August 2015

Strictly Private and Confidential

Victor Gaskets India Limited

Report on Equity Value Analysis

acumen financialconsultancy

21 August 2015

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The Board of Directors,
Victor Gaskets India Limited
152/223, Mahalunge
Chakan-Talegaon Road, Taluka: Khed,
Pune, Maharashtra – 410 501

For the kind attention of Mr. Ashish Ashtekar

Subject: Valuation of equity shares of Victor Gaskets India Limited for the purpose of internal decision making of Management.

Dear Sir,

We refer to the engagement letter dated 14 August 2015 with Acumen Financial Consultancy Private Limited ('Acumen') wherein the Management of Victor Gaskets India Limited ('VGIL' or the 'Company') has requested Acumen to carry out value analysis of VGIL's equity shares for the purpose of its internal decision making.

Please find enclosed the report (comprising of 16 pages including annexures) detailing our recommendation of value towards the equity share of the Company, the methodologies employed and the assumptions used in our analysis.

This report sets out our scope of work, background, procedures performed by us, source of information, key value considerations and our opinion on the value analysis of the equity shares of the Company.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, in conjunction with the relevant documents referred to therein.

Yours sincerely,

Niranjan S Kumar
Director

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Glossary of Terms Used in the Report

Term	Description
Acumen	Acumen Financial Consultancy Private Limited
CAGR	Compounded Annual Growth Rate
DCF	Discounted Cash Flow
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
FCFE	Free Cash Flow to Equity
FYXX	Financial Year ended 31 March 20xx
NSE	National Stock Exchange of India
PAT	Profit after Tax
PBT	Profit before Tax
VGIL	Victor Gaskets India Limited
WACC	Weighted Average Cost of Capital

Scope and Purpose of this Report

Victor Gaskets India Limited ('VGIL') is a part of the Anand Group of Companies, and was a leading manufacturer of automotive systems and components. During FY15 VGIL has de-merged its gasket and heat shield business ('gasket business') into a new company named Anand I-Seal Limited ('AISL'). Post demerger of the gasket business, VGIL has been left with the business of providing after sales and marketing support services to the various Anand Group Companies.

The Management intends to evaluate the value of equity shares of VGIL for it's internal decision making. In this regard, the Management has requested Acumen Financial Consultancy Private Limited ('Acumen') to carry out a value analysis of the equity shares of the Company as at 31 March 2015 ('Valuation Date').

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Company Overview

Background

Post demerger of the gasket business in FY15, VGIL is engaged in providing after sales and marketing support services to the various Anand Group Companies. The Company was incorporated in 2001. The registered office of the Company is located at Pune, Maharashtra. The Company would provide support functions to group companies on a cost plus model.

The shareholding as on 31st March 2015 is set out below:

Name	Number of shares (Face value INR 1/- each)	Percentage (%)
Asia Investments Pvt. Ltd. (Holding Company)	7,258,352	87.09%
Others	1,075,790	12.91%
Total	**8,334,142**	**100.00%**

Financial overview

Extract of the audited financial statements of VGIL for the financial years ending 31 March 2014 ('FY14') and 31 March 2015 ('FY15') are set out on the subsequent page. The same is not comparable as the FY14 numbers include financial performance of gasket business for entire year and for a part of the year in FY15. Balance sheet of FY15 comprises of all assets and liabilities remaining in the business post the demerger of the gasket business.

Key services

VGIL provides after sales and marketing support service to the manufacturers of automotive systems and components on a cost plus model. All cost except depreciation would be billed to the companies with a mark up.

Financial Statements Overview

Income statements

INR in million

Particulars	FY14 Audited	FY15 Audited
Revenue from operations	644.3	331.3
Other income	8.2	20.0
Total revenue	**652.5**	**351.3**
Expenses:		
Costs of material consumed	381.2	191.2
Employee cost	81.6	54.7
Other expenses	130.7	71.9
EBIDTA	**59.0**	**33.4**
Finance costs	4.7	2.6
Depreciation / amortisation	17.3	8.2
Profit before tax	**37.0**	**22.6**
Tax	7.1	3.1
Profit after tax	**29.9**	**19.5**

Source: Audited financial statements

Balance sheet as at

INR in million

Particulars	FY14 Audited	FY15 Audited
Equities and liabilities		
Share capital	8.3	8.3
Reserves and surplus	158.9	13.0
Borrowings	134.5	-
Trade payables	75.5	-
Short term provision	39.4	3.8
Other liabilities	32.4	7.7
Total	**449.1**	**32.8**
Assets		
Non current assets		
Net fixed assets	119.6	7.3
Long term loans and advances	47.6	12.8
Deferred tax asset	-	1.6
Current assets		
Inventories	74.4	-
Trade receivables	155.4	-
Cash and cash equivalents	13.0	1.9
Short-term loans and advances	29.1	7.1
Other current assets	10.1	2.1
Total	**449.1**	**32.8**

Source: Audited financial statements

Sources of Information

In connection with preparation of this report, we have utilized the following sources of information:

A. Company specific information:

Information provided by the Management includes,

- Audited financial statements of VGIL for financial year ended 31 March 2014 and 31 March 2015;
- Financial projections of the Company from 1 April 2015 to 31 March 2020 ('Management Projections');
- Discussions and correspondence with the Management of VGIL;
- Market value of land at Nanekar-wadi.

B. Industry and economy information:

- Information available in public domain and databases such as VCCEdge, Bloomberg, Capitaline, NSE etc.; and
- Such other information and documents as provided by the Company for the purposes of this engagement.

We have also obtained such other explanations and information considered reasonably necessary for our exercise, from the executives and representatives of the Company.

Scope Limitations, Assumptions, Qualifications, Exclusions and Disclaimers (1/3)

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/ tax due diligence, consulting or tax related services that may otherwise be provided by us.

This report, its contents and the results herein are specific to

i. the purpose of valuation agreed as per the terms of our engagement;

ii. the date of this report; and

iii. are based on the balance sheet as at 31 March 2015 of the Company.

A value analysis of this nature is necessarily based on the prevailing stock market, financial, economic and other conditions in general and industry trends in particular. It is based on information made available to us as of 21 August 2015, events occurring after that date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation(s) rendered in this report only represent our recommendation(s) based upon information furnished by the Company till 21 August 2015 and other sources, and the said recommendation(s) shall be considered to be in the nature of non-binding advice, (our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors).

In the course of our analysis, we were provided with both written and verbal information, including market, technical, financial and operating data by the Management.

In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification of,

i. the accuracy of the information that was publicly available and formed a substantial basis for this report; and

ii. the accuracy of information made available to us by the Company.

We have not carried out a due diligence or audit or review of the Company for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided.

Scope Limitations, Assumptions, Qualifications, Exclusions and Disclaimers (2/3)

We are not legal or regulatory advisors with respect to legal and regulatory matters for the transaction. We do not express any form of assurance that the financial information or other information as prepared and provided by the Company is accurate. Also with respect to explanations and information sought from the Company, we have been given to understand by the Company that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt.

Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. Our conclusions are based on these assumptions and information given by/on behalf of the Company. The Management of the Company has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Company and their impact on the report. Also, we assume no responsibility for technical information (if any) furnished by the Company. However nothing has come to our attention to indicate that the information provided was materially misstated/ incorrect or would not afford reasonable grounds upon which to base the report. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

The report assumes that the Company complies fully with relevant laws and regulators applicable in all its areas of operations and that the Company will be managed in a competent and responsible manner. Further, except as specifically stated to the contrary; this report has given no consideration on to matters of a legal nature, including issues of legal title and compliance with local laws and litigation and other contingent liabilities that are not recorded in the audited balance sheets of the Company.

This report does not look into the business/ commercial reasons behind the transaction nor the likely benefits arising out of the same. Similarly, the report does not address the relative merits of the transaction as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available.

No investigation of the Company’s claim to title of assets has been made for the purpose of this report and the Company’s 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. The book values of the assets and liabilities of the Company have been considered as representative of their intrinsic value in the absence of any report of external valuers except while estimating the market value of land for which government valuation report has been considered.

Scope Limitations, Assumptions, Qualifications, Exclusions and Disclaimers (3/3)

We must emphasize that realization of free cash flow forecast used in the analysis will be dependent on the continuing validity of assumptions on which they are based. Our analysis therefore, will not, and cannot be directed to providing any assurance about the achievability of the final projections. Since the financial forecast relate to future, actual results are likely to be different from the projected results because events and circumstances do not occur as expected, and the differences could be material.

The fee for the Engagement is not contingent upon the results reported.

We owe responsibility to only the Board of Directors of the Company, who have appointed us, and nobody else.

We do not accept any liability to any third party in relation to the issue of this report. It is understood that this analysis does not represent a fairness opinion. In no circumstance shall the liability of Acumen exceed the amount as agreed in our Engagement Letter.

This value analysis report is subject to the laws of India.

Neither the value analysis report nor its contents may be referred to or quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the purpose of valuation of equity shares, without our prior written consent.

Value Analysis Methodology

The value analysis of the Business as at 31 March 2015 has been carried out on a going concern basis.

As discussed and agreed with you, we have carried out the value analysis using the Discounted Cash Flow method for valuing the business and market value method for valuing the surplus asset.

a) Discounted Cash Flows ('DCF') Method

Under the DCF method the projected free cash flows to the firm are discounted at the Weighted Average Cost of Capital ('WACC'). The sum of the discounted value of such free cash flows is the value of the business.

Using the DCF analysis involves determining the following:

<u>Estimating future cash flows:</u>

Free cash flows are the cash flows expected to be generated by the company that are available to all providers of the company's capital - both debt and equity.

<u>Appropriate discount rate to be applied to cash flows i.e. the cost of capital</u>

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to all the capital providers (namely shareholders and lenders), weighted by their relative contribution to the total capital of the company. The opportunity cost to the equity capital provider equals the rate of return the capital provider expects to earn on other investments of equivalent risk.

To arrive at the total value attributable to the equity shareholders of the business, value arrived below through DCF method for the company is adjusted for the value of loans, cash, inflow on exercise of options, non-operating assets/liabilities (e.g. fair value of investments, any contingent liabilities, etc.). The total value for equity shareholders is then divided by the total number of equity shares (on fully diluted basis) to arrive at the value per share of the business.

For the purpose of DCF value analysis, the free cash flows are based on Management Projections.

For the purpose of valuing the Company, we have discounted the free cash flow to equity shareholders using past trends, longer term forecasts based on past and current financial trends and general economy and industry outlook.

Value Analysis Recommendations (1/4)

Valuation Workings

Discounted Cash Flow ('DCF'):

DCF method values a business based upon the available cash flow a prudent investor would expect the subject business to generate over a given period of time. This method is used to determine the present value of a business on a going concern assumption and recognizes the time value of money by discounting the free cash flows for the explicit forecast period and the perpetuity value at an appropriate discount factor. The terminal value represents the total value of the available cash flow for all periods subsequent to the horizon period. The terminal value of the business at the end of the horizon period is estimated and discounted to its present value equivalent and added to the present value of the explicit forecast period cash flow to estimate the value of the business.

The Free Cash Flows to Equity ('FCFE') method has been used to value the business. This method involves an estimation of post-tax free cash flows over the horizon period after consideration of the entity's requirements for reinvestment in terms of capital expenditure, change in debt and incremental working capital as well as project specific needs. The free cash flows represent the cash available for distribution to the equity shareholders of the business.

The free cash flows to equity shareholders are discounted by cost of equity. The cost of equity represents the returns required by the investors of equity for their relative funding in the entity. The returns expected would depend on the perceived level of risk associated with the business of the Company and the industry in which the Company operates.

We have relied on the Management Projections for the period 1 April 2015 to 31 March 2020, as prepared and provided to us by the Management (as set out in Exhibit A).

The projected free cash flows based on these financial projections are set out on the subsequent page.

Value Analysis Recommendations (2/4)

Projected cash flow to equity shareholders

INR in million

Particulars	FY16	FY17	FY18	FY19	FY20
EBITDA*	4.0	4.4	4.8	5.3	5.9
Depreciation	1.0	1.0	1.0	1.0	1.0
Interest	-	-	-	-	-
PBT	**3.0**	**3.4**	**3.8**	**4.3**	**4.9**
Tax	0.9	1.1	1.2	1.3	1.5
PAT	**2.1**	**2.3**	**2.7**	**3.0**	**3.4**
Addjustments for:					
Depreciation	1.0	1.0	1.0	1.0	1.0
Net cash flow to equity shareholders	**3.1**	**3.3**	**3.7**	**4.0**	**4.4**

Source: Management information

**Company would be billing all expenses (except depreciation) on a cost plus basis, hence the margin earned would be the EBITDA of the Company.*

Value Analysis Recommendations (3/4)

Perpetuity cash flow (terminal value)

The terminal value refers to the present value of the business as a going concern beyond the period of projections up to infinity. This value is estimated taking into account expected growth rates of the business in future, sustainable capital investments required for the business as well as the estimated growth rate of the industry and economy. The cash flows for the year ending 31 March 2020 have been used to determine the terminal value cash flows.

Based on dynamics of the sector and discussions with the Management, we have assumed a terminal growth rate of 5% in net cash flow for the Company beyond the projected period.

The terminal value before discounting has been estimated at INR 30.5 million.

Discount factor

The discount factor considered for arriving at the present value of the free cash-flows to equity is the cost of equity of 20%. The cost of equity is taken as 20% considering that the Company is engaged in only one line of business and caters to a limited clientele.

Valuation of surplus assets

The Management of VGIL has informed us that the Company has a parcel of land bearing gat no. 407/3, 2441 part (old) of village Nanekar Wadi, taluka Khed, district Pune, admeasuring 2.64 acres, being vacant land not pertaining to the business. All other assets as reflected in the balance sheet as at 31 March 2015 are business assets and hence not considered separately.

We have valued the land based on government valuation report and the value of the same is estimated at INR 70.9 million.

Since the land is a surplus asset and not used for business purpose we have added the market value of the same to the business value of the sales and support business to arrive at the fair value of equity shares. Accordingly, the equity value is the sum of the support business and surplus land.

Other assumptions

No debt would be availed and no additional investment would be required for the sales and support business towards working capital and fixed assets.

Value Analysis Recommendations (4/4)

Conclusion:

Based on our analysis of the Company, subject to the assumptions and limitations described in this report and our engagement letter, we estimate the equity value of the Company to be ~ **INR 93.8 million** and value per equity share to be **INR 11.26/-**

Calculation of value per equity share

INR in million

Particulars	FY16	FY17	FY18	FY19	FY20	Total
Net cash flow to equity shareholders	3.1	3.3	3.7	4.0	4.4	
Discounting factor	0.83	0.69	0.58	0.48	0.40	
Discounted cash flow	**2.6**	**2.3**	**2.1**	**1.9**	**1.8**	**10.7**
Terminal value						12.3
Value of business						**22.9**
Market value of surplus land						70.9
Value of equity						**93.8**
Number of equity shares						83,34,142
Value per equity share (INR)						**11.26**

Exhibit A (1/2)

Projected income statements

INR in million

Particulars	FY16	FY17	FY18	FY19	FY20
EBITDA*	4.0	4.4	4.8	5.3	5.9
Depreciation	1.0	1.0	1.0	1.0	1.0
Interest	-	-	-	-	-
PBT	**3.0**	**3.4**	**3.8**	**4.3**	**4.9**
Tax	0.9	1.1	1.2	1.3	1.5
PAT	**2.1**	**2.3**	**2.7**	**3.0**	**3.4**

Source: Management information

**Company would be billing all expenses (except depreciation) on a cost plus basis, hence the margin earned would be the EBITDA of the Company.*

Exhibit A (2/2)

Basis of Management Projections

- **Projected EBITDA**

  EBITDA is projected to grow from INR 4 million in FY16 to INR 5.3 million in FY20 at a CAGR of ~10%.

- **Working capital**

  The Management has estimated that additional working capital would not be required for the business.

- **Fixed assets**

  The Management has estimated that there won't be any additions made to fixed assets.

- **Debt**

  No debt would be availed by the Company.

- **Depreciation**

  Annual depreciation of INR 1.0 million would be charged on fixed assets.

- **Tax**

  Tax rate of 30.9% has been estimated during the valuation period.