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Chartered Accountants

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Report on Valuation of Shares and Share Exchange Ratio

Preamble: There is a proposal to demerge Investment Business 1 and Investment Business 2 of Hope Consultants Ltd into Frontline Securities Ltd and FSL Software Technologies Ltd, respectively (Investment Business 1 and Investment Business 2 are referred to as the Demerged Business). We have been retained to carry out the valuation of Shares/Demerged Business of these Companies and to advise Share Exchange Ratio for the aforesaid de-merger.

- 1. Scope/Limitation:** The Share Valuation exercise carried out by us does not constitute an audit carried out in accordance with Generally Accepted Accounting Principles/Auditing Standards. Accordingly, we do not express any opinion on the financial statements, assumptions underlying such financial statements and representations of management included in the report. We do not provide any assurance that the financial information or the assumptions upon which they have been based are accurate.

In carrying out the valuation, we have entirely relied upon the financial statements of the Company, assumptions and other information & explanations provided by the management and discussions with the management personnel from time to time regarding operations of the Company.

- 2. Disclaimer:** This Report is a private and confidential document prepared under the specific instructions of the client(s). It is for the internal use of the client only and is not meant for external circulation except to any statutory agency or competent authority for the purpose of the proposed de-merger. Any person making any investment or taking any decision on reliance of this report will be doing so at its/ his sole risk. We shall not be responsible for any decision taken by anybody on reliance of this report.



3. Brief Profile of the Companies:

- i. **Hope Consultants Ltd** (the Demerged Company) was initially incorporated under the provisions of the Companies Act, 1956 as a Private Limited Company with the name and styles "Hope Consultants Pvt Ltd" vide Certificate of Incorporation No. (CIN) U 74899 DL 1992 PLC 048058 dated 17th March 1992 issued by the Registrar of Companies, Delhi & Haryana, New Delhi. The name of the Company was changed to its present name 'Hope Consultants Ltd' vide Fresh Certificate of Incorporation dated 19th March 2001 issued by the Registrar of Companies, NCT of Delhi & Haryana, New Delhi.

The present registered office of the Company is situated at M-6, 2nd Floor, M Block Market, Greater Kailash-II, New Delhi- 110 048.

- ii. **Frontline Securities Ltd** (the Resultant Company No. 1) was incorporated under the provisions of the Companies Act, 1956, as a public limited company vide Certificate of Incorporation No. (CIN) L 74899 DL 1994 PLC 058837 dated 5th May 1994 issued by the Registrar of Companies, Delhi and Haryana, New Delhi. The Company obtained Certificate for Commencement of Business on 18th May, 1994.

The present registered office of the Resultant Company No. 1 is situated at M-6, 2nd Floor, M Block Market, Greater Kailash-II, New Delhi 110 048.

- iii. **FSL Software Technologies Ltd** (the Resultant Company No. 2) was initially incorporated under the provisions of the Companies Act, 1956 as a Private Limited Company with the name and styles "Budha Floriculture Pvt Ltd" vide Certificate of Incorporation No. (CIN) U 74899 DL 1994 PLC 063182 dated 5th December, 1994 issued by the Registrar of Companies, NCT of Delhi & Haryana, New Delhi. The Company was converted into a public limited company and name of the Company was changed to Budha Floriculture Ltd vide Fresh Certificate of Incorporation dated 10th March, 2003 issued by the ROC, New Delhi. The name of the Company was changed to its present name 'FSL Software Technologies Ltd' vide Fresh Certificate of Incorporation dated 27th May 2003 issued by the Registrar of Companies, ROC, New Delhi.

The present registered office of the Resultant Company No. 2 is situated at M-6, 2nd Floor, M Block Market, Greater Kailash-2, New Delhi - 110 048.

4. As stated above, it is proposed to de-merge Investment Business 1 and Investment Business 2 of the Demerged Company-Hope Consultants Ltd into the Resultant No. 1- Frontline Securities Ltd and the Resultant No. 2- FSL Software Technologies Ltd, respectively on-going concern basis.



5. The Demerged Company and the Resultant Company No. 2 are closely held unlisted companies whereas the Resultant Company No. 1- Frontline Securities Ltd is listed on Bombay Stock Exchange (BSE).

6. Valuation methodologies:

- a. The primary objective of the present exercise is to find out the number of shares to be issued by the Resultant Companies No. 1 & 2 to the shareholders of Demerged Company in consideration of de-merger of Demerged Business 1 & 2, respectively.
- b. The Demerged Business 1 & 2 of the Demerged Company and Equity Shares of the Resultant Companies No. 1 & 2 are required to be valued to recommend a Share Swap for the proposed De-merger. Valuation of Equity Shares of the Demerged Company and its Remaining Business (business which is not being de-merged) is not relevant and hence not valued.
- c. There are a number of techniques/methods for Valuation of Shares. According to a High Court statement: "The valuation of shares is a technical matter which requires considerable skill and expertise. There are bound to be differences of opinion as to the correct value of the shares of the Company. Simply because it is possible to value the shares in a manner different from the one adopted in a given case, it cannot be said that the valuation agreed upon has been unfair."
- d. However, following techniques/methods are used most frequently for valuation of shares:
 - Net Asset Value (NAV) or Breakup Value;
 - Price Earning Capacity Value (PECV) or Yield Value; and
 - Market Price of Shares
- e. Since the Resultant Company No. 2 is a closely held unlisted company, no market price/quotations are available for its shares. The Resultant Company No. 1, being a BSE listed company, Market Price of Shares is available.
- f. Fair Valuation of Shares of the Resultant Company No. 2 has been arrived at on the basis of simple average of NAV and PECV of Shares. Whereas Fair Valuation of Shares of the Resultant Company No. 1 has been arrived at on the basis of simple average of NAV, PECV and Market Value of Shares. Since the Resultant Company No. 1 is listed on BSE; a listing premium of 15% has been added to the average of NAV, PECV and Market Value of the Resultant Company No. 1, while arriving at the Fair Value of its Shares.



- g.** Net Asset Value (NAV) of Shares of the Resultant Companies No. 1 & 2 has been calculated on the basis of the latest audited annual accounts of these Companies for the year ended 31st March, 2014. Whereas Price Earning Capacity Value (PECV) of Shares of the Resultant Companies No. 1 & 2 has been calculated on the basis of the audited Annual Accounts for last 3 years ended 31st March, 2014, 31st March, 2013 and 31st March, 2012.
- h.** In case of the Resultant Company No. 1, Market Price of Shares is taken on the basis of average price of weekly high & low of Closing Prices of the Equity Shares quoted on Bombay Stock Exchange during the last twenty six weeks.
- i.** Section 2 (19AA) of the Income Tax Act, 1961, provides that in case of a de-merger, assets and liabilities of demerged business have to be transferred at values appearing in the books of account of the Demerged Company immediately before de-merger. Section 2 (19AA) further provides that the Resulting Company must issue, in consideration of the de-merger, its shares to the shareholders of the Demerged Company on a proportionate basis.
- j.** Fair value of the Demerged Business 1 & 2 of the Demerged Company has been determined on the basis of the Net Assets Value of these Businesses as per the audited Balance Sheet as on 31st March, 2014.

The Demerged Company is holding some Equity Shares in the Resultant Companies No. 1 & 2. Since these Equity Shares are forming part of the Demerged Business No. 1 & 2 respectively, these shares will be cancelled as cross holding on de-merger. We recommend that similar number of Equity Shares should be issued by the Resultant Companies No. 1 & 2 to the members of the Demerged Company on de-merger.

Accordingly, we have not included the book value of the aforesaid investments in the Resultant Companies in the total NAV of the Demerged Business 1 & 2, respectively.

7. Share Exchange Ratio for De-merger: We accordingly, recommend the following Share Exchange Ratio for the proposed de-merger:

- a.** The Resultant Company No. 1- Frontline Securities Ltd will issue 6 (six) Equity Shares of Rs. 10 each, credited as fully paid-up, to the shareholders of the Demerged Company for every 1 (one) Equity Share of Rs. 10 each held in the Demerged Company.



b. The Resultant Company No. 2- FSL Software Technologies Ltd will issue 4 (four) Equity Shares of Rs. 10 each, credited as fully paid-up, to the shareholders of the Demerged Company for every 1 (one) Equity Share of Rs. 10 each held in the Demerged Company.

8. Separate working sheets are enclosed herewith.

For J Jain & Co
Chartered Accountants
Firm regn no 004208N

Jayanti Jain
Jayanti Jain
Partner



Place: New Delhi
Date: 22nd August, 2014

Membership No. 83450

Encl: Valuation Working Sheets

FRONTLINE SECURITIES LTD.

**NET ASSETS VALUE
(As on March 31, 2014)**

Particulars	Amount
	Rs. In lacs
<u>Equity Share Capital</u>	
71,86,689 Equity Shares of Rs. 10 each	718.67
<u>Reserves & Surplus</u>	
P&L A/c (Cr.)	1314.76
Securities Premium A/c	237.54
General Reserve A/c	50.48
RBI Reserve A/c	707.66
Capital Redemption Reserve A/c	231.82
Total Shareholder's Fund	3260.93
Number of equity shares (Face Value Rs. 10/- each)	7186689
Book Value per share (Rs.)	45.37



FRONTLINE SECURITIES LTD.
PRICE EARNING CAPACITY VALUE

(Amount in Rs lacs)

Particulars	2013-14	2012-13	2011-12
	12 Months	12 months	12 months
Profit After Tax (PAT)	333.75	378.90	318.97
Average Profit After Tax	343.873		
Capitalised value @ 10%	3438.73		
Number of equity shares outstanding	7186689		
Price Earning Capacity Value per share (Rs.)	47.85		



FRONTLINE SECURITIES LTD.

Market Price calculation

Average Price of Weekly High & Low of the Closing Prices of the equity shares of quoted on the Bombay Stock Exchange during the last twenty six weeks

In Rs.

Weeks	From	To	Closing High	Closing Low	Average
1	10-Feb-14	16-Feb-14	32.70	32.70	32.70
2	17-Feb-14	23-Feb-14	34.50	33.00	33.75
3	24-Feb-14	02-Mar-14	36.50	35.25	35.88
4	03-Mar-14	09-Mar-14	38.00	37.00	37.50
5	10-Mar-14	16-Mar-14	37.25	37.00	37.13
6	17-Mar-14	23-Mar-14	39.40	39.00	39.20
7	24-Mar-14	30-Mar-14	41.00	39.00	40.00
8	31-Mar-14	06-Apr-14	43.00	40.25	41.63
9	07-Apr-14	13-Apr-14	42.50	42.50	42.50
10	14-Apr-14	20-Apr-14	42.50	42.50	42.50
11	21-Apr-14	27-Apr-14	44.50	43.50	44.00
12	28-Apr-14	04-May-14	48.10	46.10	47.10
13	05-May-14	11-May-14	48.40	46.00	47.20
14	12-May-14	18-May-14	54.00	50.40	52.20
15	19-May-14	25-May-14	59.85	56.50	58.18
16	26-May-14	01-Jun-14	67.20	61.75	64.48
17	02-Jun-14	08-Jun-14	68.50	62.00	65.25
18	09-Jun-14	15-Jun-14	66.00	65.00	65.50
19	16-Jun-14	22-Jun-14	65.00	65.00	65.00
20	23-Jun-14	29-Jun-14	65.00	63.00	64.00
21	30-Jun-14	06-Jul-14	65.00	63.00	64.00
22	07-Jul-14	13-Jul-14	63.00	61.00	62.00
23	14-Jul-14	20-Jul-14	61.00	61.00	61.00
24	21-Jul-14	27-Jul-14	61.10	61.00	61.05
25	28-Jul-14	03-Aug-14	61.00	60.00	60.50
26	04-Aug-14	10-Aug-14	72.90	62.25	67.58
Average Price (Rs.)					51.22



FRONTLINE SECURITIES LTD

FAIR VALUE PER SHARE

Particulars	Amount Per share (in Rs.)
NAV per share	45.37
Yield Value Per Share	47.85
Market Value Per Share	51.22
Simple Average Value	48.15
Add: 15% Premium for BSE Listing	7.22
Fair Value Per Share	55.37



FSL SOFTWARE TECHNOLOGIES LTD.

**NET ASSETS VALUE
(As on March 31, 2014)**

Particulars	Amount
	Rs. In lacs
<u>Equity Share Capital</u>	
9,21,395 Equity Shares of Rs. 10 each	92.14
<u>Reserves & Surplus</u>	
P&L A/c (Cr.)	64.03
Securities Premium A/c	149.16
Total Shareholder's Fund	305.33
Number of equity shares (Face Value Rs. 10/- each)	921395
Book Value per share (Rs.)	33.14



FSL SOFTWARE TECHNOLOGIES LTD.

PRICE EARNING CAPACITY VALUE

(Amount in Rs lacs)

Particulars	2013-14	2012-13	2011-12
	12 months	12 months	12 months
Profit After Tax (PAT)	11.36	(2.24)	1.11
Average Profit After Tax			3.410
Capitalised value @ 10%			34.10
Number of equity shares outstanding			921395
Price Earning Capacity Value per share (Rs.)			3.70



FSL SOFTWARE TECHNOLOGIES LTD.

FAIR VALUE PER SHARE

Particulars	Amount Per share (in Rs.)
NAV per share	33.14
Yield Value Per Share	3.70
Fair Value Per Share	18.42



**BOOK VALUE OF INVESTMENT BUSINESS - 1 OF HOPE CONSULTANTS LTD.
[TO BE DEMERGED INTO FRONTLINE SECURITIES LTD.]**

(As on March 31, 2014)	
Particulars	Amount Rs. In lacs
Non-Current Investments	
Investment in quoted shares	52.29
Investment in Mutual Funds	246.80
Investments in Bonds	149.01
Sub-total (Non Current Investments) [A]	448.10
Current Assets	
Short-term loans and advances	139.98
Sub-total (Current Assets) [B]	139.98
Total [A+B]	588.08
Investment in the Resultant Company No. 1 - Frontline Secutiries Ltd.	
33,15,043 equity shares of a face value of Rs. 10 each [C]	399.82
Total Book Value of Investment Business-1 [A+B+C]	987.90



BOOK VALUE OF INVESTMENT BUSINESS 2 OF HOPE CONSULTANTS LTD.
[TO BE DEMERGED INTO FSL SOFTWARE TECHNOLOGIES LTD.]

(As on March 31, 2014)	
Particulars	Amount Rs. In lacs
Non-Current Investments	
Investment in Mutual Funds	137.38
Sub-total (Non Current Investments) [A]	137.38
Current Assets	
Investment in Mutual Funds	313.89
Sub-total (Current Assets) [B]	313.89
Total [A+B]	451.27
Investment in the Resultant Company No. 2 - FSL Software Technologies Ltd.	
4,21,395 equity shares of a face value of Rs. 10 each [C]	84.28
Total Book Value of Investment Business-2 [A+B+C]	535.55



CALCULATION OF SHARE EXCHANGE RATIO FOR DEMERGER

Demerger of Investment Business-1 of Hope Consultants Ltd. into Frontline Securities Ltd.		
Book Value of the Investment Business-1 to be demerged into Frontline Securities Ltd., (excluding investment in shares of the Resultant Company No. 1 - Frontline Securities Ltd.) [Rs. in lacs]	A	588.08
Fair Value Per Equity Share of Frontline Securities Ltd. (In Rs)	B	55.37
Equity Shares to be issued as consideration for demerger of Investment Business-1 of Hope Consultants Ltd. into Frontline Securities Ltd., (excluding investment in shares of the Resultant Company No. 1 - Frontline Securities Ltd.) [A/B]	C	1062091
Equity Shares to be issued in lieu of investment of the Demerger Company - Hope Consultants Ltd. in the Resultant Company No. 1 - Frontline Securities Ltd.	D	3315043
Total number of shares to be issued on demerger of Investment Business-1 of Hope Consultants Ltd. into Frontline Securities Ltd. [C+D]		4377134
Existing number of shares in Hope Consultants Ltd.		733245
Share Exchange factor		5.97
Share Exchange Ratio		6:1 [i.e., 6 (six) Equity Shares of Rs. 10 each, credited as fully paid up, of the Resultant Company No. 1 - Frontline Securities Ltd. for every 1 (one) Equity Share of Rs. 10 each, held in the Demerged Company - Hope Consultants Ltd.]

Demerger of Investment Business-2 of Hope Consultants Ltd. into FSL Software Technologies Ltd.		
Book Value of the Investment Business-2 to be demerged into FSL Software Technologies Ltd., (excluding investment in shares of the Resultant Company No. 2 - FSL Software Technologies Ltd.) [Rs. in lacs]	A	451.27
Fair Value Per Equity Share of FSL Software Technologies Ltd. (In Rs.)	B	18.42
Equity Shares to be issued as consideration for demerger of Investment Business-2 of Hope Consultants Ltd. into FSL Software Technologies Ltd., (excluding investment in shares of the Resultant Company No. 2 - FSL Software Technologies Ltd.) [A/B]	C	2449891
Equity Shares to be issued in lieu of investment of the Demerger Company - Hope Consultants Ltd. in the Resultant Company No. 2 - FSL Software Technologies Ltd.	D	421395
Total number of shares to be issued on demerger of Investment Business-2 of Hope Consultants Ltd. into FSL Software Technologies Ltd. [C+D]		2871286
Existing number of shares in Hope Consultants Ltd.		733245
Share Exchange factor		3.92
Share Exchange Ratio		4:1 [i.e., 4 (four) Equity Shares of Rs. 10 each, credited as fully paid up, of the Resultant Company No. 2 - FSL Software Technologies Ltd. for every 1 (one) Equity Share of Rs. 10 each, held in the Demerged Company - Hope Consultants Ltd.]

