

ANNEXURE - 3

VALUATION REPORT PREPARED BY M/S SSPA & CO.



SSPA & CO.

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CERTIFIED TRUE COPY
For Chandni Textiles Engineering Industries Ltd.**STRICTLY PRIVATE & CONFIDENTIAL**

August 10, 2016


Company Secretary

The Board of Directors
Chandni Textiles Engineering Industries Limited
110, T.V. Industrial Estate,
52, S.K. Ahire Marg,
Worli, Mumbai - 400030.

The Board of Directors
Chandni Machines Private Limited
110, T.V. Industrial Estate,
52, S.K. Ahire Marg,
Worli, Mumbai - 400030.

Re: Report on recommendation of Share Entitlement Ratio for the demerger of "Engineering Division" of Chandni Textiles Engineering Industries Limited into Chandni Machines Private Limited

Dear Sirs,

We have been requested by the management of Chandni Textiles Engineering Industries Limited (hereinafter referred to as "CTEIL") and Chandni Machines Private Limited (hereinafter referred to as "CMPL"), (hereinafter collectively referred to as "Companies") to recommend a share entitlement ratio for the proposed demerger of "Engineering Division" of CTEIL (hereinafter referred to as "Engineering Division" or "the Division") into CMPL with effect from appointed date of 1 Jul 2016 ("Appointed Date").

1. BACKGROUND**1.1 Chandni Textiles Engineering Industries Limited**

CTEIL, incorporated on 17 Jun 1986, is engaged in the business of sourcing of machinery and manufacturing of textile products. Business activities of CTEIL can be classified into following two divisions:

- Engineering Division: Engaged in sourcing of engineering machinery
- Textile Division: Engaged in manufacturing of velvet fabrics

The equity shares of CTEIL are listed on BSE Limited.



1.2 Chandni Machines Private Limited

CMPL was recently incorporated on 12 Apr 2016. Presently, CMPL does not carry on any business activity. CMPL is a wholly owned subsidiary company of CTEIL.

1.3 The demerger is proposed to be carried out through a scheme of arrangement under section 391 to 394 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956 and other applicable notified provisions of the Companies Act, 2013 ("Scheme"). Under the Scheme, Engineering Division of CTEIL will be transferred to CMPL and in consideration, equity shares of CMPL would be issued to the equity shareholders of CTEIL. Further, the existing equity shares held by CTEIL in CMPL would be cancelled pursuant to the demerger. We are informed that demerger will be in accordance with the provisions of section 2(19AA) of the Income Tax Act, 1961.

1.4 Further, we have been informed by the management of CTEIL that prior to the aforesaid demerger, CTEIL is proposing to consolidate its equity shares whereby 10 equity shares of INR 1 each will be consolidated into 1 equity share of INR 10 each.

2. SOURCES OF INFORMATION

For the purpose of this exercise, we have relied upon the following sources of information as provided by the management of the Companies (hereinafter referred to as the "Management"):

- (a) Audited financial statements of CTEIL for the year ended 31 Mar 2016.
- (b) Provisional balance sheet of CMPL as at 30 Jun 2016.
- (c) Position of assets and liabilities of Engineering Division of CTEIL as at 30 Jun 2016 prepared in compliance with section 2(19AA) of the Income Tax Act, 1961.
- (d) Such other information and explanations as we required and which have been provided by the Management.

3. LIMITATIONS & EXCLUSIONS

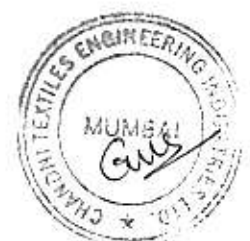
3.1 Our report is subject to the scope limitations detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein.

3.2 No investigation on the Companies claims to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid.

Therefore, no responsibility is assumed for matters of a legal nature.



- 3.3 Our work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Our analysis and results are specific to the purpose of this report as per agreed terms of our engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 3.4 We have not carried out audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 3.5 Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed demerger and transfer with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising from such proposed demerger and transfer.
- 3.6 Any third person/party intending to provide finance/invest in the shares/businesses of any of the Companies/Engineering Division, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 3.7 It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed transfer as aforesaid or pursuant to a legal or regulatory requirement, can be done only with our prior permission in writing.
- 3.8 This report is prepared only in connection with the proposed demerger and transfer exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
- 3.9 SSPA & Co., nor its partners, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in this report.



4. **RECOMMENDATION OF ENTITLEMENT RATIO**
- 5.1 Based on discussions with the Management and keeping in mind the future equity servicing capacity and minimum share capital requirement of CMPL, the equity share entitlement ratio has been recommended.
- 5.2 Based on our review, information made available to us, work performed and discussions with the management of the Companies, in our opinion, the following share entitlement ratio in consideration for the demerger of Engineering Division would be reasonable:
- Prior to Consolidation of share capital of CTEIL:
- 1 (One) equity share of CMPL of INR 10 each fully paid up for every 50 (Fifty) equity shares of CTEIL of INR 1 each fully paid up
- Post Consolidation of share capital of CTEIL:
- 1 (One) equity share of CMPL of INR 10 each fully paid up for every 5 (Five) equity shares of CTEIL of INR 10 each fully paid up
- 5.3 We believe that the above ratio is fair considering that all the shareholders of CTEIL are and will, upon demerger, be the ultimate beneficial owners of CMPL in the same ratio (inter se) as they hold shares in CTEIL.

Thank you,
Yours faithfully,

SSPA & CO.

SSPA & Co.
Chartered Accountants
Firm Registration Number: 128851W



Place: Mumbai