

**SCHEME OF AMALGAMATION
OF**

**THE HIMACHAL PRADESH STATE SMALL INDUSTRIES &
EXPORT CORPORATION LIMITED
WITH**

**H.P. STATE INDUSTRIAL DEVELOPMENT
CORPORATION LIMITED**

This Scheme of Amalgamation in Public Interest provides for the amalgamation of THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED, a wholly owned Himachal Pradesh State Government Company within the meaning of Section 617 of the Companies Act, 1956 with H.P. STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED another wholly owned by Himachal Pradesh State Government Company within the meaning of Section 617 of the Companies Act, 1956, with the Approval of the Central Government, Ministry of Corporate Affairs pursuant to Sections 391-394 and other applicable provisions if any of the Companies Act, 1956 .

**SCHEME OF AMALGAMATION
OF
THE HIMACHAL PRADESH STATE SMALL INDUSTRIES &
EXPORT CORPORATION LIMITED
WITH
H.P. STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED**

1. DEFINITIONS

In this scheme, unless inconsistent with the subject or context, the following expressions shall have the followings meanings.

- a) **“Act”** means the Companies Act, 1956 and includes any statutory modifications or amendments thereof for the time being in force.
- b) **"The Appointed Date"** means the 1st day of April, 2009 or as may be approved by the appropriate authority.
- c) **"The Transferor Company"** means **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** (HPSSI&ECL) a wholly owned Government Company U/S 617 of the Companies Act 1956 and having its Registered Office at Kishore Bhawan, The Mall, Shimla 171001.
- d) **"The Transferee Company"** means H.P. STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED (HPSIDC), a Government. Company U/S 617 of the Companies Act 1956 and having its Registered Office at New Himrus Building, 4TH & 5TH FLOOR, Cart Road, Shimla 171001. The Company is wholly owned by H.P. State Government.
- e) **"The Effective Date"** means the day on which the last of the sanctions/permissions/approvals specified in the scheme shall have been obtained and certified copy of the orders filed with the Registrar of Companies, Chandigarh.
- f) **“Scheme” or “the Scheme” or “this Scheme”** means this Scheme of amalgamation in its present form submitted to the Central Government or any other appropriate authority or with any modification(s) made under Clauses 11 and 15 of this Scheme.

2. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modification(s) approved or imposed or directed by the Central Government or any other appropriate authority shall be operative from the Appointed Date but shall be effective from the Effective Date.

3. SHARE CAPITAL

The **share capital of HPSSI &ECL as at 31.03.2009** is as under:

Authorised

300,000 Equity Shares of Rs. 100/- each Rs 30, 000,000

Issued, Subscribed & Paid-up

246077 Equity Shares of Rs. 100/- each Rs 24,607,700

The **share capital of HPSIDC as at 31.03.2009** is as under:

A) Authorised Share Capital

5000000 Equity shares of Rs.100/- each. Rs 500,000,000.00

B) Issued, Subscribed and Paid-up

2959399 Equity shares of Rs.100/- each Rs 295,939,900.00

4) VESTING OF UNDERTAKING

4.1) With effect from the Appointed date, and subject to the provisions of this Scheme in relation to the mode of transfer and vesting the undertaking and the entire business and all the movable and immovable properties including fixed assets, capital works in progress, current assets, investments, powers, authorities, allotments, approvals and consent, licenses, registrations, contracts engagements, arrangements, rights, title, interest, benefits and advantages of whatsoever nature and where so ever situated belonging to or in the ownership, power or possession and in the control of or vested in or granted in favor of or enjoyed by the Transferor Company, including but without being limited to all, trade marks, trade names and other property rights of any nature whatsoever and licenses in respect thereof, privileges, liberties, easements, advantages, exemptions, benefits, leases, leasehold right, tenancy rights, ownership of flats, quota rights, permits approvals, authorizations, right to sue and avail of telephones, telexes, facsimile connections and installations, utilities, electricity and other services, reserves, deposits, provisions, funds, benefit of all agreements and all other interests arising to the Transferor Company thereafter collectively referred to as the said assets shall be transferred to and vested in and or deemed to be transferred to and vested in the Transferee Company pursuant to the provisions of Sections 391-394 of the said Act for all the estate, right, title and interest of the Transferor Company therein.

4.2) The said assets shall without any further act, instrument, deed, matter or thing, be transferred to and vested in the Transferee Company on the Appointed Date by a vesting order made pursuant to the provisions of Sections 391-394 of the said Act and such transfer and vesting shall be deemed to have taken place at the location of the Registered Office of the Transferee Company.

4.3) With effect from the Appointed date, all debts, liabilities, duties and obligations of the Transferor Company (hereinafter referred to as the said liabilities) shall also be and stand transferred or deemed to be transferred, without any further act, instrument or deed to the Transferee Company, as to become as and from the Appointed date, the debts, liabilities, duties and obligations of the Transferee Company

4.4) The transfer of the said assets and the said liabilities of the Transferor Company to the Transferee Company and the continuance of all the contracts or proceedings by or against the Transferee Company shall not affect any contract or proceedings relating to the said assets or the said liabilities undertaken by or instituted by or against the Transferor Company on/ after the Appointed date.

5. BUSINESS AND PROPERTY IN TRUST FOR HPSIDC

With effect from the Appointed date, the Transferor Company:

5.1) shall carry on and be deemed to have carried on all its business and activities and shall be deemed to have held and stood possessed all the said assets for and on account of and in trust for the Transferee Company.

5.2) shall for all purposes treat the profits or incomes or expenditure or losses arising or incurred by it to be the profits or incomes or expenditures or losses of the Transferee Company as the case may be.

5.3) shall not vary the terms and conditions of the employment of the employees except in the ordinary course of business.

5.4) shall not without the written consent of the Transferee Company, undertake any new business.

6. LEGAL PROCEEDINGS

All suits, actions and proceedings of whatsoever nature by or against the Transferor Company shall be continued and be enforced by or against the Transferee Company as effectual as if the same had been pending and/or arising against the Transferee Company.

7. CONTRACTS, DEEDS ETC

Subject to the provisions of this Scheme, all contracts, deeds, bonds, agreements,

arrangements and other instruments of whatsoever nature to which the Transferor Company is a party or to the benefits of which the Transferor Company may be eligible and which are subsisting or having effect shall be in full force and effect against or in favor of the Transferee Company as the case may be and may be enforced as fully and effectively as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto.

8. DISCHARGE OF CONSIDERATION

Upon the Scheme becoming finally effective, in consideration of the transfer and vesting of the Undertaking of the Transferor Company, the Transferee Company shall subject to the provisions of the Scheme and without any further application, act or deed, issue and allot at par Equity Shares of Rs. 100/- (Rupees One hundred only) each credited as fully paid-up in the capital of the Transferee Company to the members of the Transferor Company whose names appear in the Register of Members of the respective Transferor Company on a date (Record Date) to be fixed by the Board of Directors of the Transferee Company or to such of their respective heirs, executors, administrators or other legal representatives or other successors in title as may be recognized by the Board of Directors of the Transferee Company and approved by them to be placed on its register names in the following proportion:

(a) 2:1 One Equity Share of Rs 100/- each of the Transferee Company for every two shares of Rs 100/- each of the Transferor Company be allotted at par to the shareholders of the Transferor Company, whose names are recorded in the Register of Members or their heirs, executors, administrators, or other legal representatives or their successors in title as the case may be, for Equity Shares held by the said Shareholders in the Transferor Company

8.2 Any cross holding shall be cancelled.

8.3 No fractional shares shall be issued by the Transferee Company in respect of the fractional entitlements, if any, to which the members of the Transferor Company may be entitled on issue and allotment of the New Equity Shares of the Transferee Company.

8.4 The New Equity Shares of the Transferee Company to be issued and allotted in lieu of the Equity Shares of the Transferor Company shall rank pari- passu in all respect with the existing Equity Shares of the Transferee Company.

8.5 On the approval of the Scheme by the shareholders of the Transferee Company pursuant Sections 391-394 of the Act, it shall be deemed that the said shareholders have also accorded their consent under Section 81(1A) of the Act or other provisions of the Act as may be applicable with regard to allotment of further equity shares to shareholders of Transferor Companies under the Scheme..

9. STAFF, WORKMEN & EMPLOYEES

(a) All employees in the service of the Transferor Company immediately preceding the Effective Date shall become employees of the Transferee Company on the basis that:

(i) Their services shall be deemed to have been continuous and not have been interrupted by reason of the said transfer;

(ii) The terms and conditions of service applicable to employees after such transfer shall not, in any way, be less favorable to them than those applicable to them immediately preceding the transfer. The designation and seniority of employees of transferor Company shall be rationalized in line with the designations of employees of transferee Company. The State Government shall as soon as possible after the commencement of the Scheme, make a Scheme for determining the placement of the employees of transferor Company including the determination of their interse seniority vis-a- vis the employees transferee Company. While making the Scheme, the state Government shall take account of relevant factors such as experience of the employees of transferor Company.

(b) it is expressly provided that as far as the provident fund, gratuity scheme, superannuation scheme or any other special schemes/ funds created or existing for the benefit of the employees of the Transferor Company are concerned, upon the coming into effect of this scheme, the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever, related to the .administration or operation of such schemes or funds or in relation to the obligation to make contributions to the said funds in accordance with the provisions of such schemes/ funds as per the terms provided in the respective trust deeds to the end and intent that all the rights, duties, powers and obligations of the Transferor Company in relation to such schemes/ funds shall become those of the Transferee Company. It is clarified that the services of the employees of the Transferor Company will be treated as having been continuous for the purpose of the aforesaid scheme funds.

10. ACCOUNTING TREATMENT IN THE BOOKS OF HPSIDC

On the Scheme becoming effective, the Transferee Company shall account for the merger in its books of accounts as per Accounting Standard-14, as under:

10.1 On and from the Appointed Date and subject to the provisions hereof and such other corrections and adjustments as may, in the opinion of the Board of Directors of the Transferee Company, be required and except to the extent required otherwise by law, the Reserves of the Transferor Company shall be merged with the corresponding Reserves of the Transferee Company.

10.2..All assets and liabilities, including reserves, of the Transferor Company transferred to the Transferee Company under the Scheme, shall be recorded in the books of account of the Transferee Company at the book value as recorded in the Transferor company books of account as per Accounting Standard-14.

10.3 The difference between the Share Capital of the Transferor Company and the amount recorded as Additional Share Capital issued by the Transferee Company on amalgamation shall, subject to other provisions contained herein, be reflected in the General Reserves of the Transferee Company and such Reserves shall be available for distribution by the Transferee Company.

10.4 The amount standing in the Miscellaneous Expenditure Account of the Transferor Company shall be adjusted against General Reserves as per clause 7.3 above.

10.5 In case of any difference in accounting policy between the Transferor Company and the Transferee Company, the impact of the same till the Appointed Date will be quantified and adjusted in the General Reserves of the Transferee Company to ensure that the Financial Statements of the Transferee Company reflect the financial position on the basis of consistent accounting policy.

11. MODIFICATIONS/AMENDMENTS TO THE SCHEME

The Transferor Company (by its Board of Directors or any of its Committees or Managing Director or any person(s) duly authorized by the Board in that regard) and the Transferee Company (by its' Board of Directors or any of its Committees or Managing Director or any person(s) duly authorized by the Board in that regard) may from time to time, make or assent to any modifications or amendments to this Scheme or to any conditions or limitations which the Central Government and/or any authority under law may require to approve of or may impose to settle all doubts, question of interpretation or difficulties that may arise for carrying out or in implementation of the Scheme and to do and execute all acts, deeds and things that may be required for putting the Scheme into effect and may give all such directions as are necessary in this regard.

12. GENERAL TERMS

It is clarified that all taxes payable by the Transferor Company relating to the transferred undertaking, from the Appointed Date onwards including all or any refunds and claims shall, for all purposes, be treated as the Tax liabilities or refund or claims of the Transferee Company. Accordingly, upon the Scheme becoming effective, the Transferee Company is expressly permitted to revise VAT and Sales tax, Excise and other Tax returns, and to claim refunds/credits ,if any, wherever deemed necessary ,pursuant to the provisions of the Scheme.

13 MERGER IN PUBLIC INTEREST

Both the Companies are engaged in the business of similar activities .Further, both the Companies are Government Companies U/S 617 and belong to Government of Himachal Pradesh and have common Chairman and Nominee Directors appointed by the State Government. In order to avoid duplication of efforts, it is proposed to go in for amalgamation. The operations of both the companies are similar and more or less the same which could be ideally brought under single control so that a considerable saving and reduction in administrative expenses, overheads etc, may be affected. Further it would result in synergy of operations and lead to a more efficient use of the available resources and utilization of manpower from common pool. The Scheme of Amalgamation would be advantageous and beneficial to the members, creditors and employees of both the Companies. The detailed Justification of the amalgamation in Public Interest is given here under:

(a) The interest of the existing employees of the Transferor Company shall be protected with continuity of employment, better utilization of manpower and opportunity for enhancement of technical knowledge and expertise being provided.

(b) The men, material, machineries and methods of the Transferor Company which were under utilized, shall be properly, gainfully and efficiently utilized and may be upgraded with new technology. The up gradation of the systems and induction of new methods, the Transferor Company would augment the base and thereby resulting in the optimal utilization of men, material, machineries and methods.

(c) The consolidated entity shall provide strategic and competitive advantage especially at the time when many large companies are integrating vertically and horizontally. The proposed amalgamation of the Transferor Company with the Transferee Company is in line with current global trends to achieve size, scale, integration and greater financial strength and flexibility. The consolidated entity is likely to achieve higher long term financial returns than could be achieved individually by the Transferor Company.

(d) The proposed amalgamation of both the companies will bring administrative and operational rationalization, organizational efficiencies and rationalization in economies of scale and more optimal utilization of various resources. The synergies created by the merger may lower the cost of borrowing, increase operational efficiency and integrate other functions. This would contribute towards enhancement of shareholders value and public money.

- In order to avoid duplication of efforts, cost savings, pooling of resources, man power, experts, the operations of both the companies should be ideally brought under single control which would result into a considerable savings of public money and drastically reduction in administrative expenses, overheads etc.

-Further it would result in synergy of operations and lead to a more efficient use of the

available resources and utilization of manpower from common pool.

-The Scheme of Amalgamation would be advantageous and beneficial to the members, creditors and employees, of both the companies.

-After the amalgamation, the Transferee Company will achieve economy of scale by operating on a larger scale and result in optimum utilization of management and other resources.

- Control and management of both the companies would be more effective after amalgamation due to better utilization of the manpower from the common pool of technical and managerial personnel.

14. CONDITIONALITY OF THE SCHEME

The Scheme is specifically subject to:

- a) Approval of the Scheme by the Board and Members of the Transferor and the Transferee Companies.
- b) Both the Companies making an application U/s 391-394 of the Act to Central Government, Ministry of Corporate Affairs for sanction of the scheme and necessary order under Sections 391-394 of the said Act being obtained.
- c) Certified or authenticated copy of the Order of the Central Government, Ministry of Corporate Affairs sanctioning the Scheme being filed with the Registrar of Companies, Chandigarh by the Transferor and the Transferee Companies.

15 WINDING UP

On the Scheme becoming effective, the Transferor Company shall stand dissolved without being wound up.

16. EFFECT OF NON-RECEIPT OF APPROVALS/SANCTIONS

In the event of the Scheme not being sanctioned by the Central Government, Ministry of Corporate Affairs or orders not being passed as aforesaid, the Scheme of Amalgamation will become null & void and shall be of no effect. However, the Transferor and transferee Company may represent and approach the Central Government to review its decision.

17. COSTS, CHARGES & EXPENSES

All costs, charges and expenses of the Transferor Company and Transferee Company respectively in relation to or in connection with this Scheme and of carrying out and

completing the terms and provisions of this Scheme and/or incidental to the completion of amalgamation of the undertaking of the Transferor company in pursuance of this Scheme, shall be borne and paid by the Transferee Company alone.

VALUATION OF SHARES OF

**HIMACHAL PRADESH STATE INDUSTRIAL
DEVELOPMENT CORPORATION LIMITED**

&

**THE HIMACHAL PRADESH STATE SMALL
INDUSTRIES & EXPORT CORPORATION LIMITED**

DETERMINATION OF SHARE EXCHANGE RATIO

Chapter - I

ASSIGNMENT

We have been asked by **Himachal Pradesh State Industrial Development Corporation Limited** to value the Shares of **Himachal Pradesh State Industrial Development Corporation Limited** and **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** for the purpose of the proposed scheme of merger and to determine the share exchange ratio.

CHAPTER - II

2.0 MERGER AND BENEFITS:

2.1 A merger is a combination of two or more companies into one company which may involve absorption or consolidation. In absorption, one company acquires the assets and liabilities of another company and in a consolidation two or more companies combine to form a new company.

In the instant case **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** will be absorbed by **Himachal Pradesh State Industrial Development Corporation Limited** The Shareholders of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** will be getting shares of **Himachal Pradesh State Industrial Development Corporation Limited** in exchange of their holdings.

Chapter – I11

3.0 Himachal Pradesh State Industrial Development Corporation Limited.

3.1 The Corporation was incorporated with the name **Himachal Pradesh Mineral and Industrial Development Corporation Limited** on .25th day of November,1966 and its name was later on changed to **Himachal Pradesh State Industrial Development Corporation Limited** on 21st October,1986. The Registered Office of the Company is at The New Himrus Building, 4th & 5th Floor, Cart Road, Shimla 171001. The CIN of the Company is **U70109HP1966SGC002683**.The Company is wholly owned by the Government of Himachal Pradesh. The Main Objects include, to Promote, improve, establish, execute, manage and administer industries projects or enterprises and the State of Himachal Pradesh etc.

3.2 The Corporation is managed by a Board of Directors comprising of:

1.	Mr. Kishan Kapoor
2.	Mr P Mitra IAS
3	Mr K.K.Pant,IAS
4.	Mr Ram Subhag Singh, IAS
5	Mr Kashmir Chand, IAS
6.	Mr Manoj Kumar, IAS

3.3 The Authorized, Issued, Subscribed and Paid-up Share Capital as at 31-03-2009, are as under:

Authorized

5,000,000 Equity Shares of Rs. 100/- each Rs. 500,000,000

Issued, Subscribed & Paid-up

2,959,399 Equity Shares of Rs. 100/- each Rs. 295,939,900

Chapter – IV

4.0 THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED

The Himachal Pradesh State Small Industries & Export Corporation Limited was incorporated in the year,1966 vide **CIN U51219HP1966SGC002675** The Registered Office of the Company is situated at # Kishore Bhawan, The Mall, Shimla-171001

The Company is managed by its Board of Directors comprising of:

S.No.	NAME
1.	Mr. Kishan Kapoor
2.	Mr P.Mitra, IAS
3.	Mr Manoj Kumar, IAS
4.	Mr K.K.Pant, IAS
5.	Mr R.K.Sood, IFS

6.3 The Authorized, Issued, Subscribed and Paid-up Share Capital as at 31-03-2009 are as under:

Authorized

300,000 Equity Shares of Rs. 100/- each Rs 30,000,000

Issued, Subscribed & Paid-up

2, 46,077 Equity Shares of Rs. 100/- each Rs 24,607,700

Chapter – V

5.1 The procedure for this merger would normally involve the following:

- i) Approval of Financial Institutions/ Banks etc.
- ii) Examination of object clause of Memorandum of Association of both the Companies.
- iii) Approval of the draft: scheme of merger by the respective Boards and Members of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** and **Himachal Pradesh State Industrial Development Corporation Limited**
- vi) Consent/Dispatch of Notices to Shareholders of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** and **Himachal Pradesh State Industrial Development Corporation Limited**.
- v) Applications to the Central Government.
- vi) Filing of the Order with the Registrar of Companies.
- vii) Transfer of Assets and liabilities after the passing of final Orders by the Central Government.
- viii) Issue of Shares, if any.

2.4 Management of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** is envisaging that the following advantages which inter alia will accrue to them on the merger with **Himachal Pradesh State Industrial Development Corporation Limited**.

- a) To have integration, which would not have been otherwise possible.
- b) The business of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** and **Himachal Pradesh State Industrial Development Corporation Limited** can be conveniently combined more efficiently as the Directors and Shareholders in both the Companies are common i.e .Nominees of H.P. State Government.
- c) To promote better and economical planning of future capital expenditure and also ensure more intensive use of existing capacities.
- d) To achieve savings and economics of scale. The merger will also result in operational economics, greater earnings stability, faster growth, and improvement in managerial effectiveness.
- e) To economize in use of floating capital and loans.

CHAPTER – VI

VALUATION - PRINCIPLES & METHODS

6.1 'Valuation' as Lord Simon observed in *Gold Coast Selection Trust Limited V. Humphry*, (1949) 17, ITR Supplement 10 (HL), "is an art and not an exact science. Mathematical certainty is not demanded not indeed is possible. If the asset is difficult to value, but is nonetheless of a money value, the best possible valuation must be made"

6.2 The three basic factors which affect the value of company's share are its earnings, dividends, assets value and may be evidenced by actual sales. The relative importance's of these factors vary.

6.3 The fair appraisal of the worth of any particular company involves essentially, the determination of a fair market value as going concern. The valuation of a going concern involves considerations of several methods and their application to a particular business depending upon the specific features of that business. Each valuation is a custom-made approach and no set formula has been devised or would be valid for all circumstances. However, every approach to valuation follows certain scientific principles and reasoning. An appraisal of opinion regarding valuation, in a sense, is a prediction or prophecy, which must be based, in part, on certain intangible factors and estimates of future results based on past results. A sound valuation may be based on past result.

6.4 One could argue for the immense merit in accepting and adhering to an all pervasive concept to have consistency, uniformity and objectivity, but a close scrutiny would reveal that a single concept may not serve all the purposes very well. To develop a meaningful valuation concept, one must accord a due importance to user groups and their specific needs.

CHAPTER – V11

Methods of Valuation

- ∴ Earnings capitalization method
- ∴ Net Assets Value method
- ∴ Market Price method
- ∴ Present Value of Future Cash Flow

Each method proceeds on the different fundamental assumptions which have greater or lesser relevance for business valuation. Thus the method which is adopted for a particular valuation is largely dependent on the facts of a particular' case.

7.1 The Earnings Capitalization Method involves determination of maintainable earnings level of a business from its normal operations. These earnings, considered on a post tax basis, are then capitalized at a rate, which in the opinion of the values, combines an adequate expectation of reward from the Company and risk to arrive at the business value. Since **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** Non Profit making Company hence this method has not been applied in the instant case.

7.2 The market price method evaluates the value of a business on the basis of price quoted on the stock exchange. Average of quoted price is considered as indicative of the value perception of company by investors operating under free market. Since the shares of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** and **Himachal Pradesh State Industrial Development Corporation Limited** are not listed on any stock exchange(s), hence this method has not been followed in this valuation report.

7.3 The present value of future cash flow method essentially amounts to a projection of the future operating cash inflows and outflows, the Company is likely to generate or commit and discounting these future flows to the present value at a suitable interest rate, that expresses the extent of return and nature of risk inherent in the business. This method, though a sound and scientific one, could be employed when all the factors involved in the calculations namely, capital base, its composition - Equity, Preference and loan - terms of redemption, the rate of interest, precise future cash inflows and outflows are all known. Since **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** is non profit making Company hence this method has also not been applied in the instant case and if applied would not give suitable valuation.

CHAPTER-V111

8.0 METHODOLOGY AND ASSUMPTIONS – Himachal Pradesh State Industrial Development Corporation Limited.

8.1 VALUATION METHODS ADOPTED:

8.1.1 The value of shares of **Himachal Pradesh State Industrial Development Corporation Limited** has been calculated on the following method:

-. Net Assets basis

8.2 ASSUMPTIONS

8.2.1 In order to carry out the above assignment, we have ascertained the value of share of **Himachal Pradesh State Industrial Development Corporation Limited.** as on 31-03-2009. Our enquiry of the financial position of **Himachal Pradesh State Industrial Development Corporation Limited,** was based on audited accounts for the last one year ended on 31st March, 2009

8.2.2 The various data that we have used for the purpose of valuation have been obtained from the company and we have relied on the data, as true and correct.

8.2.3 As per the management of **Himachal Pradesh State Industrial Development Corporation Limited.** , current assets, loans and advances have got a value on realization

in ordinary course of business at least equal to the amount at which they are stated in the accounts except to the extent disclosed.

8.2.4 While calculating the value of the shares, value of intangible assets have been ignored. Similarly, appreciation/depreciation in value of inventories, if any, due to price increase and obsolescence has been ignored.

8.2.5 Discussions were also held with officials of **Himachal Pradesh State Industrial Development Corporation Limited**. and information and explanations provided by them have been accepted. Our study was based on documentary evidences and audited accounts produced before us and we have not verified the books of account, assets etc. of **Himachal Pradesh State Industrial Development Corporation Limited**.

CHAPTER-1X

9.0 METHODOLOGY AND ASSUMPTIONS – THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED

9.1 VALUATION METHODS ADOPTED:

9.1.1 The value of shares of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** has been calculated on the following method:

-. Net Assets basis

9.2 ASSUMPTIONS

9.2.1 In order to carry out the above assignment, we have ascertained the value of shares of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** as on 31-03-2009. Our enquiry of the financial position of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** was based on audited accounts for the last year ended on 31st March, 2009.

9.2.2 The various data that we have used for the purpose of valuation have been obtained from the company and we have relied on the data, as true and correct.

9.2.3 As per the management of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED**, current assets, loans and advances have got a value on realization in ordinary course of business at least equal to the amount at which they are stated in the accounts except to the extent disclosed.

9.2.4 While calculating the value of the shares, value of intangible assets have been ignored. Similarly, appreciation/depreciation in value of inventories, if any, due to price increase and obsolescence has been ignored.

9.2.5 Discussions were also held with officials of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** and information and

explanations provided by them have been accepted. Our study was based on documentary evidences and certificates produced before us and we have not verified the books of account, assets etc. of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED**

CHAPTER – X

10.0 VALUATION OF SHARES OF The Himachal Pradesh State Industrial Development Corporation Limited. And THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED

In the foregoing chapters, we have discussed the methods of valuation, methodology and assumptions, past performance of **The Himachal Pradesh State Industrial Development Corporation Limited** and **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** purpose of valuation etc.

10.1 The Himachal Pradesh State Industrial Development Corporation Limited

10.1.1 As per the Net Assets method, the value of each of the **The Himachal Pradesh State Industrial Development Corporation Limited** share as at 31-03-2009 comes to Rs. 172 per share (Appendix I)

10.2 THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED

10.2.1. As per the Net Assets method, the value of each of the **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** share as at 31-03-2009 comes to Rs 78 per share (Appendix II)

CHAPTER –1X

11.0 CONCLUSION

11.1 The financial statements made available to us have been relied upon in conducting the valuation of shares. The objective of the exercise is to provide an independent opinion on value of shares based on certain assumptions, circumstances and specified purpose and not for short term speculative gains.

11.2 We do not guarantee that our opinion on the Share Valuation mentioned above will be realized, if any transaction is effected.

11.3 Based on the assumptions and factors underlying the calculation as outlined in the report:

(a) The fair value of each share (face value Rs. 100/- each) of **The Himachal Pradesh State Industrial Development Corporation Limited** as mentioned in paragraph 10.1.1 comes to Rs.162 per share.

(b) The fair value of each share (face value of Rs. 100 each) of **THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED** as mentioned paragraph 10.2.1 comes to Rs. 78 and the exchange ratio works out to 2.08:1.(The Shareholders of Transferor Company will get one share of Transferee Company against their 2.08 shares)

11.4 EXCHANGE RATIO:

As the NAV of HPSSI & ECL is Rs. 78 and NAV of HPSIDC is Rs. 162, hence the Registered shareholders of HPSSI & ECL will get 1 Equity share of HPSIDC in exchange of their 2 shares.

Appendix – I

The Himachal Pradesh State Industrial Development Corporation Limited
Net Assets of the Transferee Company
The Himachal Pradesh State Industrial Development Corporation Limited

		BOOK VALUE
		31/03/2009
(A) FIXED ASSESTS		
Net Block As per Books	25,524,814	
Capital work in Progress	0	
(B) INVESTMENTS	1600,010	
(C) Current Assets		
1) Sundry Debtors	9,019,631	
2) Cash and Bank Balances	187,610,685	
3) Loans and Advances	312,680,321	
4)Interest Accrued on Fixed Assets/Deposits	109,504	
5) Inventory	314,613,085	824,033,226
TOTAL ASSETS		

LESS:		
A. Current Liabilities	273,755,705	
B. Provisions	49,539,530	
C. Deferred Tax Liabilities	19,431,300	
D. Misc. Expenditure Ex-Gratia on Voluntary Retirement Scheme	2,493,616	345,220,151
NET ASSETS		478,813,075
NAV		
Divided By 2959399 Equity Shares of Rs. 100/ Each		
Book Value Per Share		161.79
SAY		162

Appendix- II

THE HIMACHAL PRADESH STATE SMALL INDUSTRIES & EXPORT CORPORATION LIMITED

(Transferor Company)

NET ASSET VALUE METHOD

		BOOK VALUE 31/03/2009
(A) FIXED ASSESTS		
Net Block As per Books	36,10,970	
(B) INVESTMENTS	60000	
(C) Current Assets		
1) Inventories	44,49,404	
2) Loans and Advances	4,80,57,556	
3) Sundry Debtors	58,873	
4) Cash & Bank Balances	5,26,93,394	
5) Other current Assets	18,88,832	
		10,71,48,062

TOTAL ASSETS		
LESS:		
a). Current Liabilities	8,74,52,496	
b) Provisions	4,43,461	8,78,95,957
NET ASSETS(NAV)		1,92,52,105
Divided By 246077 Equity Shares of Rs. 100 Each		78.23
Book Value Per Share		78.23
		78
SAY		