



bksk & associates

CHARTERED ACCOUNTANTS

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STRICTLY PRIVATE AND CONFIDENTIAL

*The Board of Directors,
Prakash Constrowell Limited
The Exchange,
Near Ved Mandir Tidke Colony,
Trirnbak Road, Nashik - 422002 (MH)*

*The Board of Directors,
Bhumit Real Estate Private Limited
Chandramani Villa, CH S Ltd,
Block 10. Natwar Nagar, RD-2,
Jogeshwari (E), Mumbai - 400060 (MH)*

Dear Sirs,

Re: Recommendation of fair equity share entitlement ratio for the purpose of proposed demerger of "Demerged Undertaking" of Prakash Constrowell Limited (hereinafter referred to as "Demerged Company" or "PCL") into Bhumit Real Estate Private Limited (hereinafter referred to as "Resulting Company" or "Bhumit").

1. CONTEXT AND PURPOSE OF VALUATION:

In accordance with the terms of the engagement letter we, BSKS and Associates (hereinafter referred to as "I" or 'our') have been engaged by the management of Prakash Constrowell Limited and Bhumit Real Estate Private Limited (collectively referred as "Companies") to recommend the ratio of allotment of equity shares for the proposed demerger of Demerged Undertaking (as defined in the draft scheme of arrangement) of Prakash Constrowell Limited into Bhumit Real Estate Private Limited with effect from appointed date of April 01, 2018 ("Appointed Date").

2. BACKGROUND

About Prakash Constrowell Limited:

Prakash Constrowell Limited was incorporated on January 04, 1996 in the name and style of "Prakash Constrowell Private Limited" as per the Certificate of Incorporation issued by the Registrar of Companies, Maharashtra and subsequently upon its conversion into a deemed public limited company, its name was changed to Prakash Constrowell Limited on January 05, 2011 and an amended Certificate of Incorporation was issued by Registrar of Companies Maharashtra, Mumbai under the provisions of Companies Act, 1956 and presently its registered office is located at The Exchange, Near Ved Mandir, Tidke Colony, Trimbak Road, Nashik, 422002, Maharashtra, India. The equity shares of PCL are listed on BSE Limited and on National Stock Exchange of India Limited.



The Board of Directors of PCL as on May26, 2018 are:

Sr. No.	Name of Directors	Designation
1	Prakash Pusaram Laddha	Chairman & Wholetime Director
2	Ganpat Krishanan Trichur	Managing Director
3	Prafulla Subhashchandra Bhat	Non-Executive Director
4	Prashant Prabhakar Gadkari	Independent Director
5	Jyoti Ravindra Rathi	Independent Director
6	Vishal Mukesh Ahuja	Independent Director

ii) About Bhumit Real Estate Private Limited

Bhumit Real Estate Private Limited was incorporated on June 06, 2015. Presently, Bhumit Real Estate Private Limited has its main object as business of builders, developers, infrastructural development, to buy, acquire, develop, lease, manage property. PCL has 100 percent stake of Bhumit.

The Board of Directors of Bhumit as on May 26, 2018 are:

Sr. No.	Name of Directors	Designation
1	Prakash Pusaram Laddha	Chairman & Wholetime Director
2	Prafulla Subhashchandra Bhat	Non-Executive Director

(iii) PCL proposes to demerge, by way of scheme of arrangement its Specified Undertaking by enabling the investors to separately hold investments in Specified Undertaking and allow the business to independently pursue its growth strategies. In this context, the management of PCL propose to demerger the Specified Undertaking into Bhumit.

(iv) The demerger is proposed to be carried out through a scheme of arrangement under Section 232 of the Companies Act, 2013 (Proposed Scheme"). Under the scheme, Specified Undertaking of PCL will be transferred on a going concern basis to Bhumit and in consideration, equity shares of Bhumit would be issued to the equity shareholders of PCL and the existing shareholding of PCL in Bhumit will get cancelled. We are informed that demerger will be in accordance with the provisions of Section 2(19AA) of the Income Tax Act, 1961.



- (v) In this connection we have been requested to provide a report on the ratio of allotment of equity shares of Bhumit for the demerger of Specified Undertaking into Bhumit on a going concern basis, with effect from Appointed Date ("Exchange Ratio").

3. DOCUMENTS AND SOURCES OF INFORMATION:

Our valuation is based on the following documents and main representations given to us by the management of both the Companies (hereinafter referred to as the "Management"):

- (i) Audited Financial Statements of PCL for the year ended 31st March, 2018.
- (ii) Audited Financial Statements of Bhumit for the year ended 31st March, 2018.
- (iii) Current shareholding pattern of PCL and Bhumit.
- (iv) Draft scheme of Arrangement u/s Section 232 of the Companies Act, 2013.
- (v) Considered the number of equity shares of Bhumit proposed to be issued to the shareholders of PCL.
- (vi) Such other information and explanations as we required and which have been provided by Management.

We have relied upon the above financial statements without carrying out the audit of the same. We have also relied on the various representations, information and explanations given by the management on the assets and liabilities of PCL and Bhumit other related matters.



4. **DISCLAIMER:**

- (i) This Report is intended solely for the use and information of the Companies and only in connection with the proposed scheme of arrangement. 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 without relying on the contents of this Report.
- (ii) It is to be noted that this Report is confidential and reproduction of the contents of this Report or otherwise giving reference to the contents of this Report in part or full or placing any reliance on this Report, can be done only with our prior written consent and not otherwise.
- (iii) The information given and opinions expressed in this Report are based, on the documents and Information provided by the Companies or their representatives and the same are relied upon by us as true and correct and, on sources believed to be reliable, and in good faith, but which may not be verified independently. We have also relied on the various representations, information and explanations given by the Management on the assets and liabilities of both the Companies and other related matters. We assume no responsibility for any omissions, errors or inaccuracy in the information furnished by the Companies and resulting impact on the present valuation exercise.
- (iv) Our work did not constitute an audit, due diligence or validation of financial statements of the Companies. Our work did not constitute independent valuation of any assets or liabilities of the Companies. We wish to point out that whilst our opinion as to the fair share exchange ratio is one that we consider to be both reasonable and fair, others may have a different opinion.
- (v) Our Report is not, nor should it be construed as our opining or certifying the compliance of the proposed arrangement with the provisions of any applicable laws including the companies, taxation, securities, foreign exchange and capital market related laws or as regards any legal implications or issues arising from such proposed arrangement.
- (vi) While utmost care has been taken in preparing this Report, neither we nor our partners, managers, employees or agents of any of them make any guarantee, representation or warranty, whether express or implied and accept no responsibility or liability as to its accuracy or completeness of the data, being provided. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in this Report.



5. VALUATION APPROACH FOR RATIO OF ALLOTMENT:

For the purpose of valuation of demerger, generally the following approaches are adopted:

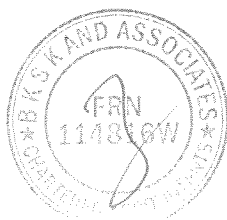
- (a) Asset Approach;
 - (b) Income Approach and
 - (c) Market Approach
- (i) PCL & Demerged Undertaking of PCL are operating in real estate industry, where asset base has more relevance and is driven by the real assets. Accordingly, we have considered to use Asset Approach for the present valuation exercise.
- (ii) Demerged Undertaking of PCL does not have any revenue streams as of now and therefore the current profitability does not represent its future potential. Therefore, it is not feasible to use Income Approach for arriving at the value per share.
- (iii) Demerged Undertaking of PCL is not listed on any stock exchanges. Therefore, the Market Approach has not been considered for arriving at the value of Demerged Undertaking of PCL. However, PCL is listed on both the stock exchanges i.e. Bombay Stock Exchange ("BSE") and National Stock Exchange ("NSE"). The prices show vague results. 52 week high price per share for PCL is Rs. 10.79 and 52 week low price per share for PCL is Rs. 3.32. Therefore, it is not feasible to use the Market Approach as the same does not represent the true value per share.
- (iv) Considering the above, we have considered Asset Approach for valuation of equity shares of Companies.

Computation of Fair Share Exchange Ratio

Valuation Approach	PCL		Bhumit	
	Equity Value	Weight	Equity Value	Weight
	(Works Contracts business Undertaking) Demerged Entity		(Real Estate business Undertaking) Demerged Entity	
Asset Approach*	1,00,83,39,746	100%	25,20,84,936	100%
Market Approach	Not applied	0%	0	0%
Income Approach	Not applied	0%	0	0%
Relative Value per share	8.02		2.01	
Exchange Ratio (rounded off)	1:4			

Ratio: 1 equity share of Bhumit Real Estate Private Limited of INR 1 each fully paid up for every 4 equity shares of Prakash Constrowell Limited of INR 1 each fully paid up.

Note: *Total Net Worth of the combined entity as on 31.03.2018 is Rs. 1,26,04,24,682.



- (v) As on appointed date, PCL holds 100% issued capital of Bhunit Real Estate Private Limited. The proposed demerger of Specified Undertaking of PCL into Bhunit shall entail demerger of an undertaking of the holding company into its wholly owned subsidiary and will not result in acquisition of assets from third parties, due to which shares of PCL or Bhunit have to be issued to any third party. The existing shareholders of PCL own the net assets of PCL and all its wholly owned subsidiaries in proportion to their respective shareholding in PCL. On demerger, the shareholders of PCL will be issued shares of Bhunit in the same proportion as they hold shares in PCL. Consequently, the net assets owned by the shareholders of PCL as on the effective date will not change when they receive shares of Bhunit consequent to the demerger of Specified Undertaking of PCL into Bhunit.
- (vi) Upon allotment of shares by Bhunit in the proposed ratio, the beneficial interest of the shareholders in the equity of Bhunit will be in the same ratio *inter se* as it is in the equity of PCL. Consequently, all the shareholders of PCL will upon demerger, be the ultimate beneficial owners of Bhunit and will hold equity shares in Bhunit in the same ratio *inter se* as they hold equity shares in PCL.
- (vii) In the current instance, the issue of adjusting equity values between different shareholders that usually forms the prime consideration for determining a fair ratio of allotment is not relevant. And also, no separate valuation process is required for the Proposed Scheme as per Paragraph 1(A)(4) of Annexure I of SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017, as there is no change in shareholding of Prakash Constrowell Limited pursuant to Proposed Scheme involving transfer and vesting of the Specified Undertaking to Bhunit. In our opinion the proposed Scheme is fair and reasonable to the shareholders of Prakash Constrowell Limited.
- (viii) The Management has proposed that as per the terms of the scheme and in consideration of demerger of Specified Undertaking of PCL into Bhunit shall issue an aggregate of 3,14,19,565 equity shares of Re. 1/- each, of Bhunit to the shareholders of PCL consequent to demerger.
- (ix) We have considered current issued and subscribed equity shares of PCL as 12,56,78,260 equity shares of Re. 1 each fully paid up.
- (x) Based on discussions with the Management, the Exchange Ratio for issuance of shares of Bhunit to shareholders of PCL works out to the following:
1 (One) fully paid up equity shares of Re. 1, each of Bhunit (after considering the effect of proposed subdivision of face value of equity shares from Rs. 10/- each to Re. 1/- each) for every 4 (Four) fully paid up equity share of Re. 1/- each held in PCL.



6. We had provided our report via earlier reports dated May 26, 2018 and May 30, 2018 on proposed scheme of arrangement between Prakash Constrowell Ltd ("PCL") and Bhunit Real Estate Pvt. Ltd. ("BREPL"). However due to some technical matter, the Share Entitlement Ratio has now been revised.

This Report is meant for the management of PCL and Bhunit and their legal advisors and bankers for the proposal of Scheme of Arrangement and will not be made public without our prior written approval except as may be required by law or by Government Agencies or any Court or Tribunal or similar authorities. However, the final recommendation and general yardsticks used and approach of valuation may be published. We hereby further specifically consent to produce this report before the Board of Directors of PCL and Bhunit for their consideration.

For BSKS And Associates
Chartered Accountants


J. B. Bedmutha
(Partner)



Place : Nashik
Dated : January 31, 2019