



COMFORT SECURITIES LIMITED

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FAIRNESS OPINION REPORT ON VALUATION FOR THE PROPOSED

REDUCTION OF SHARE CAPITAL OF

AVI PHOTOCHEM LIMITED

By

COMFORT SECURITIES LIMITED

14TH AUGUST, 2014

SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000011328



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Notice to Reader

Comfort Securities Limited ("Comfort" or "Authors of the Report") is a SEBI registered 'Category I' Merchant banker in India and was engaged by Board of Directors of AVI Photochem Limited (herein after referred as APCL) to prepare an Independent Fairness Opinion Report ("Report") with respect to providing an independent opinion and assessment as to fairness of Valuation Report determined S.Shah & Associates, Practicing Chartered Accountants an independent Valuers for the purpose of intended proposed reduction of share capital of AVI Photochem Limited (herein after referred as APCL).

The Fairness Opinion Report ("Report") has been prepared on the basis of the review of information provided to Comfort and specifically the Valuation Report prepared by S.Shah & Associates, as an independent valuer. The report does not give any valuation, However this report is limited to provide its fairness opinion on the Valuation Report.

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Executive Summary

Purpose: Express an Independent Fairness Opinion and assessment with respect to fairness of Valuation Report determined by S. Shah & Associates, for the proposed reduction of share capital.

Name of the Company: AVI Photochem Limited

Background of the Company

AVI PHOTOCHEM LIMITED

AVI Photochem Limited, a Public Limited Company was incorporated on 7th March, 1989 under the Companies Act, 1956. The registered office of the company is situated at 110, Manish Ind Estate NO.4, Navghar Road, Vasai (East) Vasai, Maharashtra 410210.

At present, Equity Shares of the company are listed on the BSE Limited

The shareholding pattern AVI Photochem Limited as on 30th June, 2014 is as follows:

Particulars	Number of shares	% of Holding
Promoter and Promoter Group	836476	24.04
Non promoter's holding	2643600	75.96
Grand total	3480076	100.00



Transaction Overview and Rational

The APCL as accumulated losses of Rs. 2,54,01,502/- as on March 31, 2014. The APCL is now proposing to undertake a financial restructuring exercise whereby it is proposed to cancel 24,36,054 equity shares of Rs. 10/- each equivalent to Equity Share Capital of Rs. 2,43,60,540/- (Rupees Two Crore Forty three lakh Sixty thousand Five Hundred and Forty Only). As a result of this capital restructuring, equity shares capital of the Company will stand reduced to 10,44,022 shares of Rs. 10/- equivalent to an equity share capital of Rs. 1,04,40,220/- ((Rupees One Crore Four lakhs forty thousand two hundred and twenty only.) The cancellation of the shares is proportionately among the members of the Company and the same amount shall be utilized for adjusting the debit balance in Profit & Loss Account. Thus, shareholders of the Company holding 100 equity shares of Rs. 10/- each as on the record date, will receive 30 equity shares of Rs. 10/- each post the capital reduction. In respect of fractional shares, if any, caused by the reduction of capital, the same shall be rounded off to 1 (one) share of Rs. 10/- each and the same would be allotted to the shareholders. Simultaneously, the increase in number of shares due to rounding off will be foregone by Mr. Avinash Vora, one of the Promoters of the Company, thus keeping the paid up capital intact to Rs. 1,04,40,220/- (Rupees One Crore Four lakhs forty thousand two hundred and twenty. only).

Rationale and Purpose of the Scheme are as follows:

- i) The Company has incurred heavy losses in the past resulting in substantial erosion of its Net Worth. The Scheme will result in improving its Net Worth.
- ii) The scheme will enable the Company to overcome its financial difficulties and improve its working in the future.
- iii) The Company's financial position will become more accurate after the capital reduction.
- iv) The Scheme will help the revival of the Company, which will be in the interests of its employees, Shareholders, the national and State Exchequer and the Society in general.
- v) Give a true and fair picture of the financial condition of the Company;
- vi) Cleaning up of the balance sheet of the Applicant Company;



- vii) Result in better presentation of the balance sheet of the Applicant Company;
- viii) The restructuring proposal does not in any manner, alter or vary the rights of the creditors of the Applicant Company;
- ix) Further, the proposed adjustment would not in any way adversely affect the ordinary operations of the Company nor will it affect the ability of the Company to honour its commitment or pay its debts, if any in the ordinary course of business.

Valuation Methodology & Explanation adopted by S. Shah & Associates

Some of the methods considered by S. Shah & Associates, for arriving at fair value of shares of a company are as under:

1. Net Asset Value Method
2. Capitalisation of Earnings Method (PECV)
3. Average quoted price of the Equity Shares on stock Exchange in case of Listed Companies

Method Adopted:

1. Net Asset Value (Book Value) Method:

Net Asset Value (Book Value) as on 31.03.2014

Particulars	Amount in Rupees
Share Capital	3,48,00,760
Reserves & Surplus	(2,54,01,155)
Total Shareholder's Fund (A)	93,99,605
No. Shares of Rs. 10 each (B)	34,80,076
Net Asset Value (Book Value) Per Share(A/B)	2.70



2. Capitalisation of Earnings Method (PECV)

In this method, the average earnings based on the past 3 years are first determined. Adjustments are then made for any exceptional transactions or items of a non-recurring nature. The adjusted average earnings are then capitalized at an appropriate rate to arrive at the value of the business.

The PECV is calculated as under, by capitalising the weighted average post tax profits of the Company For last three years at a rate of 20%.

Calculation of PECV of Equity Shares

Particulars	As at 31.03.2014	As at 31.03.2013	As at 31.03.2012	Rupees
Profit after tax (excluding Exceptional and Extra ordinary items)	56,95,198	56,51,735	56,55,499	--
Weight ages	3	2	1	6
Weighted average PAT	1,70,85,594	1,13,03,470	53,55,499	56,24,095
Capitalisation factor@20%				2,81,20,475
No. Of Equity Shares			(Nos.)	34,80,076
Value per share				8.08

3. Average quoted price of the Equity Shares

Though the Equity Shares of the Company are quoted on BSE Limited, a perusal of the trading data of the last six months of the Company reveals that the volumes of trading are extremely low and hence the price quoted cannot be considered as a true representation of the worth of the Equity Shares of the Company.

4. Fair Value per share

Based on the average of the net asset value and PECV method, the fair value of shares of the Company's as tabulated below:



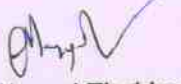
Particulars	Amount in Rupees
Net Asset Value per share (A)	2.70
PECV (B)	8.08
Fair Value per share [(a+b)/2]	5.39

Our Fairness Opinion:

In our opinion, the fair value of the equity share of a company is normally determined on the basis of the average of the values determined by the NAV, PECV, and Market Price methods. In this case as the entire capital of the company is eroded due to losses and even PECV is too redundant in lieu of consistent losses. The Market Price Method is also not available since the shares of the Company are infrequently traded on the Stock Exchange.

Hence the fair value of the share of the company is Rs. 5.39/- per share.

For Comfort Securities Limited


Mayuri Thakkar
AVP-MBD

