

SEBI Regn. No. MB/INM000011658  
SEBI (Merchant Bankers) Regulations, 1992

August 6, 2018

<p>The Board of Directors Sri Havisha Hospitality and Infrastructure Limited Venus Plaza, 4th Floor, Begumpet Hyderabad – 500016, Telangana, India</p>	<p>The Board of Directors Shri Shakti Resorts and Hotels Limited Airport Road, Begumpet Hyderabad – 500016, Telangana, India</p>
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**Re: Valuation of shares and suggested share exchange ratio for proposed 'Scheme of Amalgamation' of Shri Shakti Resorts and Hotels Limited (the Transferor Company or "SSRHL") with Sri Havisha Hospitality and Infrastructure Limited (the Transferee Company or "SHHIL") and their respective shareholders and creditors.**

We have been requested by the management of SSRHL and SHHIL to issue a report containing recommendation of fair equity exchange ratio for the proposed amalgamation SSRHL with SHHIL in pursuance of the Scheme of Amalgamation.

We have conducted our valuation exercise using various parameters on the basis of information/documents and explanations provided to us by the respective managements of the Transferor Company and the Transferee Company. For the proposed amalgamation, we are submitting herein our recommendation of fair value of shares along with recommended exchange ratio for allotment of equity shares of Sri Havisha Hospitality and Infrastructure Limited (the Transferee Company or "SHHIL") to shareholders of Shri Shakti Resorts and Hotels Limited (the Transferor Company or "SSRHL").

#### RECOMMENDATION ON EXCHANGE RATIO:

Based on the above, in the event of amalgamation of SSRHL with SHHIL, we recommend a fair equity exchange ratio as follows:

Issue and allot 7.52 equity shares of the face value of INR 2/- each (Rupees Two Only) credited as fully paid-up to all the shares holders of Transferor Company and whose names appear in the Registrar of Members of Transferor Company on the record date, in respect of every 1 equity shares of the face value of INR 10/- each fully paid-up.

\* We have given our valuation workings as an Annexure to this report.



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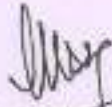
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We believe that the above equity exchange ratio is fair and equitable considering that all the information provided and explanations given to us.

Assuring you of best of our professional services at all times.

Thanking you

For akasam consulting private limited



**M.R.S. Srinivas**

Director

DIN: 01446644

H.NO.10-2-289, F NO,101

JYOTHI NITYA SREE APTS.

SHANTHI NAGAR, HYDERABAD – 500 028

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## SCOPE PURPOSE & ENGAGEMENT

The valuation report is issued for the purpose of amalgamation of Shri Shakti Resorts and Hotels Limited with Sri Havisha Hospitality and Infrastructure Limited and we have given to understand that the rationale for the proposed amalgamation shall -

1. Result into synergies of the Transferee Company.
2. The Transferor Company's capabilities, product portfolio and pipeline complement the Transferee Company's platform. The amalgamation will strengthen the foothold of the Transferee Company in the hospitality segment.
3. Greater integration, proven experience, and flexibility of the Transferor Company, will improve the overall position of the Transferee Company.
4. Greater efficiency in cash management and unfettered access to cash flow generated by the combined business which can be deployed more efficiently to fund growth opportunities and also to further improve shareholders value.
5. Benefit of operational synergies to the combined entity in areas such as raw material sourcing, product placement, marketing and business promotions initiatives, freight optimization and logistics.
6. Greater leverage in operations, planning and process optimization and enhanced flexibility in offering hospitality services.
7. Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes, productivity improvements, improved procurement, usage of common resource pool like human resource, administration, finance, accounts, legal, technology and other related functions, leading to elimination of duplication and rationalization of administrative expenses

It is proposed to that SSRHL will amalgamate into SHHIL in accordance with the provisions of Sec 230 read with Sec 232 and other applicable provisions of the Companies Act, 2013 (hereinafter referred to as 'Scheme') subject to necessary approvals, SSRHL would be merged with SHHIL with effect from appointed date April 1, 2018.

In this regard, we have been requested to issue a report containing recommendation of fair equity exchange ratio for the proposed amalgamation of SSRH with SHHIL.

## BACKGROUND

### SRI HAVISHA HOSPITALITY AND INFRASTRUCTURE LIMITED

Sri Havisha Hospitality & Infrastructure Limited (SHHIL) (Formerly known as Shri Shakti LPG Limited (SSLPG) and Shri Matre Power And Infrastructure Limited (SMPIL)) has been engaged in business of LPG marketing since its incorporation in the year 1993.

However due to abnormal increase in crude oil prices in 1999 and 2000, increase of prices due to completion and with the Government subsidized gas the SHHIL incurred losses.

Later SHHIL forayed into hospitality industry as the management felt that the hospitality industry is one area with lot of potential particularly in the States of AP and Telangana.



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The equity shares of SHHIL are listed on BSE Limited (BSE) and National Stock Exchange Limited (NSE).

#### **SHRI SHAKTI RESORTS & HOTELS LIMITED**

Shri Shakti Resorts & Hotels Limited is engaged in the business of hospitality and running a hotel in the name of 'The Manohar' in Begumpet, Hyderabad. SSRHL is an unlisted closely held public company.

As mentioned above, Shri Shakti Resorts and Hotels Limited, the Transferor Company and Sri Havisha Hospitality and Infrastructure Limited, the Transferee Company; have jointly appointed akasam consulting private limited, Hyderabad to carry out the valuation of equity shares & share exchange ratio for allotment of equity shares to the shareholders of Shri Shakti Resorts and Hotels Limited.

#### **SOURCE OF INFORMATION**

During the course of our exercise, we have relied upon the following sources of information (written / verbal) as provided by the management of the Companies:

- Audited financials for the period ended March 31, 2017 and March 31, 2018
- Management certified business plan provided by the management for the period FY 2019 to FY 2023
- Draft Scheme of Arrangement

Necessary information, explanation and data relevant to the present valuation exercise provided by management from time to time through discussions or emails. Information available in public domain.

It may be mentioned that the management of the Companies has been provided with an opportunity to review factual information in our draft report as part of our standard practice to make sure that factual inaccuracies are avoided in our final report.

#### **BASIS OF DETERMINATION OF FAIR EQUITY EXCHANGE RATIO**

Valuation of shares is an art and not an exact science and ultimately depends upon what it is worth to a serious investor or buyer who may be even prepared to pay goodwill. There are number of methodologies available for the valuation of shares and it is purely valuer's discretion as to which method is to be used and the same differs on the basis of the facts and circumstances of the case. Each of these methods has its aptness, depending upon the objectives of the valuation.

We have used following approaches and methods for valuation of shares of transferor and transferee companies

- |                   |   |  |
|-------------------|---|--|
| • Asset approach  | : | Book Value Method  |
| • Income approach | : | Discounted Cash flow Method                              |
| • Market approach | : | 26 weeks/2 weeks /60 trading days weighted average price |



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### **Asset Approach**

This valuation approach assumes that the fair value is determinant of the Net Assets held up in the business. We have calculated net asset value of the business based on the balance sheet of Transferor and Transferee Company as at 31.03.2018.

### **Income Approach**

Income Approach determines the value of a business based on its ability to generate desired economic benefit for the capital providers. The Income Approach involves valuation methods that convert future anticipated economic benefits into a single present value. In the present case we have used Discounted Cash Flow ("DCF") Method to arrive at the value of shares. The DCF method discounts projected future cash earnings back to present value at a rate that reflects the risk inherent in the projected earnings.

### **Market Approach**

The Market Approach technique is based on the value of the company on the basis of shares of the company trading on a recognized stock exchange, or comparing the company's multiple with those of its peers. In the present case, since the transferee company is listed on BSE, value per share is determined by considering last 60 trading days as the shares of SHHIL are infrequently traded.





## DISCLAIMER/CAVEATS

- a. This confidential report is prepared by akasam solely for the purpose set out in the report. It should not be copied, disclosed, circulated, quoted or referred to, either in whole or in part, in correspondence or in discussion with any other person except to whom it is issued and the purpose mentioned herein. We will not accept any responsibility to any other party to whom this report may be shown or who may acquire a copy of the report, without our written permission in each instance. The material is true only as of the date of this letter. We assume no responsibility to update or revise the opinion based upon events or circumstances that occur later on.
- b. We have prepared this report based on the information provided, explanation given and representations made by management of the respective companies involved in the proposed scheme. We have neither checked nor independently verified such information and representations. We have solely relied on explanations, information, papers, reports, documents and statements provided by the management and accepted all those information provided to us as consistent and accurate on "as is" basis and have included the information provided in this report in good faith and in the belief that such information is neither false nor misleading.
- c. Our work does not constitute an audit, due diligence or certification of the historical or projected financial statements of the Company. Accordingly, we are unable to and do not express an opinion on the accuracy of any financial information provided for preparation of this report.
- d. This report is issued on the understanding that management of Shri Shakti Resorts and Hotels Ltd, the Transferor Company and Sri Havisha Hospitality and Infrastructure Limited, the Transferee Company has drawn our attention to all matters of which they are aware concerning the financial position of the business of the Company, which may have an impact on our report up to the date of issue. We, however, have no obligation to update this report for events, trends or transactions relating to the company or the market economy in general & occurring subsequent to the date of this report. We do not hold ourselves responsible or liable, for any losses, damages, costs, expenses or outgoings whatsoever and howsoever caused, incurred, sustained or arising out of errors due to false, misleading, wrong provisioning, assurance or incomplete information or documentation being provided to us or due to any acts, or omissions of any other person.
- e. The scope of our work has been limited in terms of the purpose of valuation mentioned in Para 1 of this report. There may be matters, other than those noted in this report, which might be relevant in the context of any other purpose and which a wider scope might uncover. The valuation exercise is carried out using generally accepted valuation methodologies, the relative emphasis of each often varying, based on several specific factors. The results of this exercise could vary significantly depending upon the basis used, the specific circumstances and professional judgment of the valuer. In respect of going concern, certain valuation techniques have evolved over time and are commonly in use, which we have applied in.



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- f. Any valuation is based on certain assumptions as to discount rate, weights to various components of value, calculation methodologies etc., and the present exercise is of no exception. Further, we might not have been provided with the exact data, requiring us to make assumptions therefore. Moreover, all the assumptions are discretionary and subjective and we do not assume any responsibility for accuracy, preciseness or appropriateness of any one or more of the assumption(s) made by us for arriving at the valuation as aforesaid.
- g. akasam has taken due care and caution in carrying out valuation solely for the purpose of proposed amalgamation of Transferor and Transferee company on the basis of the information / documents provided by the Company and/or obtained by akasam from sources considered reliable. Our report is not a recommendation to subscribe the shares of the Company. akasam does not guarantee the accuracy, adequacy or completeness of the information / documents / report and is not responsible for any errors or for the results obtained from the use of the same. akasam especially states that it has no financial liability whatsoever to the Company or any other user of the report. However our liability with respect to any outsider party if any to indemnify shall be limited to the amount of fee received in this regard. Neither the valuation report nor its contents may be referred to or quoted to/in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties without our prior written consent. We retain the right to deny permission for the same.





Valuation workings

Part - A

SRI HAVISHA HOSPITALITY AND INFRASTRUCTURE LIMITEDMethod – 1: Volume Weighted Average Price

Company: SRI HAVISHA HOSPITALITY & INFRASTRUCTURE LTD.		531322										
Period:		60 trading days									INR	
Date	open price	High Price	Low Price	Close Price	WAP	No. of Shares	No. of Tra des	Total Turn- over (INR)	Deliv- erable Qty	% Deli. Qty to Traded Qty	Spread High- Low	Spread Close- Open
1-Aug-18	0.64	0.64	0.58	0.59	0.6	7749	7	4656	7749	100	0.06	0.05
31-Jul-18	0.61	0.61	0.61	0.61	0.61	1500	2	915	1500	100	0	0
30-Jul-18	0.64	0.64	0.64	0.64	0.64	600	1	384	600	100	0	0
27-Jul-18	0.67	0.67	0.67	0.67	0.67	1500	2	1005	1500	100	0	0
20-Jul-18	0.7	0.7	0.7	0.7	0.70	4900	9	3430	4900	100	0	0
19-Jul-18	0.79	0.79	0.73	0.73	0.75	400	2	298	400	100	0.06	0.06
18-Jul-18	0.76	0.76	0.76	0.76	0.76	1600	2	1216	1600	100	0	0
17-Jul-18	0.73	0.73	0.73	0.73	0.73	2400	2	1752	2400	100	0	0
13-Jul-18	0.76	0.76	0.76	0.76	0.76	1026	3	779	1026	100	0	0
12-Jul-18	0.79	0.79	0.73	0.73	0.73	9170	6	6737	9170	100	0.06	0.06
9-Jul-18	0.7	0.76	0.7	0.76	0.72	3086	4	2237	3086	100	0.06	0.06
6-Jul-18	0.73	0.73	0.73	0.73	0.73	5624	4	4105	5624	100	0	0
5-Jul-18	0.76	0.76	0.76	0.76	0.76	4024	4	3058	4024	100	0	0
2-Jul-18	0.79	0.79	0.79	0.79	0.79	7950	12	6280	7950	100	0	0
29-Jun-18	0.83	0.83	0.83	0.83	0.83	3250	5	2697	3250	100	0	0
28-Jun-18	0.87	0.87	0.87	0.87	0.87	6266	11	5451	6266	100	0	0
27-Jun-18	0.91	0.91	0.91	0.91	0.91	4100	5	3731	4100	100	0	0
26-Jun-18	0.95	0.95	0.95	0.95	0.95	14000	8	13300	14000	100	0	0
25-Jun-18	0.95	1	0.95	1	0.95	1010	2	960	1010	100	0.05	0.05
22-Jun-18	1.02	1.02	0.94	1	0.97	4700	8	4576	4700	100	0.08	0.02
21-Jun-18	0.98	0.98	0.98	0.98	0.98	8300	5	8134	8300	100	0	0
20-Jun-18	0.94	0.94	0.94	0.94	0.94	200	1	188	200	100	0	0
19-Jun-18	0.9	0.9	0.9	0.9	0.90	3989	9	3590	3989	100	0	0
18-Jun-18	0.86	0.86	0.86	0.86	0.86	376	2	323	376	100	0	0
15-Jun-18	0.82	0.82	0.82	0.82	0.82	1500	1	1230	1500	100	0	0
14-Jun-18	0.79	0.79	0.79	0.79	0.79	3585	2	2832	3585	100	0	0
13-Jun-18	0.76	0.76	0.76	0.76	0.76	1200	2	912	1200	100	0	0
12-Jun-18	0.76	0.76	0.73	0.73	0.74	1476	2	1092	1476	100	0.03	0.03
11-Jun-18	0.76	0.76	0.76	0.76	0.76	9025	12	6859	9025	100	0	0
8-Jun-18	0.79	0.79	0.79	0.79	0.79	1000	3	790	1000	100	0	0
7-Jun-18	0.83	0.83	0.83	0.83	0.83	3000	4	2490	3000	100	0	0
6-Jun-18	0.87	0.87	0.87	0.87	0.87	100	1	87	100	100	0	0

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5-Jun-18	0.91	0.91	0.91	0.91	0.90	103	2	93	103	100	0	0
4-Jun-18	0.95	0.95	0.95	0.95	0.95	100	1	95	100	100	0	0
31-May-18	0.99	0.99	0.99	0.99	0.99	4501	5	4455	4501	100	0	0
30-May-18	1.04	1.04	1.04	1.04	1.04	2201	5	2289	2201	100	0	0
28-May-18	1.09	1.09	1.09	1.09	1.09	36100	4	39349	36100	100	0	0
25-May-18	1.14	1.14	1.14	1.14	1.14	2500	3	2850	2500	100	0	0
24-May-18	1.2	1.32	1.2	1.2	1.24	69500	25	86200	69500	100	0.12	0
22-May-18	1.25	1.38	1.26	1.26	1.38	5100	3	7014	5100	100	0.12	0
				<b>Total</b>		<b>238,711</b>		<b>238,439</b>				
								<b>1.00</b>				

Source: [www.bseindia.com](http://www.bseindia.com)

*We have not considered the trading nos. on NSE as the shares were very thinly traded.*



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**Method – 2: Discounted Cash Flow Method**

Figures are in INR Lakhs							
Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Perpetual Year
<b>NOPLAT</b>	1,975.1	(76.4)	(29.2)	30.7	109.9	206.7	212.9
Add:							
Depreciation	165.9	333.7	333.7	333.7	330.4	330.4	330.4
Misc. Exp. Written Off	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>166.9</b>	<b>333.7</b>	<b>333.7</b>	<b>333.7</b>	<b>330.4</b>	<b>330.4</b>	<b>330.4</b>
Less:							
Capital Expenses	2,030.0	-	-	-	-	-	-
Increase in Working Capital	136.2	122.9	45.8	46.1	51.6	56.7	56.7
<b>Sub Total</b>	<b>2,166.2</b>	<b>122.9</b>	<b>45.8</b>	<b>46.1</b>	<b>51.6</b>	<b>56.74</b>	<b>56.74</b>
<b>Free Cash Flows (FCF)</b>	<b>(24.3)</b>	<b>134.5</b>	<b>258.8</b>	<b>318.3</b>	<b>388.7</b>	<b>480.3</b>	<b>486.5</b>
WACC	17.7%	17.7%	17.7%	17.7%	17.7%	17.7%	
Discount Factor	0.85	0.72	0.61	0.52	0.44	0.38	
<b>PRESENT VALUE OF FCF</b>	<b>(20.6)</b>	<b>97.1</b>	<b>158.8</b>	<b>166.0</b>	<b>172.3</b>	<b>180.9</b>	
Total of Present Value of FCF	754.6						
Terminal Value Growth Rate	3%						
Add: Terminal Value	1,249.2						
<b>Enterprise Value</b>	<b>2,003.8</b>						
Less: Loans as on 31st March, 2018	645.0						
Add: Cash & Bank Balances as on 31st March, 2018	0.9						
Add: Market Value of Non-Operating Assets	1,545.3						
<b>Equity Value</b>	<b>2,905.0</b>						
No. of shares as on 31st March, 2018 (Fig. in Lakhs.)	1,535.4						
Value per Share (in INR)	1.89						



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**Method – 3 Net Asset Value Method**

Particulars	INR in 000s
Paid Up share capital	307,072
Reserves & Surplus	-126,838
Total (Networth)	180,234
No. of shares of INR 2/- each	153,536
Value per share	1.17

**Weighted Average price of SHHIL**

Method of Valuation	Value in INR	Weights	products
Volume Weighted Average	1.00	1	1.00
DCF	1.89	2	3.78
NAV	1.17	3	3.52
		6	8.30
<b>Weighted Average price</b>			<b>1.38</b>

\* We have not considered the Profit Earnings Capitalization Method (PECV) as the company is incurring losses.



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Part – B

**SHRI SHAKTI RESORTS & HOTELS LIMITED**

**Method – 1: Discounted Cash Flow Method**

Particulars	Figures are in INR Lakhs						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Perpetual Year
<b>NOPLAT</b>	(16.4)	159.9	297.8	479.7	616.8	833.6	858.6
Add:							
Depreciation	310.0	241.0	210.0	190.0	190.0	190.0	190.0
Misc. Exp. Written Off	0	0	0	0	0	0	0
<b>Sub Total</b>	<b>310.0</b>	<b>241.0</b>	<b>210.0</b>	<b>190.0</b>	<b>190.0</b>	<b>190.0</b>	<b>190.0</b>
Less:							
Capital Expenses	-	-	-	-	-	-	-
Increase in Working Capital	(139.4)	(28.2)	42.8	(59.9)	(70.4)	(82.7)	(82.7)
Sub Total	<b>(139.37)</b>	<b>(28.23)</b>	<b>42.76</b>	<b>(59.85)</b>	<b>(70.39)</b>	<b>(82.68)</b>	<b>(82.68)</b>
<b>Free Cash Flows (FCF)</b>	<b>433.0</b>	<b>429.1</b>	<b>465.1</b>	<b>729.6</b>	<b>877.2</b>	<b>1,106.3</b>	<b>1,131.3</b>
WACC	12.1%	12.7%	13.3%	14.4%	15.1%	16.2%	
Discount Factor	0.89	0.79	0.70	0.61	0.53	0.46	
<b>PRESENT VALUE OF FCF</b>	<b>386.3</b>	<b>339.8</b>	<b>324.9</b>	<b>445.7</b>	<b>465.4</b>	<b>505.0</b>	
Total of Present Value of FCF	2,467.1						
Terminal Value Growth Rate	3%						
Add: Terminal Value	3,904.4						
<b>Enterprise Value</b>	<b>6,371.5</b>						
Less: Loans as on 31st March, 2018	2,130.7						
Add: Cash & Bank Balances as on 31st March, 2018	80.4						
Add: Market Value of Non-Operating Assets	134.0						
<b>Equity Value</b>	<b>4,455.1</b>						
No. of shares as on 31st March, 2018 (Fig. in Lakhs.)	203.6						
Value per Share (in INR)	21.88						



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**Method – 2: Net Asset Value Method**

Particulars	INR '000s
Paid Up share capital	203,598
Reserves & Surplus	(108,353)
Total (Net worth)	95,245
No. of shares of INR 10/- each	20,359.84
Value per share	4.68

**Weighted Average price of SSRHL**

Method of Valuation	Value in INR	Weights	products
DCF	21.88	1	21.88
NAV	4.68	2	9.36
	<b>Total</b>	<b>3</b>	<b>31.24</b>
	<b>Weighted Average price</b>		<b>10.41</b>

\* We have not considered the Profit Earnings Capitalization Method (PECV) as the company is incurring losses.

**Recommended Exchange ratio**

	SHHIL	SSRHL
Weighted Average Price (INR)	1.38	10.41
Exchange Ratio 10.41/1.38 (restricted to 2 decimals)	7.52	

For every one share of SSRHL equity share of INR 10/- each, 7.52 equity shares of SHHIL equity share of INR 2/- each shall be allotted as fully paid up.



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