
GBN & CO.

Chartered Accountants

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17 June 2015

To,
The Board of Directors,
Mohit Industries Limited
A-601B, International Trade Centre,
Majura Gate, Surat – 395002, Gujarat

Dear Sirs,

**Sub:- Report on share entitlement ratio for the proposed demerger of AAC Blocks
Division of Mohit Industries Limited into Bigbloc Construction Limited**

We refer to the engagement letter dated 30th MAY, 2015, wherein the Board of Directors of Mohit Industries Limited ('MIL') has engaged us, M/s GBN & Co., Chartered Accountants, to report on reasonableness of share entitlement ratio for the proposed demerger of AAC Blocks Division of MIL into Bigbloc Construction Limited ('BCL') as part of proposed composite scheme of arrangement for business reorganization of MIL (the "Transaction") with effect from Appointed date of 01st APRIL, 2015 (the "Engagement").

Share entitlement ratio is the number of shares of BCL (Resulting Company) that a shareholder of MIL (Transferor Company) would be entitled to in proportion to the existing shareholding in MIL.

SCOPE AND PURPOSE OF ENGAGEMENT

This Transaction is proposed under a composite scheme of arrangement under Section 391 – 394 of the Companies Act, 1956 and other applicable provisions of the Companies Act, 1956 and the Companies Act, 2013 ('the Scheme'). As per the Scheme, BCL will issue its shares to the shareholders of MIL as a consideration for the demerger.

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



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BACKGROUND

MIL, incorporated in 1991, is an Indian Publicly Listed company engaged in the business of manufacturing & trading of texturised yarn & grey cloth and manufacturing of AAC Blocks.

The equity shares of MIL are listed on the Bombay Stock Exchange and the National Stock Exchange.

The paid equity share capital of MIL as at 31st March, 2015 consists of 1,41,57,575 equity shares of face value of INR 10 each.

The shareholding pattern of MIL as at 31st March, 2015 is as under:-

Category of Shareholder	No. of Shares	Shareholding as % of Total No. of Shares
Promoter & Promoter Group	95,94,165	67.77%
Bodies Corporate (Non-Institution)	18,04,597	12.75%
Individuals public shareholders	27,57,094	19.47%
Clearing Members	655	0.00%
Non-Resident Indians	1,064	0.01%
TOTAL	1,41,57,575	100.00%

MIL has two distinct business divisions i.e. Textile Division (which includes texturising & grey cloth) and AAC Blocks Division. We understand that as part of business restructuring exercise the MIL proposes to demerge its AAC Block Division business into BCL.



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We understand that BCL is public limited company incorporated under the Companies Act, 2013.

We understand that BCL was incorporated on June 17, 2015 and is wholly owned subsidiary of MIL. BCL currently does not have any business operations. The paid up equity share capital of BCL consists of 70,000 equity shares of face value of INR 10 each.

As per the draft scheme and discussions with Management of MIL we understand that upon demerger, transfer and vesting of Demerged Undertaking into BCL, shares of BCL will be issued to shareholders of MIL such that BCL and MIL will have mirror shareholding upon such issue of shares.

SOURCES OF INFORMATION

In connection with preparing this report, we have received the following information from the management of MIL:

- 1) Audited financial statement of MIL for year ended 31st March, 2013, 31st March, 2014 and 31st March, 2015.
- 2) Division Wise (Textile & AAC Block Division) Audited Financial Statements of MIL for the year ended 31st March, 2015.
- 3) Information and documents as provided by the Management of MIL for the purpose of this engagement.

SCOPE LIMITATIONS, EXCLUSIONS AND DISCLAIMERS

We have relied upon the information, data and explanations given to us by the Management of MIL for the purposes of concluding on the reasonableness of Share Entitlement Ratio in connection with proposed demerger. We have also not carried out a due diligence or audit of Demerged Undertakings or MIL nor have we independently investigated or otherwise verified the data provided. We do not express any form of assurance that the financial information or other information as provided by the Management is accurate.



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Our conclusion assumes that Demerged Undertakings, MIL and BCL comply fully with relevant laws and regulations applicable in all its areas of operations unless otherwise stated, and that Demerged Undertakings are being managed in a competent and responsible manner. Further, except as specifically stated to the contrary, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not recorded in Audited Balance Sheet MIL. Our conclusion on reasonableness of share entitlement ratio assumes that the assets and liabilities of Demerged Undertakings remain intact as of the date of forming such opinion on Share Entitlement Ratio.

This Share Entitlement Ratio is essentially based on the information provided by the Management of MIL for which MIL accepts full responsibility. Our review and analysis have been limited to the above mentioned procedures and our analysis is subject to this limitation. Our reliance and use of this information provided by MIL or the Management should not be construed as expression of our opinion on it and we do not and will not accept any responsibility or liability for any inaccuracy in it.

The exercise of valuation is not a precise science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single share entitlement ratio. While we have concluded on the reasonableness of the Share Entitlement 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 same.

The decision to proceed on the demerger as well as acceptance of the final Share Entitlement Ratio depends on the Board of Directors of MIL, which will be responsible for decisions associated with determination of the Share Entitlement Ratio and the factors other than our work will need to be taken into account in determining the same; these will include your own assessment and may include the input of other professional advisors.



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We owe responsibility and are liable to only the Board of Directors of MIL which has retained us under the terms of our engagement letter and nobody else.

We will not be liable for any loss, claims, damages or liabilities arising in any way from fraudulent acts, misrepresentations, default on the part of MIL, their directors, employees or agents.

SHARE ENTITLEMENT RATIO

We understand that in consideration of the demerger of Demerged Undertaking, the Management proposes to issue to the equity shareholders of MIL, 1 (One) equity share of INR 10 (Ten) each fully paid up of BCL for every 1 (One) equity share of INR 10 (Ten) held in MIL.

The Management of MIL has further represented that upon allotment of shares by the resulting company as above in the proposed ratio, the beneficial/economic interest of the shareholders of MIL in BCL will be in the same ratio inter se as it is in the share capital of MIL. (*Refer to Reduction in Share Capital Clause as per the Draft Scheme provided to us reproduced in Annexure 'I' to our report*).

Based on aforementioned, we believe that the above ratio is fair considering that all the shareholders of MIL are and will, upon demerger, be the ultimate beneficial owners of the resulting company and in the same ratio (inter se) as they hold shares in MIL, as on the record date to be decided by Management of MIL.

Respectfully submitted,

For M/s. GBN & CO.

Chartered Accountants

Firm Regn. No.:- 138266W

Deepak

(Deepak Gelera)
Partner
M. No. : 149065



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Annexure '1' to Our Report**Share Cancellation Clauses as per Draft Scheme of Arrangement**

We understand as per the Draft Scheme provided to us that:-

- (a) Upon the Scheme coming into effect on the Effective Date and immediately after issuance of the equity shares of the BCL to the shareholders of MIL as per share entitlement ratio, the 70,000 (Seventy Thousand) equity shares of the BCL having face value of Rs. 10 (Rupees Ten) each held by the MIL comprising 100% (Hundred per cent) of the total issued and paid-up equity share capital of BCL as on the Effective Date shall stand cancelled without any further act or deed on the part of BCL. The reduction in the share capital of BCL shall be effected as an integral part of the Scheme in accordance with the provisions of Sections 100 to 103 of the 1956 Act (or Section 66 of the 2013 Act, if applicable) and/ or any other applicable provisions of the Act without any further act or deed on the part of BCL and without any approval or acknowledgement of any third party. The order of the Court sanctioning the Scheme shall be deemed to also be the order passed by the Court under Section 102 of the 1956 Act (or Section 66 of the 2013 Act, if applicable) for the purpose of confirming such reduction. The aforesaid reduction would not involve either a diminution of liability in respect of the unpaid share capital or payment of paid-up share capital and the provisions of Section 101 of the 1956 Act (and Section 66(1)(a) of the 2013 Act, if in force) shall not be applicable. Notwithstanding the reduction in the equity share capital of BCL, BCL shall not be required to add "And Reduced" as suffix to its name.
- (b) It is expressly clarified that for the purposes of above Clause of the Scheme, the consent of the shareholders and the creditors of BCL to the Scheme shall be deemed to be sufficient for the purposes of effecting the above reorganization in the share capital of BCL resulting in a reduction in the equity share capital of BCL, and no further resolution or action under Section 100 of the 1956 Act (or Section 66 of the 2013 Act, if applicable) and/or any other applicable provisions of the Act would be required to be separately passed or taken.



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- (c) The reduction of the share capital of BCL as contemplated shall become effective, in accordance with the provisions of Section 103 of the 1956 Act (or Section 66(5) of the 2013 Act, if in force) and/ or any other applicable provisions of the Act and rules and regulations framed there under, pursuant to the filing of the order of the Court sanctioning the scheme including aforesaid capital reduction by BCL with the RoC and upon registration by the RoC of such order of the Court and of the minute approved by the Court, if any, showing, with respect to the share capital of the Resulting Company as altered by the order, (a) the amount of share capital; (b) the number of shares into which it is to be divided; (c) the amount of each share; and (d) the amount, if any, deemed to be paid-up on each share at the date of registration of the aforesaid minute and order by the ROC. Such reduction in the share capital of BCL as contemplated in the Scheme shall be conditional upon this Scheme becoming effective on the Effective Date. If this Scheme is, for any reason whatsoever, not sanctioned by the Court, such reduction of share capital as set out in the Scheme shall not become effective and shall be deemed to be redundant.

We understand that the resultant shareholding post demerger will not impact or dilute the beneficial/economic interest of the shareholders of MIL in BCL and will be in the same ratio inter se as it is in the share capital of MIL.

