S.R. DINODIA & Co. LLP

CHARTERED ACCOUNTANTS

we provide intelligent solutions to businesses

Valuation Report

Jindal Poly Films Limited

August 2016

Index

I. Our Engagement

Our Engagement (1/1)

We, S.R. Dinodia & Co. LLP, Chartered Accountants (hereinafter referred to as “SRD”) have been mandated by Jindal Poly Films Limited (hereinafter referred to as “JPFL” or “The Company”) to determine the fair value per equity share as per the Internationally Accepted Valuation Principles as on the valuation date of 31st March 2015.

The Management of JPFL is proposing an amalgamation of Global Non Woven Limited (hereinafter referred to as “GNWL” or “The Subsidiary Company”) into JPFL through a Scheme of Arrangement under section 391-394 of the Companies Act 1956. The consideration for the proposed amalgamation will be discharged by issue of shares of JPFL to the shareholder of GNWL on the basis of Share Exchange/Swap Ratio to be computed based on the fair value per share equity value of JPFL and GNWL. The proposed appointed date of the Scheme of Amalgamation is 1st April, 2015. (Our report is subject to the Statement of Limiting Conditions mentioned hereinafter)

SRD does not express any view on, and does not address, any other term or aspect of the amalgamation pursuant to section 391-394 of The Companies Act,1956 or the transaction, including, without limitation, the fairness of the transaction to or any consideration received in connection therewith by the holders of any other class of securities, SRD does not express any opinion as to the price at which shares of JPFL or the combined company will trade at any time after the proposed Scheme of Amalgamation.

II. Executive Summary

Executive Summary

➢ Report Summarized	:	S.R Dinodia & Co. LLP. Chartered Accountants issued the valuation report. The valuation is subject to the statement of limiting conditions contained in the report
➢ Business Activity	:	The Company is engaged in the business of manufacturing of BOPET and BOPP films in India.
➢ Purpose of Valuation	:	To determine the Fair Value of Shares of JPFL on the basis of Internationally Accepted Valuation Methodologies, for discharging the purchase consideration in equity shares of JPFL to the shareholders of GNWL in scheme of Amalgamation under Section 391-394 of The Companies Act, 1956
➢ Method of Valuation	:	Weighted average of Internationally Accepted valuation methods
➢ Standard of Value	:	Fair Value
➢ Premise of Value	:	Equity shares are valued assuming JPFL is a going concern
➢ Date of Valuation	:	March 31st, 2015 (Valuation Date)
➢ Appointed Date	:	1st April, 2015
➢ Value Conclusion	:	The Fair Value Per Equity Share of JPFL as at the valuation date is :- **Rs 722.17 /-** Per share

III. Company Overview

Company Overview(1/3)

Jindal Poly Films Limited, (herein after referred to as "The Company" or "JPFL"), is a listed public company incorporated on 09 September, 1974 under The Companies Act,1956. Its registered office is at 19th K M Hapur Bulandshahr road, PO Gulaothi, Bulandshahr, Uttar Pradesh. JPFL is a part of the INR 30 billion B.C.Jindal group, a 58 year old industrial group offering a wide range of products. The group has promoted a number of companies over the years and is involved in diverse activities including manufacturing of Polyester Film, Polypropylene film, Steel pipes and Photographic products. The Company also has overseas subsidiaries which are engaged in manufacturing of BOPP Films.

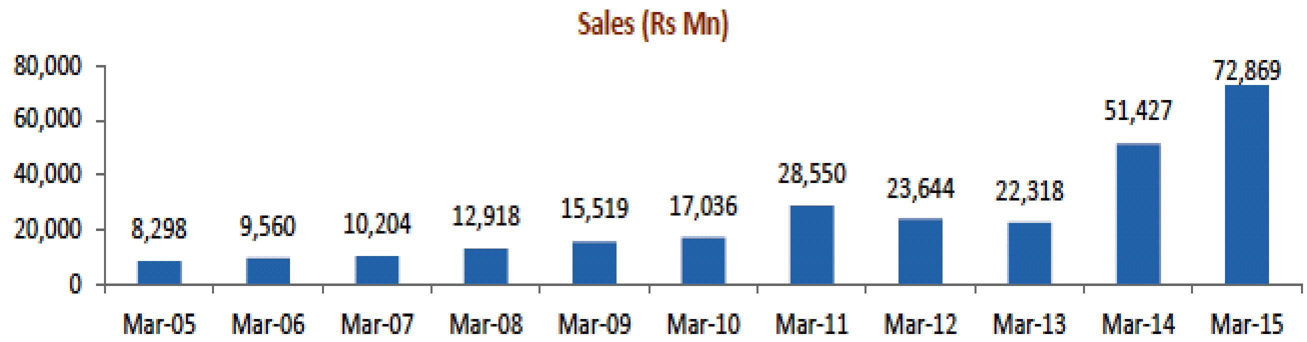
JPFL is the largest manufacturer of Biaxially-oriented polyethylene terephthalate (BoPET) and Biaxially Oriented Polypropylene Films (BOPP) in India. The product line consists of

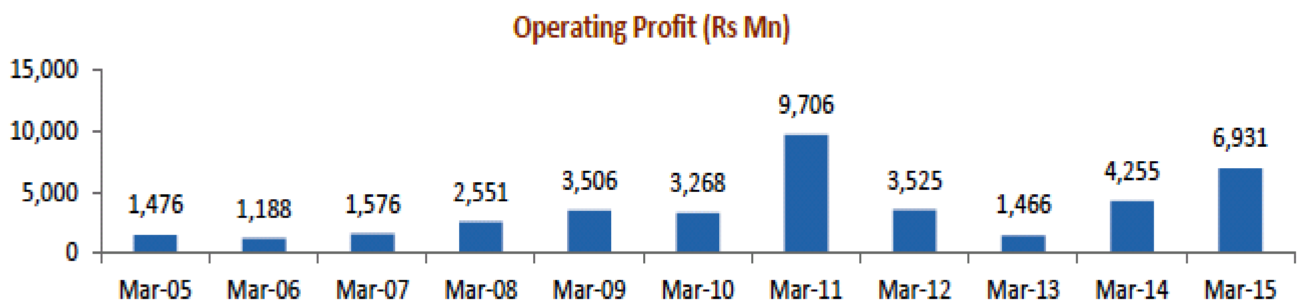
- BOPET film
- BOPP film
- Metalized BOPET film and BOPP film
- Coated BOPET and BOPP films.
- Polyester chips (for captive consumption in the BOPET film)

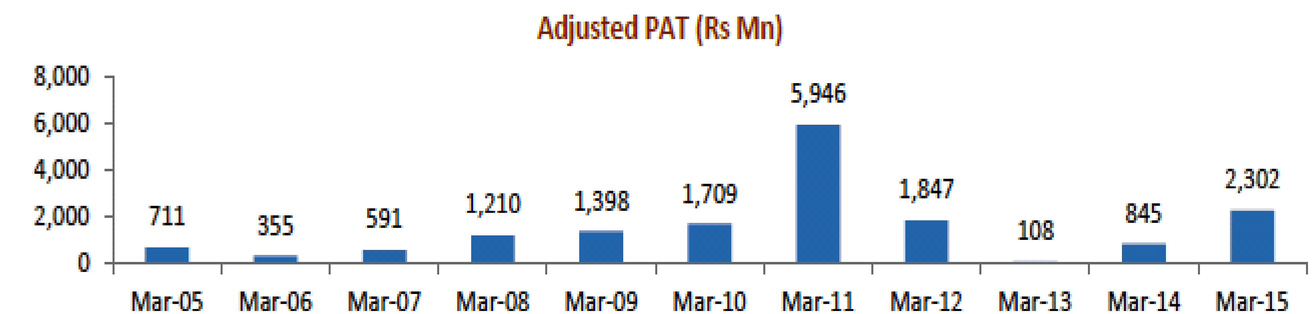
From being only a polyester yarn producer in 1985, JPFL diversified in 1996 into BOPET film production. In 2003, JPFL commenced production of BOPP film and metallised film. JPFL capabilities were strengthened by acquisition of Rexor S.A.S, France in November 2003, which produces metallised and coated films as well as tear tape, stamping foil, security thread and other high-value products. The JPFL plant at Nasik, Maharashtra is the world's largest single location plant for the manufacturing of BOPET

Company Overview(2/3)

Historical snapshots of revenue parameters







Company Overview(3/3)

Subsidiaries and Associates Companies of JPFL as on 31.3.15 (based on audited Financial Statements – Notes to Accounts 29.1 (e)

S.No	Name of Companies	Country of incorporation	Group's Proportion of Interest
	Subsidiaries		
1	Jindal Films India Ltd	India	100%
2	Global Nonwovens Limited	India	60.45%
3	Jindal Imaging Limited	India	100
4	Jindal Photo Imaging Limited	India	100
5	JPF Netherland B.V	Netherland	51%
	Associates		
1	Rexor SAS	France	40%
1	Hindustan Powergen Limited	India	27.42%

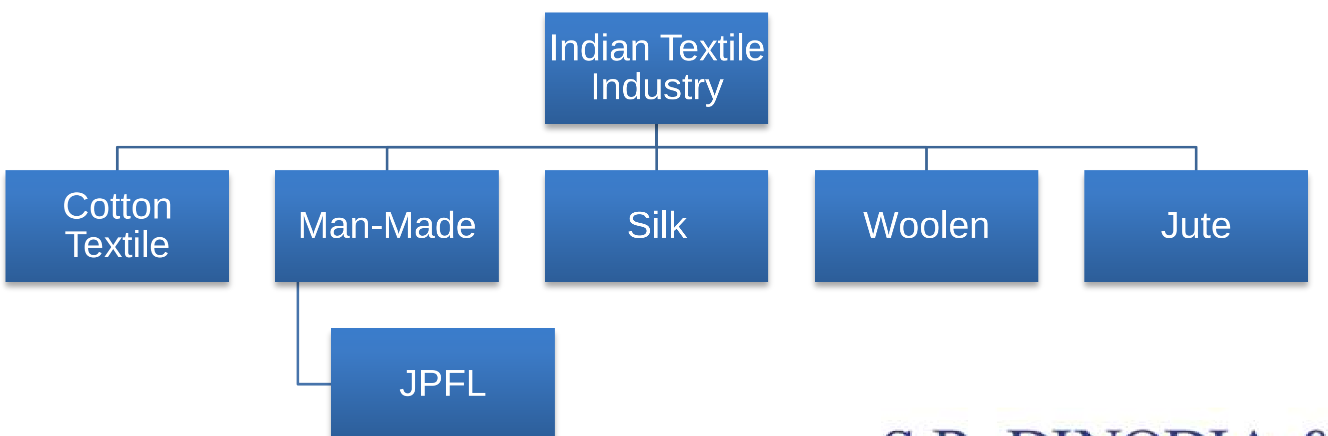
IV. Industry Overview

Industry Overview (1/1)

The product portfolio of JPFL includes BOPET, BOPP films, metallised BOPET films and polyester, thus making it a part of Indian Textile Industry. The Industry has a CAGR of more than 13%(~) and is considered as the fastest growing Industry in Indian Economy.

The Indian Textiles Industry, is currently estimated at around US$ 108 billion, and is expected to reach US$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India's gross domestic product (GDP).The textiles sector has witnessed a spurt in investment during the last five years.

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players.



Industry Overview (2/2)

FACTORS RESPONSIBLE FOR GROWTH OF THE TEXTILE INDUSTRY :

- Stable government framework
- Increased purchasing power
- Large domestic market
- High export potential market
- Humid climate required for spinning of the yarn
- Lower excise duty on specific parts
- Proven R&D capabilities
- Increase governmental incentive in Indian textile industry

CONCLUSION

From the above discussion it is evident that the Indian Textile industry is experiencing growth due to factors such as increasing income, rise in cost of living, Proven R&D capabilities etc. Further, entry of globally recognized players in the market has boosted the future prospects. The business environment of the future will be intensely competitive. Countries will want their own interests to be safeguarded. As tariffs tumble, non-tariff barriers will be adopted. New consumer demands and expectations coupled with new techniques in the market will add a new dimension. E-commerce will unleash new possibilities. This will demand a new mindset to eliminate wastes, delays, and avoidable transaction costs. Effective entrepreneur-friendly institutional support will need to be extended by the Government, business and umbrella organizations.

V. Valuation Methodology

Valuation Methodology (1/7)

Valuation 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 judgment. Given the same set of facts and using the same assumptions, expert opinions may differ due to the number of separate judgment decisions. There can therefore be no standard formulae to establish an indisputable value, although certain formulae are helpful in assessing reasonableness.

The International Accounting Standard Board (IASB), which is the independent standard setting body of the IFRS foundation, has set out two ***internationally accepted valuation methodologies*** for arriving at the fair value of a share namely, the ***income approach*** and the ***market approach***

Guidance is also available from the Institute of Chartered Accountants of India (ICAI) which has published a *"Technical Guide for Valuation"* in 2009 and prescribes the approaches for ***generally accepted valuation methodologies*** such as the ***Income approach*** and the ***market approach*** similar to the internationally accepted valuation methodologies. However, ICAI also allows for a third method which is the ***asset approach*** for arriving at the fair value of a share.

For the purpose of determining fair value, a valuer may therefore, use any of the approaches as per the generally / internationally accepted valuation methodologies which in its opinion are most appropriate based on the facts of each valuation. Reliance is placed on the case of **Dr. Mrs. Renuka Datla vs. Solvay Pharmaceutical B.V. & Ors on 30 October, 2003**, in which it was held that, *a valuer has to give a justification for selecting or rejecting a method.*

Valuation Methodology (2/7)

The internationally / generally accepted valuation methodologies have been discussed hereinafter, along with the reasons for choice of approach used based on the facts of JPFL.

(A). Income Approach

Usually under the Income Based Approach, the methods that maybe applied are Discounted Cash Flow (DCF) Method or the Price Earning Capacity Value (PECV) Method.

Under DCF approach, the future free cash flows of the business are discounted to the valuation date to arrive at the present value of the cash flows of the business or capitalized using a discount rate[1] depending on the capital structure of the company. This approach also takes into account the value of the business in perpetuity by the calculation of terminal value using the exit multiple method or the perpetuity growth method, whichever is appropriate.

Under PECV method. The average earning on the basis of past 3-5 year are first determined, adjustments are then made for any exceptional transactions or items of non- recurring nature. The adjusted average earning are then capitalized at an appropriate rate to arrive at the value of business. The capitalization rate so factored has to be decided depending upon various factors such as the earning trend in the industries, P/E prevailing in the industries etc.

[1] Weighted average cost of capital (WACC) is used as a discount rate

Valuation Methodology (3/7)

Facts of the Case:

JPFL is a financially sound company which has strong financial results over the last decade. On a common size analysis the net worth of the company is ~ 45% of its total assets, this is due to accumulation of profit which has generated due to streamlined operating efficiencies of the Company.

Conclusion:

In our considered view since the company is growing substantially from year to year, the capitalization of its historical profits are not an appropriate indicator of its value. Accordingly the PECV method has not been considered appropriate.

The dynamics of the business of JPFL is such that the operations generate incomes which are reflective of the value of its business in perpetuity. In view of the management the projections of future cash flows are reasonably achievable, therefore, it was considered appropriate to use DCF approach to determine the fair value of the business of JPFL under the Income Approach. (For details refer Valuation Analysis – Ch. VI)

Valuation Methodology (4/7)

(B). Market Approach

Under this approach the valuation is done on the basis of the quoted market price of the company in case it is a publicly traded company, or publicly traded comparable businesses / date is reviewed in order to identify a peer group similar to the subject company and then their multiples are applied to the entity being valued to determine the fair value.

Usually under the market based approach, the methods that maybe applied are Market Price Method, Comparable Multiple Method (CMM), Comparable Transaction Method (CTM) or Price of Recent Investment Method (PORI). Under CMM method various multiple like EV/Sales, EV/EBITDA, P/BV, P/E, Price/Sales can be used to value a business depending upon the facts and circumstances of the cases.

Facts of the Case:

JPFL is a publicly traded company and therefore a peer set has to be selected which is representative of companies that are listed and engaged in a similar business and operate as a part of the same industry. Keeping in view the business of JPFL and its products portfolio the following peer set has been provided by the Management of JPFL, which in its view are considered appropriate.

1. Uflex
2. Polyplex
3. Garware Polyester
4. Cosmo Films

Valuation Methodology (5/7)

In order to determine the fair price per equity share under the Market Price Method, the market price of JPFL's share as traded on the Stock Exchange on 31st March 2015 would need to be computed, keeping in mind the SEBI Guidelines (even though they do not apply directly), however, since this would include the value of GNWL and separate market price is not available – this method was not considered appropriate.

Accordingly the Comparable multiple method has been considered appropriate to determine the fair value of the equity of JPFL (Consolidated basis without GNWL) based on the peer set so available. (For details refer to Valuation Analysis – Ch VI)

(This space has been left blank intentionally)

**Duff and Phelps Risk Premium Report 2013*

Valuation Methodology (6/7)

(D). Assets Based Approach

Under this approach, the book value / replaceable value / realizable value of the underlying assets of the company is determined to arrive at the value of the business, depending on the facts and circumstances applicable to a company . This methodology is likely to be appropriate for business which derive value mainly from the underlying value of its assets rather than its earnings. Such as in the case of real estate business or investment business

Usually under the assets based approach, the methods that maybe applied are Net Book Value Method, Net Replaceable Value, Net Realizable Value.

Facts of the case:
JPFL is a operationally efficient company which has been in good financial conditions over the last decade. In doing the common size analysis of book value as % of total assets, with the accumulation of past profits the book value of the company as a % of total assets is ~45% .

Conclusion:
Since the Company is a going concern, the Net Replicable and Net Realizable value approaches were not considered appropriate. Accordingly, the Net Book Value approach has been considered appropriate to determine the fair value of business if JPFL, since the assets are reflecting the intrinsic value in the business.

Valuation Methodology (7/7)

Conclusion

In conclusion, the fair value of the business of JPFL is determined using the Internationally Accepted Valuation Methodologies, namely

1. Income Approach
2. Market Approach.
3. Assets Approach

(This space has been left blank intentionally)

VI. Valuation Analysis

Valuation Analysis (1/24)

To aid us in our valuation analysis, we have relied on the information furnished by the management of the Company, including but not limited to background of the business of the Company & the group to which it belongs, Audited financial statements as on 31st March 2015, necessary explanations and information, which we believed were relevant to the present valuation exercise, from the executives and management of the company and certified Projections of JPFL for the period starting from April 2016 till March 2020 prepared by the management, with their assurance of the reasonability.

In arriving at this opinion, SRD amongst other things:

a. Relied on the audited financials statements provided by the management / representatives of JPFL and the projections on a stand alone basis as well the audited financial statements of subsidiaries and associates along with their projections, without further due diligence.

b. Preliminary discussion and information from the representatives of JPFL as provided time to time regarding the business outlook, current state of affairs and financial position of the Company and the Industry. Including discussions with regard to the past and current operations and financial conditions and the prospects of JPFL

c. SRD consulted various market reports, historical statistics in addition to other public available data as considered appropriate including the market data available for JPFL

d. Performed such other analysis, reviewed such other information and considered such other factors as SRD had deemed appropriate

Valuation Analysis (2/24)

The analysis that is conducted, estimates the "Fair Value" of the business of JPFL based on the average value computed as per the valuation methodologies adopted

The detailed valuation analysis, is hereinafter of :-

1. Income Approach.
2. Market Approach.
3. Assets Approach.

(This space has been left blank intentionally)

Valuation Analysis (3/24)

(A). Income Approach

Discounted Cash Flow Method (DCF)

Under this technique the future free cash flows are discounted to the date of valuation in order to arrive at the Present Value of the Business, the following variables need to be determined before deriving the value of the baseness:

Free Cash Flows After Tax form business operations :

The Future Free Cash flows have been determined based on the Company's projections of the next 5 years (March 2016 to March 2020), assumed to be reasonable. (Subject to Statement of limiting conditions). The following table depicts the statement of standalone free cash flows of the business of JPFL (standalone):

JPFL (Standalone)
(Rs. In crores)

Free Cash Flow Statement		Mar-16(A)	Mar-17(P)	Mar-18(P)	Mar-19(P)	Mar-20(P)
EBIT		314.41	299.06	377.32	407.96	429.46
Less: Taxes	34.61%	108.81	103.50	130.58	141.19	148.63
EBIAT		**205.60**	**195.56**	**246.74**	**266.77**	**280.83**
Add:						
Depreciation		59.25	70.73	73.72	74.74	74.56
Changes in Working Capital		(21.53)	(45.09)	(42.63)	(10.23)	(6.18)
Capital Expenditures		(216.72)	(168.91)	(44.00)	(15.00)	(15.00)
Free Cash Flows		**26.60**	**52.29**	**233.83**	**316.28**	**334.21**

Valuation Analysis (4/24)

In order to determine the fair value of the business under the DCF method the Capital Asset Pricing Model (CAPM) has been used. This model discounts the future free cash flows based on a weighted average cost of capital i.e. WACC.

$$\mathbf{WACC = K_e * E/(D+E) + K_d * D/(D+E)}$$

Where,

D= Debt Funds
E= Equity Shareholders Funds

Accordingly, the key variables of the WACC are explained below :

Cost of Equity (Ke)

The cost of equity is the minimum rate of return that an equity shareholder expects on his investment. It is calculated as per formula as given below:

$$\mathbf{K_E = R_F + \beta * R_P}$$

The various components of the above-mentioned formula are described below:

➢ **RISK FREE RATE (R_F)**

The Government of India has considered risk free rate as return on 10 years bonds issued, which is **7.80%** p.a. (Monetary Policy Report-April 2016 issued by the Reserve bank of India) The YTM of Central Govt. Securities with term to maturity of 10-years (end period) is 7.80%

Valuation Analysis (5/24)

➢ **BETA (β)**

Beta is a measure of volatility, or systematic risk of the return on a particular security to the return on a market portfolio. To determine the beta for JPFL, we have considered average 5 years Beta of JPFL as available in public domain. Accordingly, the Beta (**β)** for JPFL was determined at **1.03**

➢**MARKET RISK PREMIUM (R_P)**

Market Risk Premium is the premium earned on equities issued in India over and above the risk free return(Rf) earned i.e. Rp= (R_M-Rf). The average rate of return on equity (R_M) is taken on the basis of the average equity market return of the BSE Sensex over 15 years is 17.42% (R_M). Accordingly the Market risk premium is 9.62% (R_P).

Accordingly, the **Ke- Return on Equity** of **17.71%** has been arrived.

Cost of Debt (K_d)

The cost of debt is the minimum rate of return that a lender expects on his investment after tax adjustment as the interest paid on debt is tax deductable expenses. It is calculated as per formula as given below: K_d = Interest Rate (1- Tax Rate)

Valuation Analysis (6/24)

➢ **INTEREST RATE**

It is the minimum rate of return that a lender expects on his investment and is generally equal to the coupon rate of interest. In the case of JPFL (standalone) there is a total debt of **Rs**. **549.37** Crores carrying an average interest rate of 4.75% to 5% (as provided by the Management/Representatives of JPFL). However, the Interest over a sustained period of time including hedging and foreign currency risk is assumed to be 9%, which in our view maybe considered appropriate given the Indian Lending Scenario.

Accordingly a Cost of Debt **(Kd)** of **5.89%** has been computed based on Weighted Average Interest rate of 9% and effective tax rate of ~34.61%

Thus, **WACC** as per the Capital Assets Pricing Model (CAPM) has been computed as **14.60%**

➢**GROWTH RATE IN PERPETUITY**

In addition to the WACC the Terminal Value growth rate in perpetuity needs to be determined. In order to do so, the GDP growth rate levels of the country that stand at ~7.80%, the inflation rate that stands at ~4.83% (Economic Survey of FY2015-16), together with the industry trend of man made fibers that has experienced stagnant growth over the last 5 years, as well the growth projected by the Company were analyzed. Accordingly, a growth rate in perpetuity of **~2%** was assumed to be reasonable based on a going concern principle.

Valuation Analysis (7/24)

Value of Equity

Fair Value is the price, in cash or equivalent, that a buyer could reasonably be expected to pay, and a seller could reasonably be expected to accept, if the business were exposed for sale on the open market for a reasonable period of time, with both buyer and seller being in possession of the pertinent facts and neither being under any compulsion to act. It is calculated as per formula given below:

Value of Equity =	**Present Value of the Business of the Company**	***less***	**Present Value of Net Debt**

The various components of the above-mentioned formula are described below:

- **Present Value of Business of the Company**

Present Value of the business of the Company is the sum of future discounted free cash inflow that is expected to be realized from the business in perpetuity. Based on the Valuation analysis the Present Value of the free cash flow of the Company based on a 5 years projected period in our opinion is **Rs. 570.75 Crores**

On the last projected year's free cash flow, a growth rate in perpetuity of 2**%** and the discount rate (WACC) of **14.60%** has been applied to determine the present value of the terminal cash flow which stands at **1368 Crores**

Thus, the present value of the business (Standalone) is present value of future cash flows plus the present value of the terminal value amounting to **Rs. 1938.75 Crores**

Valuation Analysis (8/24)

➢ **Net Debt**

Net Debt means total debt outstanding as on the valuation date less the excess cash. As on valuation date, total Net Debt amount is **Rs 384.14 Crores**

Conclusion based on DCF Approach

On the basis of above analysis, the standalone equity value of the shares of JPFL in our opinion is **Rs 1554.61 Crores**.

To capture the fair value of investment in subsidiary/ associates companies the value of below mentioned companies has been added to arrive at the Consolidated value of JPFL under DCF approach. The list of subsidiaries and associates have been valued as follows, based on the assumptions of business projections provided by the management:

1. Jindal Films India Ltd –
2. JPF Netherlands (BV) (including Rexor SAS - 40% of the holding of JPFL as on 31.3.15 is held through JPF Netherlands in the projected period in addition to its own direct shareholding, making it a Holding Co. of Rexor SAS)
3. Global NonWovens Limited (GNWL)
4. Jindal Imaging Limited,
5. Jindal Photo Imaging Limited
6. Hindustan Powergen Limited

Valuation Analysis (9/24)

DCF of Subsidiaries / Associate :

1. Jindal Films India Ltd –

JFIL is valued on Discounted Cash Flow (DCF) basis, using free cash flow to firm approach. The overall equity value of JFIL works out to **Rs 167.31 Crores** as on 31.3.2015 (Refer Appendix A for Calculations)

2. JPF Netherlands (BV) (including Rexor SAS 40% of which is held through JPF Netherlands)

JPF Netherlands (BV) is valued on Discounted Cash Flow (DCF) basis. Using free cash flow to firm approach. The overall equity value of JPF(Netherland) works out to **Rs 8247.70 Crores** as on 31.3.2015. (Refer Appendix B for Calculations)

3. Global NonWovens Limited (GNWL) –

GNWL is valued on Discounted Cash Flow (DCF) basis. Using free cash flow to firm approach. The overall equity value of GNWL works out to **Rs 71.19 Crores** as on 31.3.2015. (Refer Valuation Report dated 19th August 2016 for Calculations

4. We understand that Jindal Imaging Limited, Jindal Photo Imaging Limited and Hindustan Powergen Limited have no operating business and accordingly, DCF Method cannot be applied to them.

Valuation Analysis (10/24)

Accordingly the fair value of consolidated JPFL, based on the factors mentioned above, has been computed as follows.

				Rs In Crores
S.No	**Particulars**	**Total Value**	**% Holding of JPFL**	**Allocated Value**
1	JPFL Standalone Valuation	1554.61		1554.61
	Add: Value of Investment in Subsidiaries/ Associates			
2	Jindal Films India Limited	167.31	100%	167.31
3	JPV Netherland(BV)*	8247.7	51%	4,206.33
	Total Equity Value (1+2+3)			**5,928.25**

*Note: The DCF value of JPF Netherland(BV) includes the value of Rexor SAS – we have been given to understand that in the projected period JPFL has transferred its holding to JP Netherlands and does not directly hold any interest in Rexor SAS. Thus, the value of Rexor SAS is consolidated in JP Netherlands.

The DCF Value of GNWL has not been added above since for the purpose of merger of GNWL the value of JPFL is being determined exclusive of GNWL in order to compute the share swap ratio.

(This space has been left blank intentionally)

Valuation Analysis (11/24)

(B) Comparable Multiple Method (CMM)

JPFL is a publicly traded company and therefore a peer set has to be selected which is representative of companies that are listed and engaged in a similar business and operate as a part of the same industry. Keeping in view the business of JPFL and its products portfolio the following peer set has been considered that is appropriate in view of the management of the Company.

1. Uflex
2. Polyplex
3. Garware Polyester
4. Cosmo Films

Once the peer set has been determined, the next step is to determine the multiple which is most suited to the facts to determine the fair value of JPFL . The value of equity is computed using different valuation parameters like EV/EBITDA, P/E and after this a average value is taken as the value of equity of JPFL.

(This space has been left blank intentionally)

Valuation Analysis (12/24)

The computation has been depicted herein below

Computation of size of comparable on basis of market cap and sales as on 31.3.2015

As on 31.3.2015				***Rs. In Crores***
S.No.	**Peer Companies**	**Market Cap**	**Sales**	**Assets**
1	Uflex	844.51	6180.34	2537.48
2	Polyplex	604.51	3204.16	966.64
3	Garware Polyster	238.05	896.29	1305.35
4	Cosmo Films	149.98	1646.78	894.05
5	JPFL	791.34	7268.89	3682.42

The Comparable Market Multiple of companies which form the peer set are governed by market forces and good operating fundamentals, the selected peer set are stable companies having a consistent positive profitability margin. Thus having similar product portfolio and size the median Multiples of the peer group of companies has been use to determine the value of JPFL (Consolidated Basis).

(This space has been left blank intentionally)

Valuation Analysis (13/24)

The market multiple of selected peer group of companies has been depicted herein below:

Market Multiples of selected peer Companies as on 31.3.2015							
S.No	**Peer Companies**	**D/E Ratio**	**EV/Sales**	**EV/EBITDA**	**P/BV**	**P/E**	**Price/Sales**
1	Uflex	0.74x	0.46x	3.89x	0.28x	3.31x	0.14x
2	Polyplex	1.09x	0.57x	6.43x	0.29x	15.93x	0.19x
3	Garware Polyester	0.65x	0.61x	9.15x	0.42x	13.36x	0.27x
4	Cosmo Films	1.29x	0.37x	5.89x	0.39x	3.92x	0.09x

After computing the Market Multiples, a range of data is created using statistical parameters, where the entire population is divided into 4 equal parts i.e. (Min, 1st Quartile, Median , 3rd Quartile and Max)

Range	EV/Sales	EV/EBITDA	P/BV	P/E	Price/Sales
Min	0.37x	3.89x	0.28x	3.31x	0.09x
1st Quartile	0.44x	5.39x	0.28x	3.77x	0.13x
Median	**0.52x**	**6.16x**	**0.34x**	**8.64x**	**0.16x**
3rd Quartile	0.58x	7.11x	0.40x	14.00x	0.21x
Max	0.61x	9.15x	0.42x	15.93x	0.27x

Valuation Analysis (14/24)

In case of JPFL, since the Profitability Parameters as well as the book value is Positive (Refer table below), thus the valuation is done on the basis of EV/EBITDA & P/E multiple basis. After this a average value is taken as equity value of the JPFL.

As on 31.3.2015								*Rs. In Crores*
S.No	**Company**	**Market Cap**	**Debt**	**Cash**	**EV**	**Sales**	**EBITDA**	**PAT**
1	JPFL	791.34	2,375.59	264.40	2,902.53	7,538.65	650.17	172.23

Note:
The above Debt includes minority interest

(This space has been left blank intentionally)

Valuation Analysis (15/24)

1. EV/EBITDA multiple

EV/EBITDA is the most commonly used Market based multiple to value a manufacturing companies. It takes into account the value and amount of debt a company has, which needs to be paid back at some point. Apart from this, EV/EBITDA multiple is depended upon the operational efficiency of the company without getting the impact of capital structure. The valuation as per this method is done after using the median EV/EBITDA multiple of peer companies.

The Computation has been shown herein below as on 31.3.15:

Particulars	Rs In Crores
Median EV/EBITDA Multiple (A)	6.16x
EBITDA of JPFL (B)	650.25
Enterprise Value (A*B)	**4,005.69**
Less: Net Debt	1,403.96
Less: Consolidated Minority Interest other than GNWL	440.55
Equity Value	**2,161.18**

**The EBDITA & Net Debt used for JPFL is consolidated i.e. including the EBDITA & Net Debt of subsidiaries as per audited financials as on 31.3.15 except 60.40% EBITDA of GNWL.*

•*Net Debt includes long term debt , short term debt, current maturity of long term debt less cash & cash equivalents. It is not adjusted for minority interest of Rs. 468 cr.*

Valuation Analysis (16/24)

2. EV/Sales Multiple:

EV/Sales is commonly used in the valuation of companies whose operating costs exceed revenues i.e. having negative profitability margins. It is regarded as a more accurate measure than the Price/Sales ratio since it takes into account the value and amount of debt a company has, which needs to be paid back at some point. Historically JPFL has a steady profitability and even the projections provided by the management shows the same trends thus, this ratio has not been used for the valuation.

3. P/E Multiple:

The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per share earnings. In essence, the price-earnings ratio indicates the dollar amount an investor can expect to invest in a company in order to receive one dollar of that company's earnings. This is why the P/E is sometimes referred to as the multiple because it shows how much investors are willing to pay per dollar of earnings. The price-earnings ratio can be calculated as: (Market Value per Share / Earnings per Share). The Computation has been shown herein below as on 31.3.15:

Particulars	Rs In Crores
Median P/E Multiple (A)	8.64x
PAT of JPFL (B)	172.31
Equity Value (A*B)	**1,489.38**

**The PAT used for JPFL is consolidated i.e. including the PAT of subsidiaries as per audited financials as on 31.3.15 except 60.40% PAT of GNWL valued separately*

Valuation Analysis (17/24)

4. P/BV Multiple :

This valuation ratio compares a stock's per-share price (market value) to its book value (shareholder's equity). The Price/Book value , expressed as a multiplies an indication of how much shareholders are paying for the net assets of a company. This is a conservative measure to value a firm since this does not account for the future earning prospects of the company. However since the company has a steady stream of incomes, this multiple was not considered appropriate

5. Price/Sales Multiple(P/S):

A stock's (P/S ratio) is another stock valuation indicator. The P/S ratio measures the price of a company's stock against its annual sales, instead of earnings. This ratio shows how many times investors are paying for every dollar of a company's sales. However the Price to sales ratio does not take in into account the outstanding Liabilities of a company, accordingly it has not been used.

(This space has been left blank intentionally)

Valuation Analysis (18/24)

After computing the equity value by using Market based multiple a average of the Equity Value is considered for valuation purpose.

The same has been depicted herein below .

S.No	Valuation Parameters	Rs In Crores
1	EV/EBITDA	2,161.18
2	P/E	1,489.38
	Average Value	**1,825.28**

Thus on the basis of above computational table the equity value of JPFL (Consolidated basis) on the basis of comparable market multiple has been take as **Rs. 1,825.28Crores**.

{This page has been intentionally left blank}

Valuation Analysis (19/24)

Assets Based Approach

The Equity value based on Assets Based approach is computed herein below as per Audited consolidated financials as on 31.3.15.

Particulars	Rs In Crores
Equity Share Capital	43.79
Reserve & Surplus	1,731.35
Shareholder's Fund	1,775.14
Less: NAV of GNWL(Valued seperately) *	42.36
Residual Value of JPFL	**1,732.78**

Note: The consolidated NAV includes the following entities
- JPF Netherland BV (including Rexor SAS)
- Jindal Films India Limited
- Jindal metal & mining (International) Limited
- Jindal India Powertech Limited
- Anchor Image & Films Singapore PTE Ltd
- Hindustan Powergen Limited –
- Preference Shares in Group Companies valued at BV
- The NAV used for JPFL is consolidated i.e. including the NAV of subsidiaries as per audited financials as on 31.3.15 except 60.40% NAV of GNWL valued separately.

Thus, on the basis of Assets Based Approach the equity value of JPFL is take as **Rs 1732.78 Crores**.

Valuation Analysis (20/24)

In our view a weighted average of the valuations derived by the 3 methodologies would be an appropriate indicator of its value. Whereby equal weights are given to the valuations as per Income approach, Market Parameters and to the Asset Parameters.

Accordingly, the calculation of weighted average fair value of Equity has been shown herein below:

S.No	Valuation Methodology	Amount	Weight	Weighted Amount
1	Income Approach(DCF Method)	5,928.25	1	5,928.25
2	Comparable market multiple	1,825.28	1	1,825.28
3	Asset approach	1,732.78	1	1,732.78
	Total		3	9,486.31
	Equity Value			**3,162.10**

Conclusion based on Methodology applied

On the basis of above analysis, the equity value of the shares of JPFL in our opinion is **Rs. 3,162.10 Crores**. The total no of issued and paid up Equity Shares outstanding as on valuation date are 4,37,86,413/-. Accordingly the best valuation estimate of fair value per equity share would be **Rs 722.17** as on valuation date 31st March, 2015.

Valuation Analysis (21/24)

Share Exchange ratio

On the basis of the analysis the equity value of the shares of JPFL of **Rs. 3,162.10 Crores** and that of **GNWL** is **Rs. 71.19** Accordingly, based on the best valuation estimate of fair value per equity share of **Rs. 722.17 and Rs. 9.98 for JPFL and GNWL** respectively as on valuation date 31st March, 2015, the share exchange ratio for the proposed scheme of amalgamation under section 391-394 of The Companies Act 1956, as on the appointed date works out to be as follows :

Calculation of SWAP Ratio	Value per share
Value per share of JPFL	722.17
Value per share of GNWL	9.98
SWAP Ratio	**72.36**

Based on the comparison of results achieved from the various valuation methods selected, for JPFL and GNWL we recommend a Share Exchange Ratio of **0.014 (ie** For every 72 shares in GNWL, 1 share of JPFL will be issued as purchase consideration), which would be fair and equitable for the shareholders of JPFL and GNWL.

Valuation Analysis (22/24)

Further, we understand that as decided by the Board of JPFL vide resolution dated 6th August 2016 the remaining 39.60% of equity shares of GNWL are to be purchased by JPFL. This exercise has been completed by 11th August 2016, and accordingly as on the date of issue of this report all the shares held by JPFL in GNWL would be cancelled on a merger under the Scheme of Amalgamation u/s 391-394 of the Companies Act, 1956.

This report is subject to the Statement of Limiting Conditions.

For S.R. DINODIA & CO. LLP,
CHARTERED ACCOUNTANTS
FIRM REGN. NO.: 001478N/N500005

Pallavi Dinodia Gupta

(PALLAVI DINODIA GUPTA)
P A R T N E R
M.NO. 500618
PLACE: NEW DELHI
DATED: 23RD AUGUST, 2016

Valuation Analysis (23/24)

Appendix A: (Jindal films India Limited as on 31.3.2015)

Rs in Crores

Jindal Films India Limited						
Free Cash Flow Statement		**Mar-16(P)**	**Mar-17(P)**	**Mar-18(P)**	**Mar-19(P)**	**Mar-20(P)**
EBIT		32.32	30.48	35.35	41.45	41.45
Less: Taxes 34.61%	34.61%	11.18	10.55	12.24	14.35	14.35
EBIAT		**21.13**	**19.93**	**23.12**	**27.10**	**27.10**
Add:						
Depreciation		0.03	0.01	0.01	0.01	0.01
Changes in Working Capital		(33.10)	(14.54)	(11.92)	(14.90)	-
Capital Expenditures		-	-	-	-	-
Free Cash Flows		**(11.94)**	**5.40**	**11.21**	**12.21**	**27.11**

Calculation of WACC - using Regular tax rate	
Capital asset pricing model (CAPM)	
Rf(Risk Free Rate)	7.80%
Market return(Rm)	17.42%
Equity Risk Premium (Rm-Rf)	9.62%
Levegrage Beta of JFIL	0.67
Industry Cost Of Equity (Ke) [Rf + beta(Rm-Rf)]	14.21%
Company Risk	2.00%
Company Ke {Industry Ke*(1+Illiquidity Risk)}	16.21%
Kd	7.34%
Debt to Total Fund Ratio(Average of Projected Period)	0.41
WACC	**12.56%**

S.R. DINODIA & Co. LLP
CHARTERED ACCOUNTANTS
we provide intelligent solutions to businesses

Valuation Analysis (24/24)

Appendix B: JPF Netherland as on 31.3.2015

Rs in Crores

JP Netherlands						
Free Cash Flow Statement		**Mar-16(A)**	**Mar-17(P)**	**Mar-18(P)**	**Mar-19(P)**	**Mar-20(P)**
EBIT		425.96	542.99	758.95	947.73	936.73
Less: Taxes	**25.00%**	106.49	135.75	189.74	236.93	234.18
EBIAT		**319.47**	**407.24**	**569.21**	**710.80**	**702.55**
Add:						
Depreciation		172.09	203.08	237.78	242.75	253.96
Changes in Working Capital		(91.63)	133.43	(43.73)	(22.22)	(35.00)
Capital Expenditures		(342.39)	(515.48)	(311.83)	(122.38)	(160.19)
Free Cash Flows		**57.54**	**228.26**	**451.43**	**808.95**	**761.32**

Calculation of WACC - using Regular tax rate	
Capital asset pricing model (CAPM)	
Rf(Risk Free Rate) Netherland	0.263%
Equity Risk Premium (Netherland) Damodran	5.81%
Levegrage Beta of JP D	1.30
Industry Cost Of Equity (Ke) [Rf + beta(Rm-Rf)]	**7.79%**
Company Risk premium	**2.00%**
Company specific cost of Equity (Ke)	**9.79%**
Cost of Debt (Kd)	5.25%
Debt to Total Fund Ratio	0.60
WACC	**7.07%**

Statement of Limiting Conditions

This valuation is subject to the following limiting conditions:

- This report has been prepared for the purpose of determining / estimating the Fair Value per Equity share of the Company based on the international / generally accepted valuation methodologies. The valuation is based on the company's audited financial statements as on 31st March, 2015, on the projections provided by the Company and on the basis of information available in public domain. The Terms of our engagement were such that we were mandated to rely upon the information provided to us by the client with no further due diligence.
- Since, the scope of work did not include any due diligence procedures - We have not conducted a site review of the subject business premises, nor have we reviewed any of the business financials or projections provided by the representatives of the Company. We do not imply that 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. As valuers we are unable to comments / verify the achievability of the projections provided to us and have been taken on an as is where is basis for the valuation exercise with no further enquires or due diligence.
- By this report SRD is not purporting to advice the investor or investee companies on the prudence of the investment.
- Neither SRD nor any of its employee undertakes responsibility in any way whatsoever to any person in respect of any errors in this report arising due to limited time and information available to us
- The liability if any as a consequence of this Valuation report shall be limited to the professional fees paid to SRD by the Company for this assignment, SRD shall not be responsible for any loss to the Company or any third parties who have relied on this report.
- This report and the information provided herein is the sole Intellectual property of SRD and SRD holds its complete copyrights. No part of this report shall be reproduced/ copied/ extracted etc. without the express permission of SRD in writing, which shall not be unnecessarily withheld.
- SRD has not undertaken responsibility to update this report for the events and circumstances occurring after the valuation date. This report is purely recommendatory in nature. S.R. Dinodia & Co. LLP's.

ASSURANCE SERVICES

- Advisory Services
- Management Assurance
- SocioConnect Assurance
- Statutory Assurance

TAXATION SERVICES

- Direct Taxation Advisory
- Taxation Litigation Services
- Cross Border Taxation
- TaxConnect Services

S.R. DINODIA & Co. LLP
CHARTERED ACCOUNTANTS
we provide intelligent solutions to businesses

TRANSACTION ADVISORY SERVICES

- Business Valuation
- CapitalConnect
- Corporate Finance Advisory
- Mergers and Acquisitions & Re-structuring
- Sales, Divestitures and Demergers
- Transaction Evaluation (Due Diligence)
- Negotiation & transaction Management

REGULATORY ADVISORY SERVICES

- Corporate Law
- EthiConnect
- Foreign Exchange Law
- Limited Liability Partnership Law

For further details, contact

Sandeep Dinodia,
Sr. Partner
E: sandeepdinodia@srdinodia.com
Tel: 011-43403305

Pallavi Dinodia,
Partner
E: pallavidinodia@srdinodia.com
Tel: 011-43703311

S. R. DINODIA & Co. LLP.
K-39, Connaught Place,
New Delhi – 110001, INDIA

Telephone: 91-11-4370 3300
Fax : 91-11-41513666
E-mail : srdinodia@srdinodia.com
Website : www.srdinodia.com