

STRICTLY PRIVATE & CONFIDENTIAL

Date: 13/08/2018

To The Board of Directors Sri Havisha Hospitality and Infrastructure Limited Venus Plaza, Old Airport Exit Road Begumpet, Hyderabad- 500016 Telangana, India	To The Board of Directors Shri Shakti Resorts & Hotels Limited Old Airport Exit Road Begumpet, Hyderabad- 500016 Telangana, India
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Sub: Fairness Opinion on the valuation carried out by Akasam Consulting Private Limited (hereinafter referred to as 'Valuer')

Re: Proposed Amalgamation of Shri Shakti Resorts & Hotels Limited (SSRIIL) (Hereinafter referred to as the "Transferor Company") and Sri Havisha Hospitality and Infrastructure Limited (SHHIL)

Dear Sir(s),

We, Capital Square Advisors Private Limited (CSAPL), refer to our engagement letter dated August 10, 2018 which has been accepted by you, whereby you have appointed us as an Independent Merchant Banker for furnishing Fairness Opinion on the basis of valuation carried out by Akasam Consulting Private Limited, SEBI Registered Merchant Banker, vide its valuation report dated August 06, 2018 in terms of the Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 for the proposed amalgamation of Shri Shakti Resorts & Hotels Limited (SSRIIL) (Hereinafter referred to as the "Transferor Company") and Sri Havisha Hospitality and Infrastructure Limited (SHHIL) (Hereinafter referred to as the "Transferee Company") pursuant to Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013 (Hereinafter referred to as the "Proposed Transaction").

#### PURPOSE OF VALUATION UNDERTAKEN BY THE VALUER

- We have been informed that the Board of Directors of the Company have considered and approved a proposal for Amalgamation of Shri Shakti Resorts & Hotels Limited (SSRIIL) (Hereinafter referred to as the "Transferor Company") and Sri Havisha Hospitality and Infrastructure Limited (SHHIL) (Hereinafter referred to as the "Transferee Company") pursuant to Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013 (Hereinafter referred to as the "Proposed Transaction").
- In this regard, Akasam Consulting Private Limited (hereinafter referred to as "Valuer") was appointed by the Company to carry out the valuation with a view to recommend a swap ratio for exchange of shares.



**CAPITAL SQUARE ADVISORS PRIVATE LIMITED**

## I. SOURCES OF INFORMATION

For the purposes of fairness opinion, we have relied upon the following sources of information:

- a) Certified Valuation report dated August 06, 2018 issued by Akasam Consulting Private Limited, (Merchant Banker).
- b) Certified Valuation Workings by Akasam Consulting Private Limited based on the Audited financials for the period.
- c) Audited Financial Statements of Transferor Companies and Transferee Company.
- d) Scheme of Amalgamation under Section 230-232 of the Companies Act, 2013.
- e) Shareholding Pattern of Transferor Companies and Transferee Company.
- f) Such other information and explanations as we have required and which have been provided by the Company.

## 2. BACKGROUND INFORMATION OF TRANSFEROR COMPANY AND TRANSFEE COMPANY

Shri Shakti Resorts & Hotels Limited ("SSRHL" or the "Transferor Company"), is a company incorporated on June 14, 1989 under the provisions of Companies Act, 1956 and having its registered office at Airport Road, Begumpet, Hyderabad, Telangana 500016, India. The company is engaged in the hospitality services and owns a luxury hotel on a lease-hold land operating with a Cycling Theme in Hyderabad that consists of 128 rooms, suites, two swimming pools etc. The present directors are Mr. D.V. Manohar, Ms. Satya Pinjala, Mr. B.K. Sinha, Mr. D. V. Satya Kumar, Prof. Sydney Miranda Prabhu, Mr. Dharmin Dontamsetti, Dr. A. Bala Setty and Dr. Tulsi C. Sawlani.

The Details of Capital Structure of SSRHL as on 31st March, 2018 is as follows:

Authorized Capital	Amount (INR)
2,30,00,000 Equity Shares of Rs.10 each	23,00,00,000/-
Issued, Subscribed and Paid-up Capital	Amount (INR)
2,03,59,839 Equity Shares of Rs.10 each fully paid-up	20,35,98,390
(of the above 38,49,031 equity shares of Rs.10/- each were allotted as fully paid-up as bonus shares by capitalization of general reserve during the years 2005-06, 2006-07 & 2007-08)	

*Note: Subsequent to March 31, 2018, there has been no change in the share capital of Transferor Company.*

Sri Havisha Hospitality and Infrastructure Limited (SHHIL) is a company incorporated in July 13, 1993 under the Companies Act, 1956 ('Companies Act' or 'the Act') having its Registered office at Venus Plaza, Old Airport Exit Road, Begumpet, Hyderabad- 500016, Telangana, India. The Equity Shares of SHHIL are listed at National Stock Exchange Limited and BSE Limited. The company is engaged into



the hospitality and infrastructure businesses and is interested in setting up and operating FOOD COURIS at various locations. The present directors are Mr. D.V. Manohar, Mr. A.P. Vitthal, Dr. G. Govindaiah, Mr. B.K. Sinha, Mr. R.Prabhakar Rao, Mr. V. Subrahmanyam, Ms. Deekshita Dontamsetti and Dr. A.Bala Setty.

The Details of Capital Structure of SHHIL as on 31<sup>st</sup> March, 2018 is as follows:

Authorized Capital	Amount (INR)
30,00,00,000 Equity Shares of Rs.2 each	60,00,00,000.00
Issued, Subscribed and Paid-up Capital	Amount (INR)
15,35,35,800 Equity Shares of Rs.2 each fully paid-up	30,70,71,600.00

*Note: Subsequent to March 31, 2018, there has been no change in the share capital of Transferor Company.*

### 3. VALUATION METHODOLOGY ADOPTED BY THE VALUER

For the purposes of valuation, the Valuer has adopted the following approach:

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

### 4. FINDINGS OF CAPITAL SQUARE ADVISORS PRIVATE LTD ('CASPL')

We have gone through the valuation report dated August 06, 2018 of Akasam Consulting Private Limited, having their office at "akasam", 10-1-17/1/1, Masab Tank, Hyderabad - 500004 for the purpose of ascertaining the reasonableness of the valuation as done by them. We have taken into consideration the fairness on the various methodologies as considered by Akasam Consulting Private Limited, Merchant Banker for the said valuation.

#### *Comment on the Valuation as per Asset Approach, Income Approach and Market Approach*

##### *Asset Approach*

The Asset Approach is based on the value of an entity's assets less the value of its liabilities. Net asset value represents the value of the total equity and then may be divided by the number of shares outstanding held by company and, thereby, represent the net asset value per share. Keeping in mind the purpose of the report and availability of information we believe this valuation methodology will give a true and fair value per share.

##### *Income Approach*

In present case, Discounted Cash Flow (DCF) method has been used to arrive value as per Income Approach Method. 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.

#### 5. EXCLUSIONS AND LIMITATIONS

For the purpose of our opinion we have relied upon the information provided to us and have not carried out any audit / due diligence / any independent verification of such information.

#### 6. DISCLAIMER CLAUSE

Our scope of work did not include the following:-

Carrying out a market survey / financial feasibility for the Business of Transferor Companies and Transferee Company  
Financial and Legal due diligence of Transferor Companies and Transferee Company

We hereby declare that we have no direct or indirect interest in the Company / assets valued. Our work did not constitute an audit in accordance with Generally Accepted Auditing Standards, an examination of internal controls or other attestation or review services. Accordingly, we do not express an opinion on the information presented.

It may be noted that this Fairness Opinion is expressed solely with reference to requirements under Regulation 37 of LODR and the purpose and scope of this assignment is restricted to opine about fairness of valuation already done by the valuer.

The management of SHHIL and SSRHL or their related parties are prohibited from using this opinion other than for its sole limited purpose and not to make a copy of this opinion available to any party other than those required by statute for carrying out the limited purpose of this opinion. This opinion is not meant for meeting any other regulatory or disclosure requirements, save and except as specified in this opinion, under any Indian or Foreign Law, Statute, Act, Guidelines or similar instructions. We would not be responsible for any litigation or other actual or threatened claims.

We have been engaged by the respective companies to issue a Fairness Opinion and will receive a fixed fee for rendering this Fairness Opinion, which is independent of the happening or otherwise of the proposed activities.

The Fairness Opinion Report is only a free and fair opinion and does not constitute a commitment by CASPL to underwrite, subscribe for or place of securities or to extend or arrange credit or to provide any other services.



## 7. CONCLUSION

- a. Different estimation techniques may also be adopted depending on the purpose of the valuation. Overall, risk-averse and financial investors seeking to secure their credits may prefer the income approach i.e. Discounted Cash Flow Method, Profit Earning Capacity Value Method, Market Value Method, Net Asset Value Method. However, based on the Audited financials for the financial year 2017-18, we believe that Net Asset Value Approach to arrive at final conclusion is the correct approach.
- b. On the basis of the foregoing points, we are of the opinion that the valuation of both the companies and the swap ratio thereof made by Akasam Consulting Private Limited, Merchant Banker is fair & reasonable.

Thanking you,

Yours faithfully,

For, Capital Square Advisors Pvt Ltd

  
Tanmoy Banerjee  
Vice President

