

**VALUATION REPORT
OF PREFERENCE SHARES of
R.T. EXPORTS LIMITED**

**FOR REDUCTION OF CAPITAL
UNDER SECTION 66 OF COMPANIES ACT, 2013**

BY

**M/s. KEYUR SHAH & CO.
CHARTERED ACCOUNTANTS**



Introduction:

We have been appointed by **R.T. Exports Limited ("RTEL" / "the Company")** as an Independent Valuer for the purpose of determining valuation of preference shares issued by the Company to comply with the requirements of Para I(A)(4) of Annexure I of SEBI Circular no. CFD/DIL3/CIR/2017/21 dated March 10, 2017.

Scope of the Report

The Company proposed to undertake a Scheme of Reduction of Capital for reduction of Preference Share Capital of the Company ("Scheme") pursuant to Section 66 of the Companies Act, 2013 and other applicable provisions / rules made thereunder.

Our scope of services under this letter is restricted to the services specified in scope of work as above and does not cover any other services including, illustratively, the following:

- Legal advice, opinion and representation in any form;
- Accounting and taxation matters, opinion and representation in any form;
- Any other certification services.

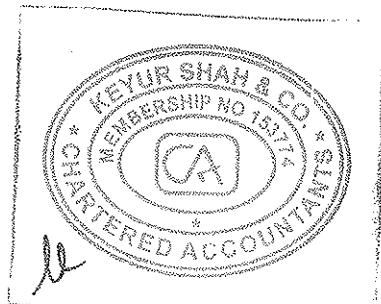
Reliance would be placed on the information that may be provided by the Company. We will not independently verify the accuracy of data provided to us for review.

The valuation in the present case involves valuation of preference share capital of the Company and valuation of equity shares of the Company is not envisaged pursuant to the Scheme. Therefore, this valuation is performed on a limited scope basis.

Information Sources:

The Following sources of information were used in preparing the valuation report:

1. Memorandum and Articles of Association of R.T. Exports Limited.
2. Audited Financial Statements of R. T. Exports Limited for financial year 2016-17 and 2017-18 along with reports attached thereto.
3. Terms and Conditions of the issue of preference shares viz., 9% Cumulative Preference Shares and 6% Non-Cumulative Preference Shares.



Company Profile:

The Company was incorporated as a Private Company under the name R.T. Exports Private Limited on May 01, 1980 with the Registrar of Companies, Mumbai. The Company converted into public company and fresh Certificate of Incorporation was issued by the Registrar of Companies, Mumbai on December 18, 1992 in the name of R.T. Exports Limited.

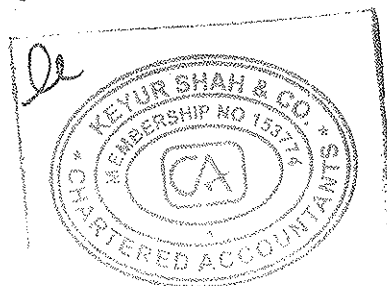
The Company is presently listed on Bombay Stock Exchange Limited ("BSE").

The Company is engaged in the business of exports and trading of agri-products, especially Basmati Rice.

Statement of Limiting Conditions:

This valuation relies upon the following contingent and limiting conditions:

1. This valuation involves valuation of preference share capital of the Company. Valuation of equity shares of the Company was not required to be undertaken.
2. During the course of the valuation, we have been provided with Financial Statements of Company. We have evaluated the information provided to us through broad inquiry, analysis and review (but have not carried out a due diligence or audit of the Financial Statements of Company for the purpose of this engagement, nor have we independently investigated or otherwise verified the data provided). The terms of our engagement were such that we were entitled to rely upon the information provided without detailed inquiry. Also, we have been given to understand that the company has not omitted any relevant and material factors which could impact the valuation result. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility for any errors in the above information furnished by the Company and their impact on the present exercise. Our work does not constitute an audit, due diligence or certification of the historical or projected financial statements of the Company. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information referred to in this Report. A draft report was shared with the Company, prior to finalization of the report, for confirmation of facts, key assumptions, Company projections and other management representations.
3. All information provided by the client and others is assumed to be accurate. However, we offer no assurance as to its accuracy.
4. Absent a statement to the contrary, we have assumed that no hazardous conditions or materials exist which could affect the subject business or its assets. However, we are not qualified to establish the absence of such conditions or materials, nor do we assume the responsibility for discovering the same.
5. The scope of this valuation is for the deriving value of preference shares issued by R.T. Exports Limited for the proposed reduction of preference shares. Not all pertinent information has been considered nor was a comprehensive valuation undertaken. This may affect the value conclusions presented in this report.



6. The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed.
7. The opinion of value expressed in this report does not obligate us to render a comprehensive business appraisal report, to give testimony, or attend court proceedings with regard to the subject business assets, properties or business interests, unless such arrangements have been made previously.
8. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by us.
9. No investigation of the Company's claim to title of assets of the business has been made for the purpose of this valuation 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. No responsibility is assumed for matters of a legal nature. We were not required to carry out a legal due diligence review.
10. This report is valid only for the date specified herein.

METHODS OF VALUATION:

1. Asset Based Approach (Asset Backing Method):

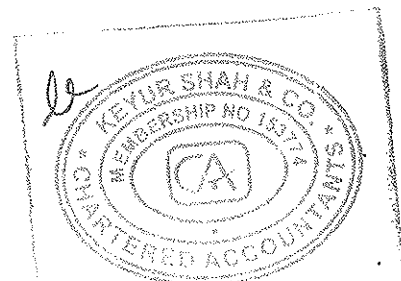
Since the valuation is made on the basis of the assets of the company, it is known as Assets-Based Approach or Asset-Backing Method. The shares are valued on the basis of real internal value of the assets of the company and that is why the method is also termed Intrinsic Value Method or Real Value Basis Method. Asset Backing Method is calculated either i) Net Asset Value ii) Price to Book Multiple.

The Net Assets Value, as at the latest audited balance sheet date, will be calculated starting from the total asset of the company or of the branch and deducting there from all debts dues, borrowings and liabilities, including current and likely contingent liabilities and preference capital, if any in other words, it should represent the true net worth of the business after providing for all outside present as well as potential liabilities.

2. Profit Earning Capitalisation Value Method (PECV Method):

Under this method, average past profits are taken into account. The Earning per Share of the Company is multiplied by an appropriately selected rate like Industry PE Ratio. The resultant figure shows value of equity shares.

3. Market value for quoted shares:



The value of the shares is computed on the basis of market price / traded price of the shares recognised by the stock exchanges. This method considered Market Price for following periods:

- The High and Low price of the preceding two years and
- The High and Low price of each of the months in the preceding 12 months

4. Approach Selected :

The methods described above hold good for the purpose of valuation of equity shares. Since the present exercise involves valuation of preference shares, the above mentioned methods are not applicable. Hence we have evaluated the value of preference shares on the basis of terms of issue and redemption of preference shares.

VALUATION OF TWO CATEGORIES OF PREFERENCE SHARES i.e. 9% CUMULATIVE PREFERENCE SHARES AND 6% NON CUMULATIVE PREFERENCE SHARES:

Background of 7,00,000, 9% Cumulative Preference Shares (Category 'A') :

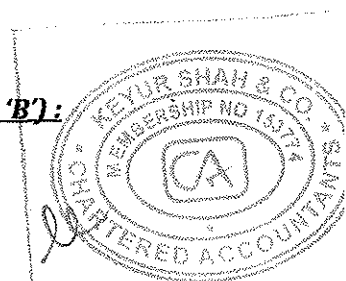
RTEL has issued and allotted 7,00,000, 9% Cumulative Preference Shares of face value of Rs. 100/- each fully paid-up on March 31, 2014.

We understand from Management of the Company, that these Category 'A' shares are due to be redeemed on or before March 31, 2020. The Category 'A' Preference Shareholders have waived their right to receive dividend on Category 'A' preference shares till March 31, 2020.

Terms of the issue of these 9% Cumulative Preference Shares are as follows:

1. The Preference shares are issued at par, i.e. at Face Value of Rs. 100/- each, fully paid up.
2. The date of redemption of Preference Shares shall be March 31, 2020.
3. Preference Share shall be 9% (nine percent) cumulative preference shares.
4. The Preference Shares transferable in the same manner as Equity Shares of the Company and the provisions of the Articles of Association as applicable to the transfer / transmission of equity shares, mutatis mutandis, apply to the transfer / transmission of shares.
5. If any Certificate(s) is/are mutilated or defaced or the cages for recording transfers are fully utilized, the same may be replaced by the Company against the surrender of such Certificates upon payment by the claimant of such costs, as may be determined by the Company. Provided where the Share Certificates is mutilated or defaced, the same may be replaced as aforesaid only if the distinctive numbers and the certificate number are legible.

Background of 7,95,415, 6% Non Cumulative Preference Shares (Category 'B') :



RTEL has issued and allotted 11,98,258, 6% Non-Cumulative Preference Shares of Rs. 100/- each fully paid-up May 8, 2003. On October 15, 2008, out of these preference shares, 4,02,843 preference shares were redeemed and balance 7,95,415 preference shares were due to be redeemed.

We understand from Management of the Company, that these Category 'B' shares are due to be redeemed on or before March 31, 2020. The Category 'B' preference shareholders have waived their right to receive dividend on Category 'B' preference shares till March 31, 2020.

Terms of the issue are as follows:

1. The Preference shares are issued at par, i.e. at Face Value of Rs. 100/- each, fully paid up.
2. The date of redemption of Preference Shares is March 31, 2020.
3. Preference Share shall be 6% (six percent) non-cumulative redeemable preference shares.

CONCLUSION :

The Company is not in a position to redeem the aforesaid preference shares in absence of profits. Thus, the Company intends to reduce its Preference Share Capital in accordance with Section 66 and other applicable provisions of Companies Act, 2013 and payment of consideration to Preference Shareholders will be made as and when funds would be available with the Company within a period of 3 (three) years from the effective date and till such time, the amount payable will be treated as loan in the books of accounts of the Company.

The rate of interest payable by the Company on such outstanding loan shall be as per the provisions of Section 186(7) of Companies Act, 2013 and rules made thereunder.

Under asset based approach, valuation of equity shares is made on the basis of net assets of the company. This method is not applicable in the present case as the shares being valued are not equity shares.

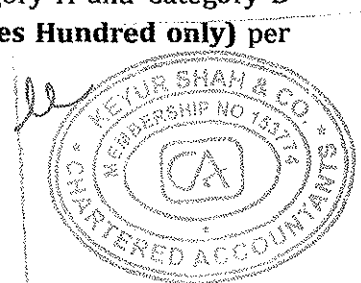
PECV method is also used to value equity shares of a company where earning per share of the company is multiplied by an appropriately selected rate e.g. Industry PE Ratio. This method is also not applicable in the present case as the shares being valued are not equity shares.

Since both the categories of preference shares of the Company are not listed on any stock exchange(s), market value of preference shares is also not available.

Further, preference shares being valued are redeemable at par value.

After considering above methods and facts of the case, we have determined that none of the above valuation methods are applicable in the present case.

Accordingly, we have formed our opinion that the fair value of Category A and Category B preference shares is equivalent to the face value i.e. **INR 100/- (Rupees Hundred only)** per share, which is also its redemption value.



Annexure I

Computation of fair value of Category A and Category B preference shares of R.T. Exports Limited as on March 31, 2018

Valuation Approach	R.T. Exports Limited	
	Value per Preference Share (9% Cumulative Preference Shares And 6% Non-Cumulative Preference Shares)	Weight
Asset Approach	N.A.	N.A.
Income Approach	N.A.	N.A.
Market Approach	N.A.	N.A.
Relative Value per Share	N.A.	N.A.
Exchange Ratio (rounded off)		N.A.

Note :

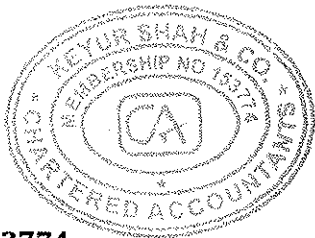
After considering various methods of valuation and facts of the case, we have determined that none of the above valuation methods are applicable in the present case since, the company intends to reduce its Category A and Category B preference share capital which are redeemable at par value.

These preference shares are not listed on any stock exchange(s) and are redeemable at par as per the terms of issue of these preference shares. Accordingly, we have formed our opinion that the fair value of Category A and Category B preference shares is equivalent to the face value i.e. **INR 100/- (Rupees Hundred only) per share.**

**For M/s. Keyur Shah & Co.
Chartered Accountants
Firm Rreg. No.: 141173W**



**Keyur B. Shah
Proprietor
Membership No.: 153774**



**Date : September 20, 2018
Place : Ahmedabad**