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**STRICTLY PRIVATE & CONFIDENTIAL**

February 07, 2014

To,

**The Board of Directors****Godrej Industries Limited**Phirojshanagar, Eastern Express Highway,  
Vikroli, Mumbai 400 079.**The Board of Directors****Wadala Commodities Limited**107, Gold Arcade, 3/1 New Palasia,  
Opp. Curewell Hospital, Indore – 452001.**Re: Recommendation of Fair Exchange Ratio for the purpose of proposed amalgamation of Wadala Commodities Limited with Godrej Industries Limited.**

Dear Sir(s),

As requested by the management of Godrej Industries Limited (hereinafter referred to as "GIL") and Wadala Commodities Limited (hereinafter referred to as "WCL"), we have undertaken the valuation exercise of the equity shares of GIL and WCL to recommend fair exchange ratio of equity shares for the proposed amalgamation of WCL with GIL (hereinafter collectively referred to as "the Companies").

**1. PURPOSE OF VALUATION**

- 1.1 We have been informed that the management of GIL & WCL (hereinafter collectively referred to as "the Management") are considering a proposal for the amalgamation of WCL into GIL (hereinafter referred to as "amalgamation") through a Scheme of Amalgamation (hereinafter referred to as the "Scheme") pursuant to the provisions of Sections 391 to 394 of the Companies Act, 1956. Subject to necessary approvals, WCL would be merged with GIL, with effect from the Appointed Date of April 1, 2014. Accordingly, the valuation date for calculation of the fair share exchange ratio has been taken as March 31, 2014 ('Valuation Date').



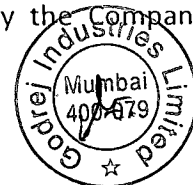
Certified True Copy  
For Godrej Industries Ltd.

*K. R. Rajput*  
K. R. Rajput  
Company Secretary

- 1.2 In this connection, SSPA & Co., Chartered Accountants (SSPA) has been appointed to carry out the relative valuation of equity shares of GIL and WCL to recommend the share swap ratio.

**2. EXCLUSIONS AND LIMITATIONS**

- 2.1 Our report is subject to the scope limitations detailed hereinafter. As such, the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.
- 2.2 No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets, beyond the loans disclosed in the accounts. Therefore, no responsibility is assumed for matters of a legal nature.
- 2.3 Our work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 2.4 A valuation of this nature involves consideration of various factors including those impacted by prevailing stock market trends in general and industry trends in particular. This report is issued on the understanding that the Companies have drawn our attention to all material information, which they are aware of concerning the financial position of the Companies and any other matter, which may have an impact on our opinion, on the fair value of shares of the Companies for the purpose of the proposed amalgamation, including any significant changes that have taken place or are likely to take place in the financial position of the Companies, subsequent to the report date. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- 2.5 In the course of the valuation, we were provided with both written and verbal information. We have evaluated the information provided to us by the Companies



through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

- 2.6 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed amalgamation.
- 2.7 This report is prepared only in connection with the proposed amalgamation exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
- 2.8 SSPA, nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.
- 2.9 The information contained herein and our report is confidential. Any person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed amalgamation as aforesaid, can be done only with our prior permission in writing.

### **3. BRIEF BACKGROUND OF THE COMPANIES**

#### **3.1 GODREJ INDUSTRIES LIMITED**

- 3.1.1 GIL is part of the Godrej group, one of the leading business groups in India and is a subsidiary of Godrej & Boyce Manufacturing Company Limited (hereinafter referred to as "GBMCL").
- 3.1.2 GIL is in the businesses of oleo chemicals, surfactants, finance & investments and estate management. It has substantial interests in several industries including property



development, oil palm plantation, animal feeds and agro-products, poultry, personal care and household care, etc., through its subsidiaries and associate companies.

3.1.3 GIL was called Godrej Soaps until April 1, 2001. Thereafter, the consumer products division got de-merged into Godrej Consumer Products, and the residual Godrej Soaps became Godrej Industries Limited.

3.1.4 The shares of GIL are listed on The National Stock Exchange of India Limited ('NSE') and BSE Limited.

3.1.5 We have been informed by the management of GIL that they intend to keep post-merger non-promoter shareholding of GIL at the same level as they were prior to the merger by issue of bonus shares to non-promoter shareholders of GIL.

### **3.2 WADALA COMMODITIES LIMITED**

3.2.1 WCL is engaged in the business of bulk trading of vegetable oils. GBMCL is the holding company of WCL and GIL is WCL's fellow subsidiary.

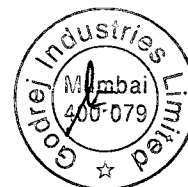
3.2.2 The shares of WCL are listed on BSE Limited..

3.2.3 We have been informed that pursuant to the Scheme, 0.01% Non-Cumulative Redeemable Preference Shareholders of WCL would be issued 10 (Ten) equity shares of Re. 1 each in GIL.

## **4. SOURCES OF INFORMATION**

For the purpose of the valuation exercise, we have relied upon the following sources of information provided by the management.

- (a) Draft Scheme of Amalgamation u/s 391 to 394 and other applicable provisions of the Companies Act, 1956.
- (b) Audited financial statements of the Companies for the financial year ended March 31, 2013.
- (c) Management certified provisional consolidated financial statements of GIL for six months ended September 30, 2013.
- (d) Management certified provisional standalone financial statements of WCL for six months ended September 30, 2013.
- (e) Other relevant details regarding the Companies such as their history, their promoters, past and present activities, other relevant information and data including information in the public domain.



- (f) Such other information and explanations as we required and which have been provided by the management of the Companies.

## **5. VALUATION APPROACH**

For the purposes of our valuation we have adopted the following approaches, viz,

- (a) the "Underlying Asset" approach;
- (b) the "Income" approach; and
- (c) the "Market Price" approach;

### **5.1 UNDERLYING ASSET APPROACH**

5.1.1 In case of the "Underlying Asset" approach, the value is determined by dividing the net assets of the company by the number of shares. The Underlying Asset approach represents the value with reference to the historical cost of the assets owned by the Company and attached liabilities as at the valuation date. Such value usually represents the support value of a going concern.

5.1.2 Since the shares are valued on a "going concern" basis and an actual realization of the operating assets is not contemplated, we have considered it appropriate not to determine the realizable or replacement value of the assets. The operating assets have therefore been considered at their book values.

5.1.3 We have computed the net asset value of the equity shares by adjusting, wherever necessary, the value of the net assets attributable to equity holders as appearing in the books of accounts as at September 30, 2013 for, inter alia, the contingent liabilities adjusted for probability for devolvement, appreciation/diminution in value of investments, estimated net profit for second half of FY 2013-14 and dividend, inflow on account of Employee Stock Grant Scheme and amount payable to preference shareholder, etc after making adjustments for tax, wherever applicable.

5.1.4 The underlying value for equity shareholders as arrived above is divided by the diluted number of equity shares to arrive at the value per share.

### **5.2 INCOME APPROACH**

5.2.1 Under the "Income" approach, we have used "Price Earning Capitalisation Value Method" (PECV) method.



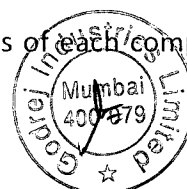
- 5.2.2 Under PECV method, value of the shares of a company is arrived at by capitalising its maintainable profits. Such maintainable profits are calculated based on the estimated working results of a company. These earnings, considered on a post-tax basis, are then capitalized at a rate, which in the opinion of the valuer, combines an adequate expectation of reward from enterprise and risk, to arrive at the business value.
- 5.2.3 To the value so arrived, adjustments are made for deferred tax liability (net), value of investments, loans and advances to related parties, inter-corporate deposits, contingent liabilities adjusted for probability of devolvement, inflow on account of Employee Stock Grant Scheme, etc after making adjustment of tax wherever applicable.
- 5.2.4 The value as arrived above is divided by the diluted number of equity shares to arrive at the value per share.
- 5.2.5 We have been informed by the management of WCL that the company is engages in trading activities and its profits in past are not significant. Considering this, we have thought fit not to apply PECV method in case of WCL.

### 5.3 MARKET PRICE APPROACH

- 5.3.1 The market price of an equity share as quoted on a stock exchange is normally considered as the fair value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.
- 5.3.2 As stated earlier, shares of GIL and WCL are listed on the recognised stock exchanges. Thus, under the Market Price method, the weighted average market price of GIL quoted on The National Stock Exchange and weighted average market price of WCL quoted on BSE Limited for the period of 6 months has been considered.

### 6. RECOMMENDATION OF FAIR EXCHANGE RATIO

- 6.1 The fair basis of amalgamation of the Companies would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove. Though different values have been arrived at under each of the above approaches, for the purposes of recommending a ratio of exchange it is necessary to arrive at a single value for the shares of each company. It is however important to note that in doing so, we are not attempting to arrive at the absolute values of the shares of each company.



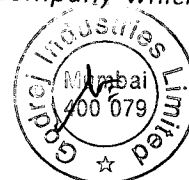
Our exercise is to work out relative value of shares of the Companies to facilitate the determination of a ratio of exchange. For this purpose, it is necessary to give appropriate weightage to the values arrived at under each approach.

6.2 Considering the fact that, after the amalgamation, the business of the Companies is intended to be continued on a "going concern" basis and that there is no intention to dispose-off the assets, to arrive at fair value of GIL, we have considered it appropriate to give a higher weightage of "2" each to the value determined under the "income approach" and the "market price approach" as compared to the weightage of "1" to the value determined under the "underlying asset approach". The fair value per share of GIL is further adjusted for bonus shares to be issued to non-promoter shareholders of GIL as mentioned in Para 3.1.5 above. In case of WCL higher weightage of "4" is given to value determined under "market price approach" and weight of "1" is given to value determined under "underlying asset approach".

6.3 The share exchange ratio has been arrived on the basis of a relative valuation of the shares of the Companies based on the various methodologies explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potential of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

6.4 In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

*"If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has*



allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible."

**6.5 RATIO OF BONUS SHARES TO NON-PROMOTER SHAREHOLDERS OF GIL**

As stated in Para 3.1.5 above, bonus shares have to be issued to non-promoter shareholders of GIL to keep their post-merger shareholding at the same level as it was prior to the merger. Thus the ratio of bonus shares to non-promoter shareholders of GIL would be:

1 (One) bonus equity share of GIL of Re. 1 each fully paid up for every 1,250 (One Thousand Two Hundred and Fifty) existing shares of GIL.

**6.6 FAIR EXCHANGE RATIO FOR AMALGAMATION OF WCL INTO GIL**

In the light of the above and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove referred to earlier in this report, in our opinion, a fair ratio of exchange in the event of amalgamation of WCL into GIL would be:

1 (One) equity share of GIL of Re. 1 each fully paid up for every 108 (One Hundred and Eight) equity shares of WCL of Re. 1 each fully paid up.

Thanking you,  
Yours faithfully,



SSPA & CO.  
Chartered Accountants



Place: Mumbai



Proposed Amalgamation of Wadala Commodities Limited ("WCL")  
with Godrej Industries Limited ("GIL")

Computation of Value per share and Equity Share Exchange Ratio

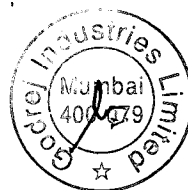
Method of Valuation	GIL		WCL	
	Value per Share (INR)	Weights	Value per Share (INR)	Weights
Net Assets Value Method	243.62	1	0.65	1
Price Earning Capitalisation Method	273.64	2	-	0
Market Price Method	271.28	2	2.91	4
Value per Share (Pre-Bonus)	266.69		2.46	
Value per Share (Post-Bonus)	266.64		2.46	
Exchange Ratio			108.35	
Exchange Ratio (Rounded Off)			108.00	
	Annexure-1		Annexure-2	

Bonus Ratio:

1 (One) bonus equity share of GIL of Re. 1 each fully paid up for every 1,250 (One Thousand Two Hundred and Fifty) existing shares of GIL of Re. 1 each fully paid up

Fair Exchange Ratio:

1 (One) equity share of GIL of Re. 1 each fully paid up for every 108 (One Hundred and Eight) equity shares of WCL of Re. 1 each fully paid up



Annexure - 1GODREJ INDUSTRIES LIMITED  
VALUATION FOR AMALGAMATION

Net Assets Value Method ("NAV")	
Particulars	(Rs. Crores)
Net Assets Value	3,079.63
Add/(Less):	
Contingent Liability (net of tax)	(30.80)
Appreciation in value of Investments	4,972.59
Other Adjustments (net of tax)	160.11
Adjusted Net Assets Value	8,181.53
Diluted no. of Equity Shares	335,834,764
Value Per Share (Face Value Re. 1) (In Rs.)	243.62

Price Earnings Capitalisation Value ("PECV") Method	
Particulars	(Rs. Crores)
Capitalised Value of Business	9,164.22
Add/(Less):	
Deferred Tax Asset / (Liability)	(70.63)
Surplus Assets	39.42
Contingent liabilities	(30.80)
Others Adjustments	87.55
Adjusted Enterprise Value	9,189.77
Diluted no. of Equity Shares	335,834,764
Value Per Share (Face Value Re. 1) (In Rs.)	273.64

Market Price Method		
Weighted Average Market Price of Godrej Industries Limited on The National Stock Exchange Limited for a period of six months		
Particulars	No. of Shares	Turnover in Rs. Lakhs
Total for six months	33,159,871	89,957.17
Weighted Average Market Price (in Rs.)		271.28



Annexure - 2WADALA INDUSTRIES LIMITED  
VALUATION FOR AMALGAMATION

Net Assets Value Method ("NAV")	
Particulars	(Rs. Crores)
Adjusted Net Assets Value	1.41
No. of Equity Shares	21,626,238
Value Per Share (Face Value Re. 1) (In Rs.)	0.65

Market Price Method		
Weighted Average Market Price of Wadala Commodities Limited on BSE Limited for a period of six months		
Particulars	No. of Shares	Turnover in Rs. Lakhs
Total for six months	198,157	5.77
Weighted Average Market Price (in Rs.)		2.91

