ANNEXURE - C

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May 5, 2017

The Board of Directors,
Kaycee Industries Limited
Corporate Office 32,
Ramjibhai Kamani Road,
Ballard Estate,
Mumbai – 400 001

The Board of Directors,
RDJ Constructions Private Limited
CMS Lake Road Center,
70 Lake Road, Kaycee Industrial Compound,
Bhandup (West),
Mumbai – 400 078

Re: Recommendation of fair share entitlement ratio for the purpose of proposed demerger of Demerged Undertaking of Kaycee Industries Limited into RDJ Constructions Private Limited.

Dear Sirs,

As requested by the management of Kaycee Industries Limited (hereinafter referred to as "KIL") and RDJ Constructions Private Limited (hereinafter referred to as "RCPL") (hereinafter collectively referred to as "Companies"), we have undertaken the valuation exercise of Demerged Undertaking of KIL for recommending the fair share entitlement ratio for the purpose of proposed demerger of 'Demerged Undertaking' of KIL into RCPL.

1. PURPOSE OF VALUATION

1.1 We have been informed that the Board of Directors of the Companies are considering a proposal for the demerger of Demerged Undertaking of KIL into RCPL pursuant to the provisions of Sections 230 to 232 and other applicable provisions of the Companies Act 2013, including rules and regulations made thereunder (hereinafter referred to as "Scheme"). Subject to necessary approvals, Demerged Undertaking of KIL would be demerged into RCPL with effect from the Appointed Date of April 1, 2017. In consideration of demerger of the Demerged Undertaking into RCPL, equity shares or redeemable preference shares of RCPL would be issued to the equity shareholders of KIL at their option. The existing share capital of RCPL will be cancelled on demerger.

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1.2 For this purpose, we have carried out valuation of the Demerged Undertaking of KIL (including its investment in RCPL) with a view to recommend fair share entitlement ratio of equity shares or 7.5% non-convertible redeemable preference shares of RCPL to be issued to the equity shareholders of KIL for consideration of the Board of Directors of the Companies.

2. BRIEF BACKGROUND

2.1. KAYCEE INDUSTRIES LIMITED

2.1.1. KIL is the leading provider of electrical and electronic components in India for the last 70 years. KIL provides service to a wide gamut of industries. The core business activities of the company are manufacturing and trading of industrial switches, counters, water meters, electrical components, etc.

2.1.2. KIL holds 100% equity share capital of RCPL. KIL owns immovable property consisting of land and building at Bhandup, Mumbai directly and indirectly through RCPL which is leased out to tenants. The said property leasing activity is non-core business activity of KIL. The shares of KIL are listed on BSE Limited.

2.2. RDJ CONSTRUCTIONS PRIVATE LIMITED

2.2.1. RCPL was incorporated on March 21, 2000. The main objective of the company is to build or acquire commercial or residential infrastructure and letting out or selling the same for generation of income.

3. SOURCES OF INFORMATION

For the purposes of our valuation exercise, we have relied upon the following sources of information as provided to us by the management of the Companies:

(a) Audited Financial Statements of RCPL and KIL for the financial year (FY) 2015-2016.

(b) Management certified financial statement of RCPL for FY 2016-17.

(c) Management certified position of assets and liabilities of the Demerged Undertaking proposed to be demerged into RCPL as at March 31, 2017.

(d) Draft Scheme of Arrangement.

(e) Fair Valuation report of immovable properties of the Demerged Undertaking and RCPL from Kanti Karamsey & Co. Advisors LLP dated April 24, 2017.

(f) Such other information and explanations as we have required and which have been provided by the Management.

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(g) Other relevant details regarding the Companies such as their history, past and present activities, existing shareholding pattern and other relevant information and data, including information in the public domain.

4. EXCLUSIONS AND LIMITATIONS

4.1. 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.

4.2. No investigation of the Companies' claim to title of assets has been made for the purpose of this valuation and their 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. Therefore, no responsibility is assumed for matters of a legal nature.

4.3. Our work does not constitute an audit or certification of the historical financial statements results including the working results of the Companies / Demerged Undertaking 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. Valuation analysis and results are specific to the purpose of valuation and the valuation date mentioned in the report is as per agreed terms of our engagement. It may not be valid for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.

4.4. A valuation of this nature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the management of the Companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies / Demerged Undertaking and any other matter, which may have an impact on our opinion, on the fair value of the shares of the Companies / Demerged Undertaking including any significant changes that have taken place or are likely to take place in the financial position of the Companies / Demerged Undertaking, subsequent to the Appointed Date for the proposed demerger. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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4.5. In the course of the valuation, we were provided with both written and verbal information. We have however, evaluated the information provided to us by the Companies through broad inquiry, analysis and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Public information, estimates, industry and statistical information relied in this report have been obtained from the sources considered to be reliable. However, we have not independently verified such information and make no representation as to the accuracy or completeness of such information from or provided by such sources. Our conclusions are based on the assumptions, forecasts and other information given by/on behalf of the Companies. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.

4.6. Our report is not, nor should it be construed as our opining or certifying the compliance of the proposed demerger 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.

4.7. This Report is prepared only in connection with the proposed demerger exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.

4.8. Any person/ party intending to provide finance / invest in the shares / business of the Companies 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.

4.9. 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 demerger as aforesaid, can be done only with our prior permission in writing.

4.10. SSPA & Co., nor its partners, managers, employees makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which the valuation is carried out. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in the valuation.

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5. **VALUATION APPROACH**

5.1. For the purpose of valuation for demerger, generally the following approaches are adopted:

(a) the "Underlying Asset" approach

(b) the "Income" approach; and

(c) the "Market" approach

The intrinsic value of the Demerged Undertaking of KIL is derived from the underlying fair value of fixed assets (i.e. land & building) and investment in RCPL. The lease rentals do not fully capture the value of the business. Hence, Income Approach has been ignored for the present valuation exercise.

There is no separate market price available for the Demerged Undertaking of KIL hence, market approach has not been adopted.

Hence, we have thought fit to consider the 'Underlying Asset' approach for the present valuation exercise after considering the fair value of land & building and investment in RCPL.

5.2. **UNDERLYING ASSET APPROACH**

5.2.1. In case of the "Underlying Asset" approach, the value is determined by dividing the net assets of a company/undertaking by the number of shares. The value of land & building and investments is considered at their respective fair value and all other assets and liabilities have been considered at their book values.

5.2.2. In arriving at the Net Assets Value, we have made appropriate adjustments for appreciation in the value of investments and appreciation in value of land & building after considering tax impact wherever applicable.

5.2.3. The underlying net assets value as arrived above is divided by the outstanding number of equity shares to arrive at the value per share.

6. **RECOMMENDATION OF FAIR SHARE ENTITLEMENT RATIO**

6.1. The fair basis of demerger of the Demerged Undertaking of KIL into RCPL would have to be determined after taking into consideration all the factors and methodologies mentioned hereinabove.

6.2. As mentioned earlier, the Management of the Companies are proposing to issue 1 equity share of RCPL of INR 10 each fully paid up for every 1 equity share of KIL of INR 100 each fully paid up at the option of the shareholder of KIL.

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6.3. Based on the above, a ratio of 1 (One) equity share of INR 10 each fully paid up of RCPL for every 1 (One) equity share of KIL of INR 100 each fully paid up to equity shareholders of KIL in consideration for the demerger of Demerged Undertaking would be fair and reasonable, considering that all the shareholders of KIL are and will, upon demerger, be the ultimate beneficial owners of RCPL in the same ratio (inter se) as they hold shares in KIL.

6.4. As mentioned earlier, the shareholders of KIL have an option to receive 7.50% non-convertible redeemable preference shares (NCRPS) of face value of INR 100 each of RCPL on proposed demerger of Demerged Undertaking of KIL. These NCRPS are redeemable at par on expiry of 12 months from the date of allotment.

6.5. For the purpose of issue of NCRPS to the shareholders of KIL for the proposed demerger we have considered the "Underlying Asset" Approach for arriving at the value per share of Demerged Undertaking of KIL.

6.6. The fair share entitlement ratio has been arrived on the basis of valuation of the shares of the Demerged undertaking based on the approach explained herein earlier and various qualitative factors and the business dynamics of the business of the Demerged Undertaking of KIL, having regard to information base, management representations and perceptions, key underlying assumptions and limitations.

6.7. In the ultimate analysis, valuation will have to involve the exercise of judicious discretion and judgment taking into account all the relevant factors. There will always be several factors, e.g. present and prospective competition, yield on comparable securities and market sentiments, etc. which are not evident from the face of the balance sheets but which will strongly influence the worth of a share. This concept is also recognized in judicial decisions. For example, Viscount Simon Bd in Gold Coast Selection Trust Ltd. vs. Humphrey reported in 30 TC 209 (House of Lords) and quoted with approval by the Supreme Court of India in the case reported in 176 ITR 417 as under:

'If the asset takes the form of fully paid shares, the valuation will take into account not only the terms of the agreement but a number of other factors, such as prospective yield, marketability, the general outlook for the type of business of the company which has allotted the shares, the result of a contemporary prospectus offering similar shares for subscription, the capital position of the company, so forth. There may also be an element of value in the fact that the holding of the shares gives control of the company. If the

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asset is difficult to value, but is nonetheless of a money value, the best valuation possible must be made. Valuation is an art, not an exact science. Mathematical certainty is not demanded, nor indeed is it possible.'

6.8. In light of the above and on consideration of all the relevant factors and circumstances as discussed and outlined hereinabove earlier in this report, in our opinion, a fair share entitlement ratio in the event of demerger of the Demerged Undertaking of KIL into RCPL would be either:

1 (One) equity share of RCPL of INR 10 each fully paid for every 1 (One) equity share of KIL of INR 100 each fully paid; OR

70 (Seventy) 7.50% non-convertible redeemable preference shares of RCPL of INR 100 each for every 1 (One) equity share of KIL of INR 100 each fully paid.

Thank you,
Yours faithfully,

SSPA & Co.

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SSPA & CO.
Chartered Accountants
Firm registration number: 128851W

Signed by **Vikram Jain, Partner**
Membership No. 114613

Place: Mumbai

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