



Chartered Capital And Investment Ltd.

Friday, July 10, 2015

To,

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

**FAIRNESS OPINION CERTIFICATE ON SHARE EXCHANGE RATIO FOR THE
PROPOSED AMALGAMATION OF CSL HOLDINGS PRIVATE LIMITED INTO
CONSOLIDATED SECURITIES LIMITED**

We have been appointed as an Independent Merchant Banker for furnishing a 'Fairness Opinion' on the share exchange ratio recommended by M/s. R. K. Baheti & Co., Chartered Accountants, vide their report dated June 22, 2015, in terms of Clause 24 of Listing Agreement.

We have been given to understand that 34,33,363 fully paid up equity shares (face value of Rs. 10/- each) of Consolidated Securities Limited ("CSL") to be issued and allotted to the equity shareholders of CSL Holdings Private Limited ("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.

We have examined the Report furnished by M/s. R. K. Baheti & Co., Chartered Accountants and corresponding share exchange ratio as proposed under the scheme of Amalgamation.

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We enclose herewith our Report on the Fairness of the share exchange ratio recommended by M/s. R. K. Baheti & Co., Chartered Accountants.

We hereby give our consent to present and disclose the Fairness Opinion in the general meetings of the shareholders of CSL and CHPL pursuant to Clause 24 of Listing Agreement and to the Registrar of Companies, NCT of Delhi & Haryana, New Delhi, BSE Ltd ('**BSE**'), and the High Court of Delhi at New Delhi and any other regulatory / competent authorities in connection with the proposed purpose outlined above.

We highly appreciate the co-operation and support received by us from your representatives during preparation of the said Report.

Thanking you,

Yours faithfully,

For Chartered Capital And Investment Limited



Mohib N. Khericha

Mohib N Khericha
Managing Director



**FAIRNESS OPINION ON SHARE EXCHANGE RATIO FOR THE PROPOSED
AMALGAMATION OF CSL HOLDINGS PRIVATE LIMITED INTO
CONSOLIDATED SECURITIES LIMITED**

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FAIRNESS OF SHARE EXCHANGE RATIO

I. TERMS OF REFERENCE

- 1.1 **Consolidated Securities Limited (CSL)** is listed on BSE and **CSL Holdings Private Limited (CHPL)** is an unlisted company.
- 1.2 The Board of Directors of CSL Holdings Private Limited and Consolidated Securities Limited are proposing to amalgamate CSL Holdings Private Limited with Consolidated Securities Limited under a scheme of merger/amalgamation under sections 391 to 394 of the Companies Act, 1956 and the appointed date has been fixed at April 1, 2015. The Share Exchange Ratio for the scheme of amalgamation has been decided based on the Report prepared by M/s. R. K. Baheti & Co., Chartered Accountants.
- 1.3 For the purpose of ascertaining the fairness of the share exchange ratio used by CSL Holdings Private Limited and Consolidated Securities Limited, have jointly appointed, CCIL, for furnishing a **Fairness Opinion**.

II. INFORMATION RECEIVED AND RELIED UPON BY US FOR THE FAIRNESS OPINION

- 2.1 We, CCIL, have prepared the **Fairness Opinion** on the basis of the following information provided to us:
 - a) Audited Balance Sheet of CHPL as on March 31, 2015.
 - b) Audited Balance Sheet of CSL as on March 31, 2015.
 - c) Shareholding pattern of CSL as on March 31, 2015 as available on BSE portal.
 - d) Shareholding pattern of CHPL as on May 31, 2015 and March 31, 2015 as provided by the management.
 - e) Draft Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956.





- f) Valuation Report dt. 22.06.2015 of M/s. R. K. Baheti & Co., Chartered Accountants.
- g) Such other information and explanation as we required and which have been provided by the management of CHPL and CSL.

2.2 Our work does not constitute an audit or certification of the historical financial statements of CSL Holdings Private Limited and Consolidated Securities Limited, including their working results referred to in this Report. Accordingly, we are unable to and do not express any opinion on the accuracy of any financial information referred to in this Report. We assume no responsibility for any errors in the information/clarifications submitted by the Managements and their impact on the present exercise. **This Fairness Opinion has been furnished on the methodologies and resultant share exchange ratio used by the Valuer.**

2.3 This Report is issued on the understanding that CSL Holdings Private Limited and Consolidated Securities Limited have drawn our attention to all the relevant matters, of which they were aware of, concerning the respective company's financial position and businesses, which may have an impact on this Report.

2.4 Our report is also subject to the limitations referred to in the report of M/s. R. K. Baheti & Co., Chartered Accountants.

III. BRIEF BACKGROUND OF COMPANIES UNDER REFERENCE

Consolidated Securities Limited

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. The shares of CSL are listed on BSE Limited.

CSL Holdings Private Limited

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 (NBFC) 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%
Ridhima Gupta	7,000	0.71%
Total	9,85,930	100.00%

PURPOSE OF AMALGAMATION

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").





IV. COMMENTS ON SHARE EXCHANGE RATIO FOR THE PROPOSED AMALGAMATION OF CSL HOLDINGS PRIVATE LIMITED INTO CONSOLIDATED SECURITIES LIMITED BY M/S. R. K. BAHETI & CO., CHARTERED ACCOUNTANTS

BASIS FOR DETERMINATION OF RATIO

- CSL is a 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.

RECOMMENDED RATIO

- Based on above, M/s. R. K. Baheti & Co., Chartered Accountants recommended a share 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.
- M/s. R. K. Baheti & Co., Chartered Accountants believed 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.





- 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.
- 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		<u>46,82,207</u>	<u>100.00</u>

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		<u>46,82,207</u>	<u>100.00</u>





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

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

V. OPINION ON VALUATION REPORT

The share exchange ratio has been arrived based on the methodology explained herein earlier and various qualitative factors relevant to each company and the business dynamics and growth potentials of the businesses of the companies, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

Based on the information, material, data made available to us, including the Report and working thereto, to best of our knowledge and belief, the Share Exchange Ratio suggested by M/s. R. K. Baheti & Co., Chartered Accountants proposed under the scheme of amalgamation is fair to the public shareholders of CSL and not prejudicial to the interests of the public shareholders of CSL.

