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ASDT & CO

Chartered Accountants
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Valuation Report of Equity Shares of

SAGAR PRODUCTIONS LIMITED

Dated: **February 17, 2014**

prepared by

A S D T & CO

CHARTERED ACCOUNTANTS

MUMBAI

SAGAR PRODUCTIONS LTD. MUMBAI

Scope of Work:

Our firm M/s A S D T & CO. Chartered Accountants have been requested to offer an opinion on the fair value of each equity share of Sagar Products Limited ("SPL"). We understand that the objective for the exercise is to obtain an independent opinion on fair value of the equity shares of the Company as on the appointed date for the purpose of capital consolidation and reduction scheme of arrangement in accordance with Companies Act.

The Company has appointed us to provide a fair valuation of equity shares of SPL for the purpose of reduction of capital as required under SEBI circular no. SEBI/CFD/DIL/LA/5/2008/4/09 dated September 04, 2008 read with CIR/CFD/DIL/5/2013 dated February 04,2013 and CIR/CFD/DIL/8/2013 dated May 21, 2013.

1.1 Background:

SPL is a public limited company listed with the Bombay Stock Exchange (BSE). The Company was incorporated as SHRI KIRTI JAIN FINANCE PRIVATE LIMITED in Gwalior vide Certificate of Incorporation No. 1612 dated 5th April 1980. The name of the Company was changed to M/s KIRTI FINVEST LIMITED dated 28th September 1995; finally the Company's name was changed in 2010 to Sagar Products Limited in the State of Maharashtra; vide Certificate of Incorporation no. L93000MH1980PLC170432 dated 22nd April 2010.

1.2 Highlights of the Scheme of Consolidation and Reduction of Share Capital of the Company:

The Company proposes to reduce the issued, subscribed and paid up capital of the Company in order to clear the Balance Sheet of the Company of the accumulated losses. As against the paid up capital of Rs. 536 Lacs the accumulated losses of the Company are Rs. approx. 545 Lacs. The reduction of Capital will enable the Company to set off the accumulated losses to the extent of reduction of share capital and enable the Company to present its true financial position. This will also enable the Company attract new investors based on restructured Capital.

On effective date and after securing necessary approvals and permissions, the Authorised Capital of the Company Rs. 600 Lacs divided into 600Lacs equity shares of Re. 1/- each and paid up capital of Rs. 5,36,85,000/- divided into 5,36,85,000 equity shares of Re. 1/- each be consolidated into Authorised Share Capital of 15 Lacs equity shares of Rs. 40/- each and paid up capital of 13,42,125 equity shares of Rs. 40/- each fully paid up and later the said paid capital is to be reduced from Rs. 5,36,85,000/- (divided into 13,42,125 shares of Rs. 40/- each) to Rs. 13,42,125/- (divided into 13,42,125 shares of Rs. 1/- each) and that reduction will be effected by writing of

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The purpose of this report and our responsibility with regard to it is limited to the equity valuation of the companies based partially based on the CCI guidelines.

1.5 Indemnification

We shall not be held responsible for any liability (in contract or tort or under statute or otherwise) for any economic loss or damage suffered by the company, or any third party, arising out of or in connection with this engagement, however the loss or damage is caused, including our negligence.

1.6 Sources of information

- Background documents and information on the company
- Audited financial statements for the Company for the year ended 31st March 2013 and as on 30th September 2013.

1.7 Valuation

We have partially followed the operating guidelines for valuation of business issued by the Ministry of Finance, Department of Economic Affairs vide File No. S 11(21) CCI (11)/90, dated 13-7-1990. The valuation guidelines issued by the erstwhile CCI recommend 3 principle methodologies for valuation of companies, viz.:

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

2.1 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:

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accumulated losses to the extent of Rs. 5,23,42,875/- and cancelling capital of Rs 39/- each of the 13,42,125 shares of Rs 40/- each and thereby reducing nominal value of shares from Rs. 40/- each to Rs. 1/- each.

1.3 Constraints:

In context of the above, we would like to clarify that our report is based on the documents, facts, information & explanations received from the company from time to time and to the best, of our judgment. Nothing contained in this report should be construed to be an express or implied representation as to the future.

1.4 Limitations of report:

The management of the companies has provided certain historical audited financial data for the purpose of our valuation. The scope of work does not involve performing any audit tests made in accordance with the generally accepted auditing standards, financial/accounting due diligence review, etc.

We have relied upon the documents, records and information provided by the management. In fulfilling this scope and performing all valuations, we have relied on the truth, completeness and accuracy, in all respects, of the documents, facts, data and information provided by SPL, without undertaking any independent verification, certification and /or analysis. This report has been prepared on the understanding that the company has drawn our attention to all-the matters concerning the Companies financial position and other matters, which may have an impact on the Companies future.

No investigation of the title to the companies and its assets has been made. No consideration has been given to liens and encumbrances, which may be in force against the company and its assets. No responsibility is assumed for other matters of a legal nature. We were not required to carry out legal due diligence review.

The value ascertained in this report is not intended to represent the value of the companies at any point in time other than the valuation date, viz., 30th September 2013. Any subsequent changes in the industry's/companies operating conditions may impact the value as computed. We, however, have no obligation to update this report for events, trends or transactions relating to the Company or the market/economy in general and occurring subsequent to the valuation date.

Furthermore, this Report should not be interpreted by the Shareholders or the Parties as a recommendation in relation to exercise of voting rights in favour or against the capital reduction scheme.

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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 Rs. 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.

2.2 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 1st April 2013 to 30th Sept 2013**
Profit After Tax (PAT) (As per Audited Financial Statements)	1,02,271	1,33,401	(4,68,69,694)	(75,89,621)
Total No. of Equity	5,36,85,000	5,36,85,000	5,36,85,000	5,36,85,000

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Shares				
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.

2.3 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.

2.4 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 Re. 1/- per share and infact negative.

For, A S D T & CO
Chartered Accountants

Sahil Parikh

ASDT & CO Chartered Accountants MUMBAI

CA Sahil Parikh
(Partner)

Place: Mumbai

Date: February 17, 2014

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