ANNEXURE – 3

28

Doogar& Associates
Chartered Accountants
3rd Floor, 13 Community Centre,
East of Kailash,
New Delhi -110065

Lunawat & Co.
Chartered Accountants
54, Daryaganj,
New Delhi -110002

To,
The Board of Directors
Bengal and Assam Company Limited
7, Council House Street,
Kolkata,
West Bengal – 700001

To,
The Board of Directors
Florence Investech Limited
3rd Floor, Patriot House,
3 Bahadur Shah Zafar Marg,
New Delhi – 110002

To,
The Board of Directors,
JK Fenner (India) Limited
3, Madurai -Melakkal Road
Madurai - 625016

To,
The Board of Directors,
BMF Investments Limited
4th Floor, Patriot House,
3 Bahadur Shah Zafar Marg,
New Delhi – 110002

12thJune, 2017

Dear Sir / Madam,

Sub:

Recommendation of Share Allotment Ratio for the amalgamation of Florence Investech Limited and BMF Investments Limited in consideration of issue and allotment of shares in Bengal And Assam Company Limited to the Equity Shareholders of Florence Investech Limited and JK Fenner India Limited (other than Bengal and Assam Company Limited itself) and Exchange of shares of JK Fenner India Limited for shares of Bengal and Assam Company Limited at the option of Equity Shareholders of JK Fenner India Limited

Dear Sir,

We refer to engagement letter dated 11th May, 2017 between **Doogar & Associates, Chartered Accountants,** and **Bengal and Assam Company Limited** and engagement letter dated 15th May, 2017 between **Lunawat & Co., Chartered Accountants** and **Bengal and Assam Company Limited,** wherein Bengal and Assam Company Limited ("BACL"), Florence Investech Limited ("Florence"), J.K. Fenner India Limited (Fenner) and BMF Investments Limited ("BMF") (together referred to as "the Companies") have requested Doogar & Associates, Chartered Accountants and Lunawat & Co., Chartered Accountants (hereinafter referred individually as "D&A", and "Lunawat" and collectively as "we"), for recommendation of the Share Allotment Ratio.

CERTIFIED TO BE TRUE
For Bengal & Assam Company Ltd.
Secretary

New Delhi

FRN : 000629N
NEW DELHI

Scope & Purpose of Valuation

We understand that the management of BACL, Florence, BMF, and Fenner proposes to amalgamate Florence & BMF in consideration of issue and allotment of shares in Bengal and Assam pursuant to scheme of amalgamation between BACL, Florence, BMF, and Fenner and their respective shareholders under section 230 to 232 of the Companies Act, 2013.

In this regards, we have been appointed to undertake the fair valuation of the Companies to determine the share allotment ratio for the proposed scheme.

The scope of our services is to conduct a relative valuation of the shares of the Companies and to recommend a Share Allotment Ratio in accordance with generally accepted valuation methodology.

This Report is subject to the scope limitations and disclaimers detailed hereinafter. As such, the report is to be read in totality, not in parts, in conjunction with the relevant documents referred to therein.

SOURCES OF INFORMATION

For the aforementioned purpose, we have relied on the following information about the Companies received from the management and / or gathered from public domain:

- ✓ Audited Financial Statement of BACL, Florence, Fenner, and BMF along with provisional/ audited financial statements of relevant subsidiary, associate, and group companies for the financial year 2016-17, 2015-16, and 2014-15;
- ✓ Management Certified Projected Standalone financial statements of the relevant Companies from 1 April 2017 onwards, with key financial assumptions;
- ✓ Management Certified Fair Value of Immovable Properties;
- ✓ Management Assumptions related to Risk and Growth Projections;
- ✓ We have also received necessary explanations and information, which we believed were relevant to the present valuation exercise from the executives and management of the company;
- ✓ Information (industry related as well as company specific) available on various public domains;
- ✓ Latest Shareholding pattern of the Companies;
- ✓ Draft Scheme of Arrangement

For our analysis, we have also relied on published and secondary source of data. We have not independently verified the accuracy or timeliness of the same.

LODHA & ASSOCIATES FRN: 00056N New Delhi Chartered Accountants

LUNAWAT & CO. FRN: 000629N NEW DELHI CHARTERED ACCOUNTANTS

SCOPE LIMITATIONS & DISCLAIMERS

- ✓ This Valuation Report, its contents and the results herein are specific to the purpose mentioned in this report; specific to the date of this Valuation report and based on the audited / provisional balance sheet of the companies as at 31 March 2017. The management has represented that the business activities of BACL, Florence, Fenner and BMF have been carried out in the normal and ordinary course and we have been given to understand that there has not been any material change since 1 April 2017 and date hereof in their respective operations and financial position.

- ✓ In accordance with the terms of our engagement, we have assumed and relied upon, without independent verification, (i) the accuracy of information made available to us by the Companies and (ii) the accuracy of the information that was publicly available, and formed substantial basis for this Report. We have not carried out a due diligence or audit of the Companies, nor have we independently investigated or otherwise verified the data provided by the Companies. We do not express any form of assurance that the financial information or other information as prepared and provided by the Companies is accurate. Also, with respect to explanations and information sought from the Companies, we have been given to understand by the Companies that they have not omitted any relevant and material factors and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness.

- ✓ The Enterprise Value/ Equity Value arrived at under DCF approach is based on the working capital position as conveyed to us on zero date and any change in the same on the closing date would impact the cash flow and, hence, the valuation.Our conclusions are based on these assumptions and information given by/ on behalf of the Companies. The respective management of the Companies has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results. Accordingly, we assume no responsibility for any errors in the information furnished by the Companies and their impact on the Valuation Report. However, nothing has come to our attention to indicate that the information provided was materially misstated / incorrect. We do not imply and it should not be construed that we have verified any of the information provided to us, or that our inquiries could have verified any matter, which a more extensive examination might disclose.

- ✓ During the course of work, we have relied upon the Financial Projections of Fenner along with subsidiaries & associates of BACL, Florence, Fenner and BMF, wherever relevant, as provided to us by the management. The realizations of the projections are dependent on the continuing validity of the assumptions on which they are based. Since, the projections relate to the future, actual results may be different from the projected results because events and circumstances do not occur as expected, and differences may be material.

Doogar & Associates Chartered Accountants New Delhi

- ✓ Valuation work, by its very nature, cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Given the same set of facts and using the same assumptions, expert opinion may differ due to number of separate judgement decisions, which have to be made. There can therefore be no standard formulae to establish an undisputable value, although certain formulae are helpful in assessing reasonableness. There is, therefore, no undisputable single allotment ratio. While we have provided our recommendation of the allotment Ratio based on the information available to us and within the scope and constraints of our engagement, others may have a different opinion as to the allotment ratio.

- ✓ This report and its contents is prepared for the Companies and to be used only for the specific engagement and regulatory reporting purposes and must not be copied, disclosed or circulated or referred to or quoted in any correspondence, registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or discussion with any person. The report is confidential to the Companies and it is given on the express undertaking that will not be communicated, in whole or in part, to any third party without prior written consent of the Valuers. Neither this report nor its contents may be used for any other purpose other than in connection with this Proposed Amalgamation without prior written consent of the Valuers.

- ✓ Whilst all reasonable care has been taken to ensure that the facts stated in the report are accurate and the opinions given are fair and reasonable, neither ourselves, nor any of our partners, officers or employees shall in any way be responsible for the contents stated herein. Accordingly, we make no representation or warranty, express or implied, in respect of completeness, authenticity or accuracy of such statements. We expressly disclaim any and all liabilities, which may arise based upon the information used in this report. We owe responsibility only to the Board of Directors of the Companies and nobody else. We are not Liable to any third party in relation to the issue of this report. In no event we shall be liable for any loss, damage, cost or expense arising in any way from fraudulent acts, misrepresentations or wilful default on the part of the Companies, their management, directors, employees or agents.

- ✓ A valuation of this nature is necessarily based on prevailing stock market, financial, economic and other conditions in general and industry trends in particular as in effect on, and the information made available to us as of, the date hereof. Events occurring after the date hereof, may affect this Report and the assumptions used in preparing it, and we have no obligation to update this Report.

- ✓ The Report assumes that the Companies comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that the Companies will be managed in a competent and responsible manner. Our conclusion of value assumes that the assets & liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the date hereof.

New Delhi
Chartered Accountants

- ✓ In addition, we express no opinion or recommendation as to how the shareholders or creditors of Companies should vote at their respective meeting(s) to be held in connection with the Proposed Amalgamation.
- ✓ The fee for this engagement is not contingent upon the results of this report.
- ✓ Any person / party intending to provide finance / deal in the shares / business of any of the Companies shall do so after seeking their own professional advice and after carrying out their own due diligence procedures and therefore forms reliable basis for the valuation.
- ✓ In the course of valuation, we were provided with both written and verbal information, including market, technical, financial and operating data.

BACKGROUND OF COMPANIES

Bengal and Assam Company Limited

BACL was incorporated in the year, 1947 and is a Core Investment Company registered with RBI and engaged in the business of holding of investment and renting of properties. BACL is listed only on Bombay Stock Exchange.

The shareholding pattern of the Company as on 31st March 2017 is as follows;

Category	No. of Shares	Shareholding % in Percentage
Promoter and Promoter Group	64,22,493	73.96%
Public and Others	22,61,060	26.04%
Total	**86,83,553**	**100%**

Source: BSE

Financial Snapshot of the Company;

(Amount, Rs. In Crores)

Equity & Liabilities	2015-16	2016-17
Shareholder's Fund	352.75	375.79
Non-Current Liabilities	161.51	153.46
Current Liabilities	37.36	44.70
Total	551.62	573.95
Assets		
Fixed Assets	17.64	17.36
Non-Current Investments	418.16	456.91
Other Non-Current assets	61.22	48.75
Current Assets	54.60	50.93
Total	551.62	573.95

Source: Audited Financial Statement

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Florence Investech Limited

Florence is also a Core Investment Company (CIC), but exempted from registration and is engaged in the business of investment in shares and securities majorly investing within the JK group companies. Florence is only listed on BSE.

The shareholding pattern of the Company as on 31 March 2017 is as follows:

Category	No. of Shares	Shareholding in Percentage
Promoter and Promoter Group	24,96,366	74.99%
Public and Others	8,32,578	25.01%
Total	**33,28,944**	**100%**

Source: BSE

Financial Snapshot of the Company

Equity & Liabilities	2015-16	2016-17
Shareholder's Fund	149.39	162.83
Non-Current Liabilities	0.05	0.06
Current Liabilities	0.69	0.25
Total	150.13	163.14
Assets		
Fixed Assets	0	0
Non-Current Investments	143.84	154.74
Other Non-Current assets	0.04	0.02
Current Assets	6.25	8.38
Total	150.13	163.14

Source: Audited Financial Statement

BMF Investments Limited

BMF is a Non-Banking Financial Company (NBFC) operating as an investment management firm. BMF is 100% subsidiary of JK Fenner (India) Limited. BMF is not listed on any stock exchange.

The shareholding pattern of the Company as on 31 March 2017 is as follows:

Category	No. of Shares	Shareholding in Percentage
Promoter and Promoter Group	301,995	100%
Public and Others	-	-
Total	**301,995**	**100%**

Source: Management Information

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Financial Snapshot of the Company

Equity & Liabilities	2015-16	2016-17
Shareholder's Fund	51.62	108.81
Non-Current Liabilities	-	220.23
Current Liabilities	13.45	30.67
Total	**65.07**	**359.71**
Assets		
Fixed Assets	-	-
Non-Current Investments	59.89	254.29
Other Non-Current assets	-	-
Current Assets	5.18	105.42
Total	**65.07**	**359.71**

Source: Audited Financial Statement

<u>JK Fenner (India) Limited</u>

Fenner is an operating company, and is engaged in manufacturing of mechanical power transmission and sealing solutions. Fenner has 7 manufacturing facilities spread over 5 geographical locations. Fenner is also not listed on any stock exchange.

The shareholding pattern of the Company as on 31 March 2017 is as follows:

Category	No. of Shares	Shareholding in Percentage
Promoter and Promoter Group	21,89,314	88.17%
Public and Others	2,93,752	11.83%
Total	**24,83,066**	**100%**

Source: Management Information

Financial Snapshot of the Company

Equity & Liabilities	2015-16	2016-17
Shareholder's Fund	417.65	465.16
Non-Current Liabilities	231.94	225.62
Current Liabilities	248.45	212.34
Total	**898.04**	**903.12**
Assets		
Fixed Assets	300.48	293.70
Non-Current Investments	351.07	130.45
Other Non-Current assets	31.07	248.96
Current Assets	215.42	230.01
Total	**898.04**	**903.12**

Source: Audited Financial Statement

VALUATION APPROACH

Arriving at the fair share allotment ratio for the proposed amalgamation would require determining the relative values of each company. These values are to be determined independently but on relative basis, and without considering the effect of proposed amalgamation.

The valuation methodology to be adopted varies from case to case depending upon different factors affecting valuation. The basis of valuation would depend on the purpose of valuation, nature of business, future prospects of the company & industry and other attendant circumstances.

Different methodologies are adopted for valuation of manufacturing, investment, property and trading companies. Investment and property companies are valued based on the market value or fair value of their underlying assets while manufacturing companies are valued in relation to profits from business and relative value of assets.

There are three generally accepted approaches to valuation:

- **COST APPROACH**
- **INCOME APPROACH**
- **MARKET APPROACH**

COST APPROACH:

The "cost" approach is based on the value of the underlying net assets of the business, either on a book value basis or realizable value basis or replacement cost basis This valuation approach is mainly used in case where the asset base dominate earnings capability or in case where the valuing entity is a Holding company deriving significant value from its Assets & Investments.

Under the Adjusted Net Asset Value ("NAV") Method, the assets and liabilities are considered at their realizable / market value including Intangible Assets and Contingent Liabilities if any which are not stated in the balance sheet. From the realizable value of the assets, the potential liabilities (including the preference share capital, if any) would be deducted.

For valuation of BACL, Florence, BMF, we have considered this method, as these entities have significant investments in their balance sheet and for valuation of Fenner which is an operating company, we have assigned appropriate weight to this method. We have estimated the NAV of equity shares of the companies as per balance sheet as at 31 March 2017 and made suitable adjustments for the fair value of investments and fixed assets.

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INCOME APPROACH

Discounted Cash Flow Method

The income approach is widely used for valuation under "Going Concern" basis. It focuses on the income generated by the company in the past as well as its future earning capability. The Discounted Cash Flow ("DCF") Method under the income approach seeks to arrive at a valuation based on the strength of future cash flows. Under the Discounted Cash Flow method (DCF), the projected free cash flows to the firm/ equity shareholders are discounted at the weighted average cost of capital/ cost of equity. The sum of the discounted value of such free cash flows is the value of the firm / equity. Using the DCF analysis involves determining the following:

Estimating Future free cash flows:

Free cash flows are the cash flows expected to be generated by the company that are available to the providers of the company's capital. We have taken the earnings before interest and tax, to which we have added depreciation. Further such earnings are adjusted for non-operating incomes and expenses so as to arrive at EBITDA. The perpetuity (terminal) value is calculated based on the business' potential for further growth beyond the explicit forecast period. Usually "constant growth model" is applied, which implies an expected constant level of growth for perpetuity in the cash flows over the last year of the forecast period.

Appropriate discount rate to be applied to cash flows:

The Free Cash Flows arrived at above are discounted at appropriate discount rate to arrive at the Present Value thereof. This discount rate should reflect the opportunity cost to the providers of capital. The opportunity cost equals the rate of return the capital provider expects to earn on other investments of equivalent risk. The discounting factor reflects not only the time value of money, but also risk associated with the business' future operations.

Enterprise Value

The Enterprise Value (aggregate of present value of explicit period and terminal period cash flows) so derived, is further adjusted for the borrowings, cash, non-operating assets liabilities (e.g. fair value of investments in subsidiaries / associates, value of surplus assets, any contingent liabilities, etc.) and preference shareholders liability, if any, to arrive at value to the owners of the business.

For valuation of Fenner, we have assigned appropriate weight to this method. The free cash flows available in the explicit period and those in perpetuity are discounted by discounting factor based on WACC.

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MARKET APPROACH

Under this approach, the valuation is based on the market value of the company in case of listed companies and comparable companies trading or transaction multiples for unlisted companies.

Comparable Company Quoted Multiple (CCM)/ Comparable Transaction Multiple (CTM) Method

Under CCM, value of the Company is arrived at by using multiples derived from valuations of comparable companies, as manifest through stock market valuations of listed companies. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation.

Under CTM, value of the company is arrived on the basis of transactions related to sale/ purchase/ investment in similar companies in the market outside of Stock Market.

Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances.

In the absence of comparable companies / transactions of same size, we have not considered this method for the purpose of valuation.

Market Price Method

This method is applicable for companies whose shares are quoted in recognized stock exchange within India. The market price of an equity shares as quoted on a stock exchange is normally considered as the value of the equity shares of that company where such quotations are arising from the shares being regularly and freely traded in, subject to the element of speculative support that may be inbuilt in the value of the shares.

Since the companies are regularly and freely traded on stock exchange, we did assigned appropriate weight to the Market Price Method, we have done calculation based on volume weighted average price of 26 weeks before the date of board meeting.

Minimum Pricing Guidelines (as per ICDR)

In compliance with the SEBI circular dated 10th March, 2017 and Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (ICDR Regulations), issuance of shares pursuant to order under section 230 to 234 of the Companies Act, 2013 requires to follow pricing guidelines that apply to preferential issue, if any such issue is to be made to shareholders of an unlisted company.

The Relevant date for the purpose of computing pricing shall be the last working day immediately prior to the date of the board meeting.

In the present case, the trading volumes of the equity shares of BACL were less than 10% of the total number of shares during the twelve calendar months preceding the relevant date i.e. 12th June, 2017 and accordingly equity shares of the company was classified as

DOOGAR & ASSOCIATES FRN: 000561N New Delhi Chartered Accountants infrequently traded shares under preferential issue pricing guidelines. The trading volumes of Florence are sufficient to classify the script as frequently traded. BMF & Fenner are not a listed Company and hence Market Price Method is not applicable.Thus, the minimum pricing requirements of ICDR are not applicable on amalgamation of BMF with BACL, since BACL is infrequently traded. The above requirement also does not apply to the proposed amalgamation of Florence with BACL, since both are listed companies.

CONCLUSION OF VALUATION APPROACH

As per the provisions of Section 76A of ICDR Regulations 2017, "In case of infrequently traded shares, the price determined by issuer shall take into account valuation parameters including book value, comparable trading multiples, and such other parameters as are customary for valuation of such companies". Since, BACL falls under the category of infrequently traded shares, thus in case of amalgamation of BMF with BACL, and in case of transfer of shares from equity shareholders of Fenner to BACL, we have considered the above methods while arriving at the share allotment ratio. However, wherein the above methods were not suitably appropriate for arriving at the Fair Value of the respective companies while estimating share allotment ratio, we have ignored the method.

Fair Value for the purpose of amalgamation have to be determined after taking into consideration all the factors and methodologies. Though different values have been arrived at, under each of the above methodologies. For the purposes of recommending a Share allotment ratio, it is necessary to arrive at a single value for the equity shares of BACL, Fenner and Florence. It is however important to note that in doing so, we are not attempting to arrive at the absolute equity values but at their relative values to facilitate the determination of fair allotment ratio. For this purpose appropriate weight have been assigned to each methods.

The relative value per share and the share allotment ratio recommended is provided as follows;

(Value per Share in INR)

Valuation Approach	BACL		Florence		BMF		Fenner excluding BMF	
	Value per Share	Weight	Value per Share	Weight	Value per Share	Weight	Value per Share	Weight
Adjusted Net Asset Value Method **(Asset Approach)**	4622	2	4444	2	3638	1	1716	1
Discounted Cash Flow Method **(Income Approach)**	NA	NA	NA	NA	NA	NA	1888	2
Market Price Method **(Market Approach)**	1527	1	670	1	NA	NA	NA	NA
Relative Value per Share	3591		3186		3638		1830	
Share Allotment Ratio			**0.89**		**1.01**		**0.51**	

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BASIS OF AMALGAMATION

In light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined herein above, we consider that the fair allotment ratio for the amalgamation of Florence and BMF into BACL as follows.

In consideration of amalgamation of Florence with BACL, the equity shareholders of Florence shall receive

89Equity Share(s) of Rs.10/- each in BACL as fully paid up for every 100 Equity Share of Rs.10/- each fully paid-up held by the equity shareholders of Florence in the capital of Florence.

In consideration of amalgamation of BMF with BACL, the equity shareholders of Fenner(other than BACL) shall receive

101 Equity Share(s) of Rs.10/- each in BACL as fully paid up for every 100 Equity Share of Rs.10/- each fully paid-up held by the equity shareholders of Fenner in the capital of Fenner. Equity Shareholders of Fenner shall continue to retain shares held by them in Fenner.

In addition to consideration received with amalgamation of BMF with BACL, the equity shareholders of Fenner (other than BACL) instead of retaining their equity shares in Fenner shall have the option to exchange shares of Fenner for additional shares in BACL.

51 Equity Shares of Rs.10/- each fully paid up in the BACL for every 100 Equity Shares of Rs.10/- each fully paid up held by them in Fenner.Equity Shareholders of Fennershall cease to hold shares held by them in Fenner.

This report to be read in its entirety.

Yours Faithfully,

For Doogar & Associates,
Chartered Accountants,
Firm Regn No. 000561N

DOOGAR & ASSOCIATES FRN : 000561N New Delhi Chartered Accountants

MK Doogar
Membership No. 80077
Partner

Yours Faithfully,

For Lunawat & Co.,
Chartered Accountants,
Firm Regn No. 000629N

Yadav

Vikas Yadav
Membership No. 511351
Partner

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CERTIFIED TO BE TRUE
For Bengal & Assam Company Ltd.
Secretary