

February 18, 2014

The Board of Directors
Sagar Productions Limited
907, Dev Plaza, 9th Floor
Opp. Andheri Fire Station, Andheri (West)
Mumbai - 400059

Dear Sirs,

Re: Fairness opinion on valuation report issued by M/s. ASDT & Co., Chartered Accountants,
for the proposed Scheme of Arrangement of Sagar Productions Limited

BACKGROUND

Pantomath Capital Advisors Private Limited ("Pantomath" or "we" or "us") is a Category I Merchant Banker registered with the Securities Exchange Board of India ("SEBI"). Pursuant to clause 24(h) of Listing Agreement, we have been requested to issue a fairness opinion on valuation report issued by M/s. ASDT & Co., Chartered Accountants, to ascertain the fair value of equity shares as on September 30, 2013, for the purpose of scheme of arrangement involving consolidation and reduction of Share Capital and preferential issue of shares by the Company.

Sagar Productions Limited ("SPL" or "Company") is a public company incorporated under the provisions of the Companies Act, 1956 having its registered office at 907, Dev Plaza, 9th Floor, Opp. Andheri Fire Station, Andheri (West), Mumbai - 400059. Its shares are listed on BSE Limited ("BSE") having scrip code and scrip ID as 532092 and SAGARPROD respectively. It was incorporated on April 05, 1980 as Shri Kirti Jain Finance Private Limited and later was converted to Public Company on September 25, 1995 and subsequently it changed its name to Sagar Productions Limited with effect from April 22, 2010.

SPL is a Company engaged in the Business of producing, buying, selling, trading & exporting programmes for television, satellite television, cable television and radio programs.

As per the Audited results for the year ended March 31, 2013, the Authorised Capital of SPL is INR 6,00,00,000/- (Rupees Six Crores Only) divided into 6,00,00,000 Equity Shares of INR 10/- each. The Issued, Subscribed and Paid-up Capital of SPL is INR 5,36,85,000/- (Rupees Five Crores



Progress with Values.

Pantomath Capital Advisors (P) Ltd. (SEBI Registered Category-I Merchant Bankers)

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Thirty Six Lakhs and Eighty Five Thousand Only) divided into 5,36,85,000 Equity Shares of INR 1/- each.

The Company proposes to initially consolidate the Authorized Share Capital to INR 6,00,00,000/- (Rupees Six Crores Only) divided into 15,00,000 Equity Shares of INR 40/- each and consolidate Issued, Subscribed and Paid-up Capital to INR 5,36,85,000/- (Rupees Five Crores Thirty Six Lakhs and Eighty Five Thousand Only) divided into 13,42,125 Equity Shares of INR 40/- each.

Subsequently the Company proposes to reduce its capital from INR 5,36,85,000/- (Rupees Five Crores Thirty Six Lakhs and Eighty Five Thousand Only) divided into 13,42,125 Equity Shares of INR 40/- each to INR 13,42,125 (Rupees Thirteen Lakhs Forty Two Thousand One Hundred and Twenty Five Only) divided into 13,42,125 Equity Shares of INR 1/- each by cancelling INR 39/- upon each of 13,42,125 shares of INR 40/- each and thereby reducing the nominal value of shares from INR 40/- each to INR 1/- each.

As per the undertaking given by the Company dated February 01, 2014, the following are the Promoters of the Company (pre reduction and post reduction of capital)

Sr. No.	Name of Promoters (Pre-reduction)	No. of Shares	% of voting capital of the Company
1	Divit India Services Pvt Ltd	30,00,000	5.59%

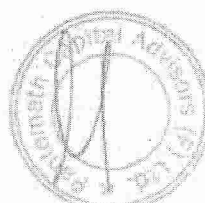
Sr. No.	Name of Promoters (Post-reduction)	No. of Shares	% of voting capital of the Company
1	Divit India Services Pvt Ltd	75,000	5.59%

The Company has incurred heavy losses amounting approx. 545 lakhs and as a part to make the balance sheet cleaner, the Company is proposing to reduce its capital.

SOURCES OF INFORMATION

For arriving at the fairness opinion set forth below, we have relied upon the following sources of information:

- Valuation Report by M/s ASDT & Co., Chartered Accountants, dated February 17, 2014;
- Annual Reports of Sagar Productions Limited for the financial year ended March 2013, 2012 and 2011;
- Draft Scheme of Arrangement of SPL and its Shareholders pursuant to section 391-394 of the Companies Act, 1956



- Memorandum and Articles of Association of SPL

In addition to the above, we have also obtained such other information and explanations, which were considered relevant for the purpose of our Analysis.

CONTENT OF VALUATION REPORT

Valuation report issued by M/s ASDT & Co., Chartered Accountants, dated February 17, 2014 to ascertain the fair value of equity shares as on September 30, 2013 for the purpose of scheme of arrangement involving consolidation and reduction of Share Capital and preferential issue of shares by the Company. Summary of the said valuation is as under:

I. Valuation Working & Recommendation by the Valuer:

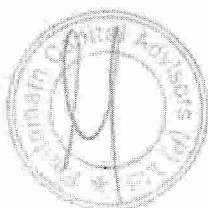
- Net Asset Value method
- Profit Earning Capacity method
- Market Price method.

Net Asset Value Method (NAV)

In the net asset value method, net asset value is computed based on the latest available audited balance sheet. The genesis of this method of valuation lies in the total assets that the companies own. The values of intangible assets are excluded. Loan funds are deducted. The diminution, if any, in the value of assets, not reflected in the accounts is deducted. Contingent liabilities, to the extent that they impair the net worth of the company, are also deducted. The resultant figure represents the net worth of the company on the given day.

Considering this fact, the net asset value as on 30th September 2013 as tabulated below, of SPL is as follows:

Particulars	Total
Paid up Equity	5,36,85,000
Add: Reserves & Surplus	(5,45,40,382)
Add: Special Reserves (not part of Reserves and Surplus above)	6,64,334
Net Asset Value (NAV)	(1,91,048)
Total No. of Equity Shares	5,36,85,000
Book Value Per Share	0



The Net Asset Value of 'SPL' is determined as negative INR 1,91,048/- after considering the debit balance in Profit & Loss a/c (Since the Special Reserves is not a free reserve available for utilization), wherein entire (100%) of the capital of the Company is eroded.

Profit Earning Capacity Value Method (PECV)

Earnings potential of the business is the most important determinant in case of going concern. For, this purpose, both past and future projected earnings have to be analyzed and then capitalized at an appropriate yield rate to arrive at the value of the business. The capitalization rate so factored has to be decided depending upon various factors such as earning trend in the industries, P/E Ratios prevailing in the industry etc. In this method, the average earnings based on the past 3 years are first determined. The average earnings are then capitalized at an appropriate rate to arrive at the value of the business.

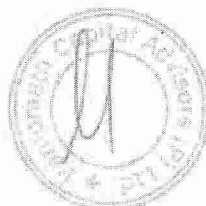
Calculation of PECV of Equity Shares

Particulars	2010-11	2011-12	2012-13	For the period ended September 30, 2013
Profit After Tax (PAT) (As per Audited Financial Statements)	1,02,271	1,33,401	(4,58,69,694)	(75,89,621)
Total No. of Equity Shares	5,36,85,000	5,36,85,000	5,36,85,000	5,36,85,000
Basic / Divided EPS	0	0	(0.87)	(0.14)
Average EPS		NIL (Negative)		

Considering the above parameters, the PECV method is redundant in lieu of consistent losses in the company.

Market Price Method:

This method can be used for the valuation is by taking the average quotes in the stock markets over a period of time for company's shares and further adjusting them for the speculative factor. Under this method, the business is valued based on the price quoted at recognized stock exchanges. However, this method does not apply to the Company since its shares are infrequently traded (as per the definition of frequently traded shares under SEBI Takeover Code) shares on stock exchange and hence this method will prove to be redundant.



Fair Share Value:

The fair value of the equity share of a company is normally determined on the basis of the average of the values determined by the NAV, PECV, and Market Price methods. In this case almost entire 100% of the capital of the company has been eroded and infact it has gone negative. PECV method is redundant in lieu of consistent losses. The Market Price Method is also not viable since the shares of the company are infrequently traded on the Stock Exchange.

Hence the fair value of the share of the company is below par value of INR 1/- per share and infact negative.

FAIRNESS OPINION

For the purpose of our Fairness Opinion, we have reviewed the Valuation Report issued by M/s ASDT & Co., Chartered Accountants dated February 17, 2014 for valuation of Equity Shares and other data as provided to us.

On the basis of review of valuation report and other data as provided to us, we are of the opinion that the valuation done by M/s ASDT & Co., Chartered Accountants, for determining the Fair Value of Equity Shares of SPL for the purpose of reduction of Share Capital of the Company, we state that in our opinion, the value per Share of the Company given by M/s ASDT & Co. seems Fair and Reasonable.

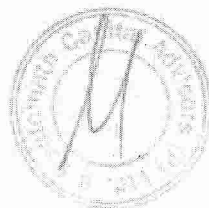
EXCLUSIONS AND LIMITATIONS

We have assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available or provided or otherwise made available to us by SPL for the purpose of this opinion without carrying out any audit or certification or due diligence of the working results, financial statements, financial estimates or estimates of value to be realized for the assets of SPL.

We have solely relied upon the information provided to us by SPL. We have not reviewed any books or records of SPL.

We have not assumed any obligation to conduct, nor have we conducted any physical inspection or title verification of the properties or facilities of SPL and neither express any opinion with respect thereto nor accept any responsibility therefore.

We have not made any independent valuation or appraisal of the assets or liabilities of SPL. In particular we do not express any opinion as to the value of assets of SPL, whether at current market prices or in future.



(2)

We have not reviewed any internal management information statements or any non-public reports, and, instead, with your consent we have relied upon information which was publicly available or provided or otherwise made available to us by SPL for the purpose of this opinion.

We are not experts in the evaluation of litigation or other actual or threatened claims and hence have not commented on the effect of such litigation or claims on the valuation. We are not legal, tax, regulatory or actuarial advisors. We are financial advisors only and have relied upon, without independent verification, the assessment of SPL with respect to these matters. In addition, we have assumed that the Draft Scheme of Arrangement will be approved by the regulatory authorities and that the proposed transaction will be consummated substantially in accordance with the terms set forth in the Draft Scheme of Arrangement.

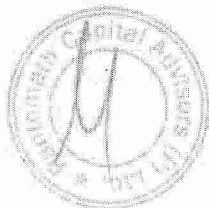
We understand that the managements of SPL during our discussion with them would have drawn our attention to all such information and matters which may have an impact on our analysis and opinion.

We have assumed that in the course of obtaining necessary regulatory or other consents or approvals for the Draft Scheme of Arrangement, no restrictions will be imposed that will have a material adverse effect on the benefits of the transaction that SPL may have contemplated.

Our opinion is necessarily based on financial, economic, market and other conditions as they currently exist and on the information made available to us as of the date hereof. It should be understood that although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. In arriving at our opinion, we are not authorized to solicit, and did not solicit, interests for any party with respect to the acquisition, business combination or other extra-ordinary transaction involving SPL or any of its assets, nor did we negotiate with any other party in this regard.

It is understood that this letter is solely for the benefit of confidential use by the Board of Directors of SPL for the purpose of facilitating companies to comply with clause 24(f) and 24(h) of the Listing Agreement and SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with clarifications provided by SEBI CIR/CFD/DIL/8/2013 dated May 21, 2013 and it shall not be valid for any other purpose. The letter is only intended for the aforementioned specific purpose and if it is used for any other purpose, we will not be liable for any consequences thereof.

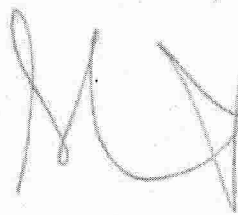
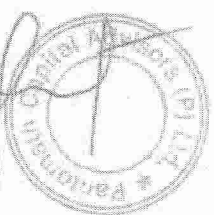
Valuation, as it is said, is an art as well as a science. It is very subjective and based on individual perception. Large number of valuation models and its countless variants are in vogue, each of which has its own strength and weakness. Such practices leads to varying values arrived at by expert which at times may differ by larger margin. We express no opinion whatever and make no recommendation at all as to SPL's underlying decision to effect to the proposed transaction.



or as to how the holders of equity shares or secured or unsecured creditors of SPL should vote at their respective meetings held in connection with the transaction. We do not express and should not be deemed to have expressed any views on any other terms of transaction. We also express no opinion and accordingly accept no responsibility for or as to the prices at which the equity shares of SPL will trade following the announcement of the transaction or as to the financial performance of SPL following the consummation of the transaction.

In no circumstances however, will Pantomath or its associates, directors or employees accept any responsibility or liability to any third party and in the unforeseen event of any such responsibility or liability being imposed on Pantomath or its associates, directors or employees by any third party, SPL and their affiliates shall indemnify them.

For Pantomath Capital Advisors Private Limited

Mahavir Lunawat
Managing Director

[SEBI Regn. No. : INM000012110]

