Gaon Alloys Pvt. Ltd.
- 5.2 The arithmetical working for calculating shares exchange ratio is annexed.

Yours truly,

For **B.M SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS



4

Date - 18-02-12  
Place - Noida

**NANDGAON ALLOYS PRIVATE LIMITED**

(figure in ₹)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	925,000	Gross Assets	8,536,179
Reserve and Surplus	7,579,389	Less:- Misc. Expenditure	4096
Less:- Misc. Expenditure	4096	Net Assets	<u>8,532,083</u>
Total Value	<u>8,500,293</u>	Less:- Liabilities	31790
No. of Shares (Issued)	92500	Net Worth	<u>8,500,293</u>
Per Share Value as	91.90		
Per Book Value (Rs.)			

**Exchange Ratio of nandgaon alloys pvt ltd**

Exchange ratio on the basis of book value of share is 1:7

**SRU STEELS LIMITED**

(Figure in thousand)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	36,274	Gross Assets	74,406
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Less:- Misc. Expenditure	99	Def. Assets	94
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No. of Shares (Issued)	3627400	Net Worth	<u>44,895</u>
Per Share Value as	12.38	No. of Shares (Issued)	3627400
Per Book Value (Rs.)		Per Share Value as	12.38
		Per Book Value (Rs.)	







**B. M. SHARMA & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

3507/6, KIRTI SADAN, PYARELAL ROAD  
BANK STREET, KAROL BAGH  
NEW DELHI-110 005.  
TELEFAX : 91-11-41545667

The Board of Directors,  
Mukutwala Ferro Alloys Pvt. Ltd.,  
382 Rajendra Jaina Tower-1,  
Plot No-29-30,  
Wazirpur Community Centre,  
Delhi-110052

And

The Board of Directors,  
SRU Steels Limited,  
416-417-432, Rajendra Jaina tower-1  
Plot No. 18, Community Centre,  
Wazirpur Industrial Area,  
Delhi - 110 052

Re: Determination of Share Exchange Ratio between Mukutwala Ferro Alloys Private Limited and SRU Steels Limited

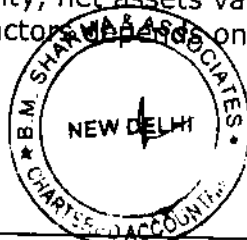
**1. INTRODUCTION**

- 1.1 This has reference to various discussions and your letter dated 15<sup>th</sup> Dec, 2012 wherein you had requested us to examine and determine the exchange ratio of the shares of Mukutwala Ferro Alloys Pvt. Ltd. and SRU Steels Ltd.
- 1.2 We have analyzed the information; particulars and explanations along with the audited annual report of the two companies for the year ending 31st March 2012.
- 1.3 Our valuation of shares is based on Net Assets Value (NAV) based on latest available Audited Financial Statements.

The background behind our analysis about the companies are summarized below:

**2. FACTORS CONSIDERED FOR VALUATION**

- 2.1 Valuation of shares for the purpose of determining the exchange ratio in Amalgamation is based upon large number of relevant factors such as dividend paid, future earning capacity, net assets value, future growth prospects, etc. The application of these factors depends on the circumstances of each case.



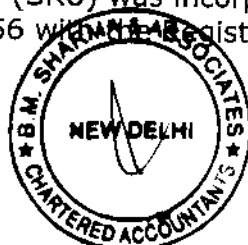
- 2.2 Valuation is not an arithmetical exercise as it is based on a large number of intangible factors like goodwill, brand equity, etc. and as such it cannot be reduced to a uniform inflexible exercise.
- 2.3 In the present case, what is relevant in our opinion is not the determination of the value of shares of the above companies individually, but the determination of the value of share of one company vis-a-vis the value of the shares of the other company. It is similar to a barter transaction where the relevant values are equated. Hence, we have opted for the Net Assets Value Method.
- 2.4 For the purpose of this exercise, Assets have been valued on the following basis:
- a) Current Assets & Liabilities have been taken at Book value.
- 2.5 Value of shares arrived at for the purpose of amalgamation has been rounded off.
- 2.6 We have relied on the above basic framework for valuation but at the same time due weightage has been given to the exercise of discretion and judgement needed to arrive at a fair and equitable exchange ratio.

### **3 MUKUTWALA FERRO ALLOYS PVT.LTD.**

- 3.1 Mukutwala Ferro Alloys Private Limited was incorporated on 22<sup>nd</sup> February 2008 under the Companies Act, 1956 with the registrar of Companies, Delhi and Haryana.
- 3.2 The shares of the company are not listed on any stock exchange.
- 3.3 Par value of each share is Rupees Ten.
- 3.4 As per the Annual Accounts of Mukutwala Ferro Alloys Pvt. Ltd. for the year Ending 31.03.2012, its Issued, Subscribed and Paid up Capital is Rs. 6,15,000 and it has Accumulated Reserve & Surplus of Rs. 4714093 which includes Share premium account of Rs. 4635000.
- 3.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.
- 3.6 The company will be amalgamated with SRU Steels Ltd. as a going concern.

### **4 SRU STEELS LTD.**

- 4.1 SRU Steels Limited. (SRU) was incorporated on 11th September 1995 under the Companies Act, 1956 with the Registrar of Companies, Ludhiana, Punjab



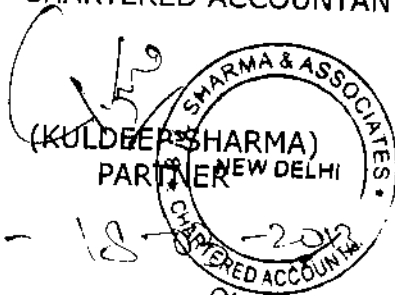
- 4.2 SRU is a listed company. Its shares are listed at Delhi stock exchange. However, these shares are not traded regularly. Last trading was done on 4<sup>th</sup> August, 2010 at Rs 1.55 per share. No trading has taken place since then.
- 4.3 Par value of each share is Rs. Ten only.
- 4.4 As per the Annual Accounts of SRU for the year ending 31.03.2012, its Issued, Subscribed and Paid Up Capital is Rs. 3,62,74,000 and it has Accumulated Reserve & Surplus of Rs. 88,14,408, which includes capital Reserve of Rs. 61,55,400.
- 4.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.

## 5 SHARE EXCHANGE RATIO

- 5.1 Based on the above consideration we are of the opinion that the fair and equitable basis for Amalgamation of the two companies viz Mukutwala Ferro Alloys Pvt. Ltd. and SRU Steels Ltd. is:  
7 Equity Shares of Rs.10/- each of SRU Steels Ltd. for every 1 Equity Share of Rs.10/- each of Mukutwala Ferro Alloys Pvt. Ltd.
- 5.2 The arithmetical working for calculating shares exchange ratio is annexed.

Yours truly,

For **B.M SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS



Dated - 18-08-2012  
Place - Noida

**MUKUTWALA ALLOYS PRIVATE LIMITED**

(figure in ₹)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	615,000	Gross Assets	5,571,326
Reserve and Surplus	4,714,093	Less:- Misc. Expenditure	3497
Less:- Misc. Expenditure	3497	Net Assets	<u>5,567,829</u>
Total Value	<u>5,325,596</u>	Less:- Liabilities	242233
No. of Shares (Issued)	61500	Net Worth	<u>5,325,596</u>
Per Share Value as	86.60		
Per Book Value (Rs.)			

Exchange Ratio of Mukutwala Alloys pvt ltd

Exchange ratio on the basis of book value of share is 1:7

**SRU STEELS LIMITED**

(Figure in thousand)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	36,274	Gross Assets	74,406
Reserve and Surplus	8,814	Less:- Misc. Expenditure	99
Less:- Misc. Expenditure	99	Def. Assets	94
Def. Assets	94	Net Assets	<u>74,213</u>
Total Value	<u>44,895</u>	Less:-Liabilities	29318
No. of Shares (Issued)	3627400	Net Worth	<u>44,895</u>
Per Share Value as	12.38	No. of Shares (Issued)	3627400
Per Book Value (Rs.)		Per Share Value as	12.38
		Per Book Value (Rs.)	





**B. M. SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS

3507/6, KIRTI SADAN, PYARELAL ROAD  
BANK STREET, KAROL BAGH  
NEW DELHI-110 005.  
TELEFAX : 91-11-41545667

The Board of Directors,  
Barsana Alloys Pvt. Ltd.,  
RJT-329 3<sup>rd</sup> Floor,  
Rajendra Jaina Tower-1, Plot No-18,  
Wazirpur Community Centre,  
Delhi-110052

And

The Board of Directors,  
SRU Steels Limited,  
416-417-432, Rajendra Jaina tower-1  
Plot No. 18, Community Centre,  
Wazirpur Industrial Area,  
Delhi - 110 052

Re: Determination of Share Exchange Ratio between Barsana Alloys Private Limited  
and SRU Steels Limited

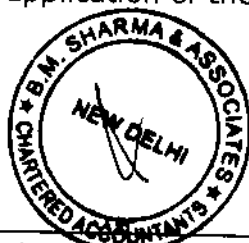
## 1. INTRODUCTION

- 1.1 This has reference to various discussions and your letter dated 15<sup>th</sup> Dec, 2012 wherein you had requested us to examine and determine the exchange ratio of the shares of Barsana Alloys Pvt. Ltd. and SRU Steels Ltd.
- 1.2 We have analyzed the information; particulars and explanations along with the audited annual report of the two companies for the year ending 31st March 2012.
- 1.3 Our valuation of shares is based on Net Assets Value (NAV) based on latest available Audited Financial Statements.

The backgrounds behind our analysis about the companies are summarized below:

## 2. FACTORS CONSIDERED FOR VALUATION

- 2.1 Valuation of shares for the purpose of determining the exchange ratio in Amalgamation is based upon large number of relevant factors such as dividend paid, future earning capacity, net assets value, future growth prospects, etc. The application of these factors depends on the circumstances of each case.



- 2.2 Valuation is not an arithmetical exercise as it is based on a large number of intangible factors like goodwill, brand equity, etc. and as such it cannot be reduced to a uniform inflexible exercise.
- 2.3 In the present case, what is relevant in our opinion is not the determination of the value of shares of the above companies individually, but the determination of the value of share of one company vis-a-vis the value of the shares of the other company. It is similar to a barter transaction where the relevant values are equated. Hence, we have opted for the Net Assets Value Method.
- 2.4 For the purpose of this exercise, Assets have been valued on the following basis:
- a) Current Assets & Liabilities have been taken at Book value.
- 2.5 Value of shares arrived at for the purpose of amalgamation has been rounded off.
- 2.6 We have relied on the above basic framework for valuation but at the same time due weightage has been given to the exercise of discretion and judgement needed to arrive at a fair and equitable exchange ratio.

### **3 BARSANA ALLOYS PVT.LTD.**

- 3.1 Barsana Alloys Private Limited was incorporated on 27<sup>th</sup> February, 2008 under the Companies Act, 1956 with the registrar of Companies, Delhi and Haryana.
- 3.2 The shares of the company are not listed on any stock exchange.
- 3.3 Par value of each share is Rupees Ten.
- 3.4 As per the Annual Accounts of Barsana Alloys Pvt. Ltd. for the year ending 31.03.2012, its Issued, Subscribed and Paid up Capital is Rs. 8,15,000 and it has Accumulated Reserve & Surplus of Rs. 65,48,865 which includes Share premium account of Rs. 64,35,000.
- 3.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.
- 3.6 The company will be amalgamated with SRU Steels Ltd. as a going concern.



**4 SRU STEELS LTD.**

- 4.1 SRU Steels Limited. (SRU) was incorporated on 11th September 1995 under the Companies Act, 1956 with the Registrar of Companies, Ludhiana, Punjab.
- 4.2 SRU is a listed company. Its shares are listed at Delhi stock exchange. However, these shares are not traded regularly. Last trading was done on 4<sup>th</sup> August, 2010 at Rs 1.55 per share. No trading has taken place since then.
- 4.3 Par value of each share is Rs. Ten only.
- 4.4 As per the Annual Accounts of SRU for the year ending 31.03.2012, its Issued, Subscribed and Paid Up Capital is Rs. 3,62,74,000 and it has Accumulated Reserve & Surplus of Rs. 88,14,408, which includes capital Reserve of Rs. 61,55,400.
- 4.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.

**5 SHARE EXCHANGE RATIO**

- 5.1 Based on the above consideration we are of the opinion that the fair and equitable basis for Amalgamation of the two companies viz Barsana Alloys Pvt. Ltd. and SRU Steels Ltd. is:  
7 Equity Shares of Rs.10/- each of SRU Steels Ltd. for every 1 Equity Share of Rs.10/- each of Barsana Alloys Pvt. Ltd.
- 5.2 The arithmetical working for calculating shares exchange ratio is annexed.

Yours truly,

For **B.M SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS

*K. Sharma*  
(KUNDEEP SHARMA)  
PARTNER  
NEW DELHI  
CHARTERED ACCOUNTANTS

Delhi - 110022  
Also - N. Delhi

**BARSANA ALLOYS PRIVATE LIMITED**

(figure in ₹)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	815,000	Gross Assets	7,717,665
Reserve and Surplus	6,548,865	Less:- Misc. Expenditu	4102
Less:- Misc. Expenditure	4102	Net Assets	<u>7,713,563</u>
Total Value	<u>7,359,763</u>	Less:- Liabilities	353800
No. of Shares (Issued)	81500	Net Worth	<u>7,359,763</u>
Per Share Value as	90.30		
Per Book Value (Rs.)			

**Exchange Ratio of Barsana Alloys pvt ltd**

Exchange ratio on the basis of book value of share is 1:7

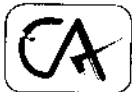
**SRU STEELS LIMITED**

(Figure in thousand)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	36,274	Gross Assets	74,406
Reserve and Surplus	8,814	Less:- Misc. Expenditu	99
Less:- Misc. Expenditure	99	Def. Assets	94
Def. Assets	94	Net Assets	<u>74,213</u>
Total Value	<u>44,895</u>	Less:-Liabilities	29318
No. of Shares (Issued)	3627400	Net Worth	<u>44,895</u>
Per Share Value as	12.38	No. of Shares (Issued)	3627400
Per Book Value (Rs.)		Per Share Value as	12.38
		Per Book Value (Rs.)	







**B. M. SHARMA & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**

3507/6, KIRTI SADAN, PYARELAL ROAD  
BANK STREET, KAROL BAGH  
NEW DELHI-110 005.  
TELEFAX : 91-11-41545667

The Board of Directors,  
Asth Sakhi Alloys Pvt. Ltd.,  
Plot No. 18, Rajendra Jaina Tower  
Wazirpur Community Centre  
Wazirpur, Delhi - 110 052

And

The Board of Directors,  
SRU Steels Limited,  
416-417-432, Rajendra Jaina tower-1  
Plot No. 18, Community Centre,  
Wazirpur Industrial Area,  
Delhi - 110 052

Re: Determination of Share Exchange Ratio between Asth Sakhi Alloys Private Limited and SRU Steels Limited

**1. INTRODUCTION**

- 1.1 This has reference to various discussions and your letter dated 15<sup>th</sup> Dec, 2012. Wherein you had requested us to examine and determine the exchange ratio of the shares of Asth Sakhi Alloys Pvt. Ltd. and SRU Steels Ltd.
- 1.2 We have analyzed the information; particulars and explanations along with the audited annual report of the two companies for the year ending 31st March 2012.
- 1.3 Our valuation of shares is based on Net Assets Value (NAV) based on latest available Audited Financial Statements.

The backgrounds behind our analysis about the companies are summarized below:

**2. FACTORS CONSIDERED FOR VALUATION**

- 2.1 Valuation of shares for the purpose of determining the exchange ratio in Amalgamation is based upon large number of relevant factors such as dividend paid, future earning capacity, net assets value, future growth prospects, etc. The application of these factors depends on the circumstances of each case.



- 2.2 Valuation is not an arithmetical exercise as it is based on a large number of intangible factors like goodwill, brand equity, etc. and as such it cannot be reduced to a uniform inflexible exercise.
- 2.3 In the present case, what is relevant in our opinion is not the determination of the value of shares of the above companies individually, but the determination of the value of share of one company vis-a-vis the value of the shares of the other company. It is similar to a barter transaction where the relevant values are equated. Hence, we have opted for the Net Assets Value Method.
- 2.4 For the purpose of this exercise, Assets have been valued on the following basis:
- a) Current Assets & Liabilities have been taken at Book value.
- 2.5 Value of shares arrived at for the purpose of amalgamation has been rounded off.
- 2.6 We have relied on the above basic framework for valuation but at the same time due weightage has been given to the exercise of discretion and judgement needed to arrive at a fair and equitable exchange ratio.

### **3 ASTH SAKHI ALLOYS PVT.LTD.**

- 3.1 Asth Sakhi Alloys Private Limited was incorporated on 5<sup>th</sup> December, 2007 under the Companies Act, 1956 with the registrar of Companies, Delhi and Haryana.
- 3.2 The shares of the company are not listed on any stock exchange.
- 3.3 Par value of each share is Rupees Ten.
- 3.4 As per the Annual Accounts of Asth Sakhi Alloys Pvt. Ltd. for the year ending 31.03.2012, its Issued, Subscribed and Paid up Capital is Rs. 6,45,000 and it has Accumulated Reserve & Surplus of Rs. 50,22,322 which includes Share premium account of Rs. 49,05,000.
- 3.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.
- 3.6 The company will be amalgamated with SRU Steels Ltd. as a going concern.



**4 SRU STEELS LTD.**

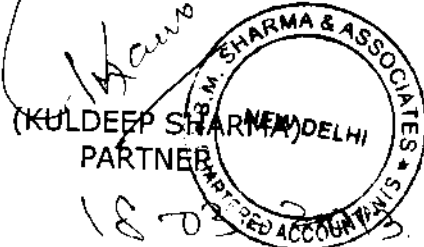
- 4.1 SRU Steels Limited. (SRU) was incorporated on 11th September 1995 under the Companies Act, 1956 with the Registrar of Companies, Ludhiana, Punjab.
- 4.2 SRU is a listed company. Its shares are listed at Delhi stock exchange. However, these shares are not traded regularly. Last trading was done on 4<sup>th</sup> August, 2010 at Rs 1.55 per share. No trading has taken place since then.
- 4.3 Par value of each share is Rs. Ten only.
- 4.4 As per the Annual Accounts of SRU for the year ending 31.03.2012, its Issued, Subscribed and Paid Up Capital is Rs. 3,62,74,000 and it has Accumulated Reserve & Surplus of Rs. 88,14,408, which includes capital Reserve of Rs. 61,55,400.
- 4.5 The Annual Accounts of the company for the year ending 31.03.2012 do not show any contingent liability.

**5 SHARE EXCHANGE RATIO**

- 5.1 Based on the above consideration we are of the opinion that the fair and equitable basis for Amalgamation of the two companies viz Asth Sakhi Alloys Pvt. Ltd. and SRU Steels Ltd. is:  
7 Equity Shares of Rs.10/- each of SRU Steels Ltd. for every 1 Equity Share of Rs.10/- each of Asth Sakhi Alloys Pvt. Ltd.
- 5.2 The arithmetical working for calculating shares exchange ratio is annexed.

Yours truly,

For **B.M SHARMA & ASSOCIATES**  
CHARTERED ACCOUNTANTS



Date - 18/03/2012

Place - Haryana

**ASTH SAKHI ALLOYS PRIVATE LIMITED**

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	645,000	Gross Assets	5,695,882
Reserve and Surplus	5,022,322	Less:- Misc. Expenditure	4104
Less:- Misc. Expenditure	4104	Net Assets	<u>5,691,778</u>
Total Value	<u>5,663,218</u>	Less:- Liabilities	28560
No. of Shares (Issued)	64500	Net Worth	<u>5,663,218</u>
Per Share Value as	87.80		
Per Book Value (Rs.)			

**Exchange Ratio of Asth Sakhi Alloys pvt ltd**

Exchange ratio on the basis of book value of share is 1:7

**SRU STEELS LIMITED**

(Figure in thousand)

<u>Book Value of Company</u>	Amount (Rs.)	<u>Net Worth</u>	Amount (Rs.)
Share Capital (Issued)	36,274	Gross Assets	74,406
Reserve and Surplus	8,814	Less:- Misc. Expenditure	99
Less:- Misc. Expenditure	99	Def. Assets	<u>94</u>
Def. Assets	<u>94</u>	Net Assets	<u>74,213</u>
Total Value	<u>44,895</u>	Less:-Liabilities	29318
No. of Shares (Issued)	3627400	Net Worth	<u>44,895</u>
Per Share Value as	12.38	No. of Shares (Issued)	3627400
Per Book Value (Rs.)		Per Share Value as	12.38
		Per Book Value (Rs.)	

