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STRICTLY PRIVATE & CONFIDENTIAL

Date: 22nd June, 2015

The Board of Directors
Consolidated Securities Limited
8/19, 3rd Floor WEA,
Pusa Lane, Karol Bagh,
New Delhi - 110005

The Board of Directors
CSL Holdings Private Limited
8/19, 3rd Floor WEA
Pusa Lane, Karol Bagh,
New Delhi - 110005

Re: Recommendation of Fair Exchange Ratio for the purpose of proposed Amalgamation of CSL Holdings Private Limited into Consolidated Securities Limited.

Dear Sirs,

We have been requested by the management of Consolidated Securities Limited (hereinafter referred to as "CSL") and CSL Holdings Private Limited (hereinafter referred to as "CHPL") to recommend a fair share exchange ratio for the proposed amalgamation of CHPL into CSL with effect from the Appointed date of April 1, 2015 (hereinafter referred to as "Appointed Date").

1. SCOPE AND PURPOSE OF THIS REPORT

- 1.1 We have been given to understand that in order to *inter alia* simplify the shareholding structure of CSL and reduce shareholding tiers for the promoters of CSL; it is proposed that CHPL will amalgamate into CSL in accordance with the provisions of Sections 391 to 394 of the Companies Act, 1956 (hereinafter referred to as "Amalgamation"). Subject to necessary approvals, CHPL would be merged with CSL, with effect from the Appointed Date.
- 1.2 In this regard, we have been requested to recommend a fair exchange ratio for the proposed amalgamation of CHPL into CSL.

2. BRIEF BACKGROUND OF THE COMPANIES

2.1 Consolidated Securities Limited

- 2.1.1 CSL is a public limited company incorporated on 28th December, 1992, which is engaged, inter-alia, in the business of Secured Lending and Proprietary Investments. It is registered with the Reserve Bank of India as a non-deposit taking Non-Banking Financial Company (NBFC). The promoters of CSL (including CHPL) hold 74.79% of the entire share capital of CSL and the remaining 25.21% of the share capital of CSL is held by the general public.
- 2.1.2 The shares of CSL are listed on BSE Limited.

2.2 CSL Holdings Private Limited



- 2.2.1 CHPL is a private limited company incorporated on 2nd July, 1992, registered with the Reserve Bank of India as a non deposit accepting Non-Banking Financial Company and is engaged in the business of holding securities in the group company(s) for purposes other than trading of such securities. CHPL holds 73.33% of the share capital of CSL. The entire share capital of CHPL is held between M/s. CSL Capital Private Limited (holding 60.19%), the promoters of CHPL (who are also the promoters of CSL) and Mr.Rohit Gupta along with his family members (who are the ultimate promoters of CSL, CHPL, CSL Capital Private Limited), in the following percentage:

Shareholders	No. of equity shares of Rs.10/- each	Percentage
CSL Capital Private Limited (Formerly 'Deep Deposits & Leasing Private Limited'.)	5,93,400	60.19%
Rohit Gupta	3,60,330	36.55%
Rachita Gupta	5,600	0.57%
Sat Paul Gupta	6,300	0.64%
Kanta Rani	5,600	0.57%
Deepak Gupta	7,700	0.78%
Richima Gupta	7000	0.71%
Total	9,85,930	100.00%

3. SOURCES OF INFORMATION

For the purposes of this exercise, we have relied upon the following sources of information:

- Audited Balance Sheet of CHPL as on March 31, 2015.
- Audited Balance Sheet of CSL as on March 31, 2015.
- CSL data, as is available currently on BSE portal, as regards the shareholding pattern. Similarly, shareholding pattern of CHPL is also of the date 31st March, 2015 as provided by the management.
- Draft Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956.
- Such other information and explanation as we required and which have been provided by the management of CHPL and CSL.

We have not carried out any further due diligence or other tests on the data provided to us.

4. BASIS FOR DETERMINATION OF RATIO

CSL is the listed company with 25.21% of its shares held by general public. It is registered as a Non-deposit accepting NBFC and is into the business of making Proprietary Investments and Secured Lending.

CHPL is a holding company of CSL and has no other business. It does not have substantial assets other than the CSL shares it holds. It is debt free and has negligible liabilities.



As such, CHPL derives its value substantially from the investment it holds in CSL. CSL, on the other hand, being listed, derives its value from the market capitalisation. However, the same market capitalised value of CSL gets reflected in the value of shares of CHPL due to its holdings in CSL.

5. RECOMMENDED RATIO

- 5.1 Based on above, we recommend a fair exchange ratio of 34,33,363 fully paid up equity shares (face value of Rs. 10/- each) of CSL to be issued and allotted to the equity shareholders of CHPL in proportion of their holding in CHPL, for 9,85,930 fully paid up equity shares (face value of Rs.10/- each) of CHPL in the event of Amalgamation of CHPL into CSL.
- 5.2 In case CHPL acquires additional shares of CSL before the effective date without incurring additional liability, such number of fully paid-up equity shares (face value of Rs.10/- each) of CSL as the additional shares acquired, will also be issued and allotted to the equity shareholders of CHPL in proportion of their holding.
- 5.3 We believe that the above ratio is fair and equitable considering that all the shareholders of CHPL are and will, upon amalgamation, remain ultimate beneficial owners in the amalgamated company and in the same ratio (inter se) as before the amalgamation.
- 5.4 Upon Amalgamation of CHPL into CSL, the shareholders of CHPL would be entitled to the same number of shares of CSL which they own on the effective date of the proposed merger indirectly through their holding in CHPL. Pursuant to the amalgamation, there would be no change in the paid up capital of CSL.
- 5.5 The shareholding pattern of CSL remains the same. As per their latest filing with the BSE as on 31st March 2015, the promoters hold 74.79% shares of CSL (out of which CHPL holds 73.33%) and 25.21% shares are held by public. It will remain exactly the same, after the merger, the only difference being replacement of CHPL with the shareholders of CHPL becoming shareholders of CSL directly (the ultimate beneficial ownership remains the same).

This can be explained clearly by way of the following table showing shareholding pattern of CSL – pre merger and post merger:

Shareholding Pattern of CSL (Pre merger)

Category of shareholders	Name of the shareholder	No. of Shares held	%age of Shares
Promoter Group	CSL Capital Pvt. Ltd.	68,605	1.47
Promoter Group	CHPL	34,33,363	73.33
Promoter Group	Total Holding	35,01,968	74.79
Non Promoter Group	Public Shareholding	11,80,239	25.21
Total Shareholding		46,82,207	100.00

Shareholding Pattern of CSL (Post merger)

Category of shareholders	Name of the shareholder	No of Shares held	%age of Shares
Promoter Group	CSL Capital Pvt. Ltd.	68,605	1.47
Promoter Group	Shareholders of CHPL	34,33,363	73.33
Promoter Group	Total Holding	35,01,968	74.79
Non Promoter Group	Public Shareholding	11,80,239	25.21
Total Shareholding		46,82,207	100.00



Thus, it can be seen that the shareholding pattern of CSL, post merger, will be a mirror image of the shareholding pattern pre merger.

5.6 There is no impact on the minority shareholders of CSL as their percentage holding and rights are not diluted in any way.

Considering the all of the above, we are of the opinion that on a true reckoning of the economic and beneficial ownership, a mirror shareholding emerges. The interests of the shareholders especially the non-promoter shareholders are not affected, and therefore, the proposed share entitlement ratio in order to effect the Merger of CHPL into CSL is fair equitable and not prejudicial to the interests of the non-promoter shareholders of CSL.

Our recommendation is dependent upon the information furnished to us being complete in all material respects.

This report has been prepared for the Board of Directors of CHPL and CSL solely for the purpose of recommending a fair exchange ratio for the proposed amalgamation of CHPL into CSL.

The information contained herein and our report is absolutely confidential. It is intended only for the sole use and information of the Companies and only in connection with the proposed Amalgamation as aforesaid including for the purpose of obtaining requisite approvals. It is to be noted that any reproduction, copying 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.

For R. K. Baheti & Co.
(Chartered Accountants)

FRN No.:- 010528N

Ajay Baheti

(Partner)

Membership No.:- 088545

