

REPORT ON
RECOMMENDATION OF SHARE ENTITLEMENT RATIO
FOR THE PROPOSED TRANSFERS
PURSUANT TO COMPOSITE SCHEME OF ARRANGEMENT
AMONGST
SUNDARAM-CLAYTON LIMITED
AND
TVS HOLDINGS PRIVATE LIMITED
AND
VS INVESTMENTS PRIVATE LIMITED
AND
SUNDARAM-CLAYTON DCD PRIVATE LIMITED
AND
THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

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1. Glossary

Abbreviation	Definition
Appointed Dates 1, 2, 3 and 4	Relevant Appointed Dates as per the Scheme
Demerged Undertaking	Manufacturing Business of the Demerged Company as on Appointment Date 4 as per the Scheme
ICAI	Institute of Chartered Accountants of India
IVS	ICAI Valuation Standards
RPS	Redeemable Preference Shares of SCL
SCDPL/ Resulting Company	Sundaram-Clayton DCD Private Limited (erstwhile TVS Commodity Financial Solutions Private Limited)
The Scheme	Draft Composite Scheme of Arrangement between SCL, THPL, VIPL, SCDPL and their respective shareholders and creditors under Section 230-232 of Companies Act, 2013, including rules and regulations made thereunder
SEBI (ICDR) Regulations	Securities And Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2018
SEBI Master Circular	SEBI Circular No. SEBI/HO/CFD/DIL1/CIR/P/2021/000000065 dated November 23, 2021
SCL /Demerged Company/ Transferee Company	Sundaram-Clayton Limited
the Companies	SCL, THPL and VIPL have been collectively referred to as the Companies
the Management	Management of SCL
THPL/ Transferor Company 1	TVS Holdings Private Limited
Valuation Date	Respective Appointed Dates as per the Scheme
VIPL/ Transferor Company 2	VS Investments Private Limited



2. Introduction

2.1 There is a proposal before the Boards of Directors Sundaram-Clayton Limited ("SCL" or "Transferee Company" or "Demerged Company"), TVS Holdings Private Limited ("THPL" or "Transferor Company 1"), VS Investments Private Limited ("VIPL" or "Transferor Company 2") and Sundaram-Clayton DCD Private Limited (erstwhile TVS Commodity Financial Solutions Private Limited) ("Resulting Company") to consider, *inter alia*, the following restructuring proposal pursuant to the Composite Scheme of Arrangement under Section 230-232 of Companies Act, 2013, including rules and regulations made thereunder (hereinafter referred to as "the Scheme"):

- (i) Step 1: Issue of Preference Shares of SCL to the shareholders of SCL utilising the general reserves/ accumulated profits;
- (ii) Step 2: The amalgamation of THPL with SCL and cancellation of the shares of SCL held by THPL and the consideration thereof;
- (iii) Step 3: The amalgamation of VIPL with SCL and cancellation of the shares of SCL held by VIPL and the consideration thereof; and
- (iv) Step 4: The demerger, transfer and vesting of the Demerged Undertaking from the Demerged Company into the Resulting Company on a going concern basis, reduction and cancellation of the paid-up share capital of the Resulting Company held by the Demerged Company and the consequent issue of shares by the Resulting Company.

2.2 In light of the above, I have been engaged by Management of SCL ("the Management") vide engagement letter dated January 28, 2022 to recommend, the fair ratio of allotment to the shareholders of the Transferor Company 1, Transferor Company 2 and Demerged Company on the Proposed Transfers. This report ("Report") sets out the findings of my exercise.

2.3 Brief Profile of the Companies:

2.3.1 Profile of Sundaram-Clayton Limited

Sundaram-Clayton Limited a public company incorporated under the provisions of the Companies Act, 1956. SCL is engaged in the business of manufacturing non-ferrous gravity and pressure die castings and has four manufacturing plants located in Tamil Nadu. The equity shares of SCL are listed on BSE Limited and the National Stock Exchange of India Limited. SCL is a subsidiary of the THPL. The non-convertible debentures of SCL are listed on the National Stock Exchange of India Limited.

2.3.2 Profile of TVS Holdings Private Limited

TVS Holdings Private Limited is a private company incorporated under the provisions of the Companies Act, 2013. THPL is engaged in the business of holding and making investments and trading of the automobile spares.



2.3.3 Profile of VS Investments Private Limited

VS Investments Private Limited is a private company incorporated under the provisions of the Companies Act, 2013. VIPL is engaged in the business of holding and making investments and trading of raw materials and components relating to automobile industries.

2.3.4 Share Capital of the Companies

The Share Capital of the companies as at December 31, 2021 is as follows:

- (i) The share capital of SCL as on 31 December 2021 is as follows:

Particulars	INR
Authorised Share Capital	
5,00,00,000 equity shares of INR 5 each	25,00,00,000
Total	25,00,00,000
Issued, Subscribed and Paid Up Capital	
2,02,32,085 equity shares of INR 5 each	10,11,60,425
Total	10,11,60,425

Subsequent to the above date, there has been no change in the authorised, issued, subscribed and paid up share capital of SCL till the date of approval of the Scheme by the Board of SCL.

- (ii) The share capital of THPL as on 31 December 2021 is as follows:

Particulars	INR
Authorised Share Capital	
20,00,00,000 equity shares of INR 1 each	20,00,00,000
Total	20,00,00,000
Issued, Subscribed and Paid Up Capital	
20,00,00,000 equity shares of INR 1 each	20,00,00,000
Total	20,00,00,000

Subsequent to the above date, there has been no change in the authorised, issued, subscribed and paid up share capital of THPL till the date of approval of the Scheme by the Board of THPL.



(iii) The share capital of the VIPL as on 31 December 2021 is as follows:

Particulars	INR
Authorised Share Capital	
10,00,000 equity shares of INR 1 each	10,00,000
Total	10,00,000
Issued, Subscribed and Paid Up Capital	
1,00,000 equity shares of INR 1 each	1,00,000
Total	1,00,000

Subsequent to the above date, there has been no change in the authorised, issued, subscribed and paid up share capital of the VIPL till the date of approval of the Scheme by the Board of the VIPL.

(iv) The share capital of the Resulting Company as on 31 December 2021 is as follows:

Particulars	INR
Authorised Share Capital	
2,500 equity shares of INR 10 each	25,000
Total	25,000
Issued, Subscribed and Paid Up Capital	
2,500 equity shares of INR 10 each	25,000
Total	25,000

Subsequent to the above date, there has been no change in the authorised, issued, subscribed and paid-up share capital of the Resulting Company till the date of approval of the Scheme by the Board of the Resulting Company.



3. Data obtained

4.1 I have called for and obtained such data, information, etc. as were necessary for the purpose of this assignment, which have been, as far as possible, made available to me by the Management. **Appendix A** hereto broadly summarizes the data obtained.

4.1 For the purpose of this assignment, I have relied on such data summarized in the said Appendix and other related information and explanations provided to me in this regard.



4. Consideration of Factors for Determination of Share Entitlement Ratios

- 4.1 For the purpose of arriving at a fair ratio of entitlement for the proposed transfers, I have examined, considered and placed reliance on various details, data, documents, accounts, statements furnished and explanations and information given to me and have proceeded to find out the ratios on consideration of various factors as follows:
- 4.2 Fair ratio for the proposed amalgamation of THPL with SCL.
- 4.2.1 Assets and liabilities of THPL as on January 31, 2022 based on its Audited Balance Sheet are given in Appendix D hereto.
 - 4.2.2 Pursuant to an earlier composite scheme of arrangement for which order of the NCLT dated December 6, 2021 was passed, THPL has, *inter alia*, acquired 1,30,94,460 (64.72%) equity shares of the SCL, effective February 4, 2022. Under the same order, THPL has also been assigned a loan of Rs. 80 Cr. This loan will be repaid out of internal accruals and to the extent not so met will be met out of sale of shares of SCL.
 - 4.2.3 Pursuant to clause 10.1 of the Scheme, SCL will issue Redeemable Preference Shares ("RPS") to THPL.
 - 4.2.4 Further, the cash balance of THPL will be utilized to settle stamp duty dues for the proposed transfer and hence no consideration is required to be issued for the same.
 - 4.2.5 The assets and liabilities of THPL as on Appointed Date 2 would be transferred to SCL at the values as appearing in the books of THPL.
 - 4.2.6 Thus, upon the scheme becoming effective, the shares of SCL held by THPL will vest in SCL. Thereupon, the shareholders of THPL will be allotted shares of SCL.
 - 4.2.7 The Equity Shares of SCL held by THPL as at Appointed Date 2 will stand cancelled and for the shares of SCL previously held by THPL, equivalent number of equity shares of SCL will be issued to the shareholders of THPL. In the event, THPL holds less than 1,30,94,460 equity shares of SCL on the Appointed Date 2, the equity shares to be issued by SCL in consideration of the amalgamation of THPL shall stand reduced by such decreased number of equity shares held in SCL.
 - 4.2.8 RPS of SCL as held by THPL on Appointed Date 2 will stand cancelled upon amalgamation of THPL with SCL and in consideration for the same, new RPS of SCL with same terms will be issued to the shareholders of THPL. Since, the terms of the RPS held by THPL and the new RPS to be issued to the shareholders of THPL are the same, equivalent number of RPS of SCL will be issued to the Shareholders of THPL.
 - 4.2.9 Since assets of THPL as at the Valuation Date will mainly consist of investment in SCL and in consideration an equivalent number of shares of SCL are proposed to be issued under the scheme, I have not carried a valuation of these entities as per the generally accepted principles of valuation.



4.3 Fair ratio for the proposed exchange of loan given to Promoters by VIPL against RPS of SCL held by the Promoters

- 4.3.1 The Promoters have borrowed from VIPL which is repayable on February 2, 2024.
- 4.3.2 Pursuant to merger of THPL into SCL the Promoters of THPL would have been allotted RPS of face value of Rs. 10 each carrying a coupon of 9% p.a. and redeemable on February 2, 2024, or 12 months from the date of allotment, whichever is later.
- 4.3.3 Promoters would settle this loan with interest by transferring the RPS received by them pursuant to amalgamation of THPL with SCL, at fair value as on Appointed Date 2 and the shortfall will be settled with their own funds.

4.4 Fair ratio for the proposed amalgamation of VIPL with SCL

- 4.4.1 Assets and liabilities of VIPL would be transferred to SCL at values as appearing in the books of VIPL as on Appointed Date 3.
- 4.4.2 As discussed in para 4.3.3, VIPL will acquire RPS of SCL from the Promoters.
- 4.4.3 Based on the provisional balance sheet (Appendix E) as of VIPL as on February 8, 2022, provided by the Management, borrowings of VIPL amount to of Rs. 1,720 Cr. and VIPL's net-worth was Rs. 78,504/-.
- 4.4.4 As mentioned above, all assets and liabilities of VIPL are to be transferred at their book values and accordingly, equity shares of SCL will be issued in consideration for the same at the value of the net-worth of VIPL as per its financial statements as at the Appointed Date 3.
- 4.4.5 For the purpose of determining the number of Equity Shares to be issued in consideration for the amalgamation of VIPL, the value per share of SCL has been taken as Rs. 4,195/- being the value per Share of SCL as per Regulation 164 (1) of SEBI (ICDR) Regulations, 2018, as on February 8, 2022. It may be noted that the above value of the Equity Shares of SCL as per ICDR Regulations is without considering the impact of issue of bonus RPS to the equity shareholders. The issue of bonus RPS could have a downward impact on the value of shares. Accordingly, the value considered for issue of shares by SCL is considered on a higher side. This would result in a lower number of equity shares of SCL being issued to the Promoter Family and does not go against the interest of the public shareholders. However, if the ICDR price on Appointed Date 3 is higher than Rs. 4,195/-, the same will prevail.
- 4.4.6 Since assets of VIPL as at the Valuation Date will mainly consist of investment in SCL and in consideration a nominal number of shares of SCL are proposed to be issued under the scheme, I have not carried a valuation of these entities as per the generally accepted principles of valuation.

4.5 Fair Ratio for the Proposed Demerger of the Demerged Undertaking into the Resulting Company



- 4.5.1 The assets and liabilities identified as pertaining to or in relation to the Demerged Undertaking would be transferred to the Resulting Company at values appearing in the books of the Demerging Company as on Appointed Date 4, pursuant to the Scheme.
 - 4.5.2 In consideration of the transfer all the shareholders of SCL will be allotted shares of the Resulting Company. Accordingly, the equity shareholders of SCL will receive equity shares in the Resulting Company and the RPS holders of SCL will receive RPS in the Resulting Company.
 - 4.5.3 Hence, there is no need to adjust the equities between the disparate set of shareholders.
 - 4.5.4 Upon implementation of the Scheme, all shareholders of SCL would become shareholders in the Resulting Company. Since, there is no change in the shareholding pattern, I have not carried a valuation of these entities as per the generally accepted principles of valuation.
- 4.6 It may be noted that the Institute of Chartered Accountants of India (ICAI) on June 10, 2018 has issued the ICAI Valuation Standards ("IVS") effective for all the valuation reports issued on or after July 1, 2018. The IVS is mandatory for the valuation done under the Companies Act, 2013, and recommendatory for valuation carried out under other statutes/ requirements. However, as the current exercise does not entail valuation, the question of following the Valuation Standards does not arise.



5. Conclusion

Based on the foregoing data, considerations and steps followed, in my opinion the fair ratios of entitlement for the proposed transfers would be as follows:

(i) For merger of THPL into SCL:

For 20,00,00,000 Equity Shares of Re. 1 Each held in THPL, 1,30,94,460 Equity Shares of SCL of Rs. 5/- each and 1,51,89,57,360 Redeemable Preference Shares of SCL of Rs. 10/- each to be distributed among the shareholders of THPL in the proportion of their holding. In the event, THPL holds less than the above stated number of equity shares and RPS of SCL on the Appointed Date 2, the equity shares and RPS to be issued by SCL in consideration of the amalgamation of THPL shall stand reduced by such decreased number of equity shares and RPS held in SCL.

(ii) For merger of VIPL into SCL:

For every 1,00,000 Equity Shares of Rs. 1/- each held in VIPL, 19 Equity Shares of SCL of Rs. 5/- each to be distributed among the shareholders of VIPL in the proportion of their holding.

(iii) For demerger of SCL

For every 1 Equity Share of Rs. 5/- each held in SCL, 1 Equity Shares of the Resulting Company of Rs. 5/- each and 1 RPS of Rs. 10/- each for every 1000 RPS held in SCL.



6. Limitations and Disclaimers

- 6.1 This Report is subject to the scope of limitations detailed hereinafter. The Report is to be read in totality and not in parts.
- 6.2 My valuation is based on the information furnished to me being complete and accurate in all material respects.
- 6.3 This Report is meant for the specific purpose mentioned herein and should not be used for any purpose other than the purpose mentioned herein. The Report should not be copied or reproduced without obtaining prior written approval for any purpose other than the purpose for which it is prepared.
- 6.4 This Report is based on conditions precedent as mentioned in the approach. In case they are not followed, this Report would not hold good.
- 6.5 Any person/ party intending to provide finance / deal in the shares / business of the Company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.
- 6.6 I have no obligation to update this Report because of events or transactions occurring subsequent to the date of this Report.



7. Gratitude

I am grateful to the Management for making information and particulars available to me, often at a short notice, without which this assignment would not have been concluded in a time-bound manner.



DRUSHTI R. DESAI

Registered Valuer

Registration Number: IBBI/RV/06/2019/10666

Place: Mumbai

Date: February 9, 2022

UDIN: 22102062ABAGHB4507

Appendix A: Broad Summary Of Data Obtained

From the Management:

1. Audited Financial Statements of THPL and VIPL for period ended 31st January 2022.
2. Limited Reviewed financials of SCL, period ended 31st December 2021.
3. Draft Composite Scheme of Arrangement between SCL, THPL, VIPL, SCDPL and their shareholders.
4. Other relevant information
5. Answers to specific questions and issues raised by me after examining the foregoing data.



Appendix B: Workings for the fair share exchange ratio recommended

- (i) Fair Ratio for the Proposed Amalgamation of TVS Holdings Pvt. Limited into Sundaram-Clayton Limited

Particulars	Reference	Units
Paid up Share Capital of SCL	A	2,02,32,085
Equity Stake of THPL in SCL (%)	B	64.72%
Equity Shares held by THPL in SCL	$C=A*B$	1,30,94,460
Paid up Share Capital of THPL	D	20,00,00,000

- (ii) Fair Ratio for the Proposed Amalgamation of VS Investments Private Limited into Sundaram-Clayton Limited

Particulars	Reference	Units
Net Worth of VIPL (as of 8 th February 22) (in Rs.)	A	78,504
Value per Share of SCL (Rs.)	B	4,195
Equity Shares of SCL to be issued	$C= A/B$	19
Paid up Share Capital of VIPL	D	1,00,000



Appendix C: Disclosure required under SEBI Master Circular**(i) For the Proposed Amalgamation of THPL into SCL.**

The disclosure required under SEBI Master Circular is given hereunder:

Valuation Approach	THPL		SCL	
	Value per Share (Rs.)	Weight	Value per Share (Rs.)	Weight
Market Price method	NA	NA	NA	NA
Earnings based Method	NA	NA	NA	NA
Cost based approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	
Share Entitlement Ratio (A/B) (Rounded)			NA	

(ii) For the Proposed Amalgamation of VIPL into SCL

The disclosure required under SEBI Master Circular is given hereunder:

Valuation Approach	VIPL		SCL	
	Value per Share (Rs.)	Weight	Value per Share (Rs.)	Weight
Market Price method	NA	NA	4,195	1
Earnings based Method	NA	NA	NA	NA
Cost based approach	0.78	1	NA	NA
Relative Value per Share	NA		4,195	
Share Entitlement Ratio (A/B) (Rounded)			19 equity shares of SCL for 1,00,000 equity shares held in VIPL	

(iii) For the Proposed Demerger of Demerged Entity into Resulting Entity

Upon implementation of the Scheme, all shareholders of SCL would become shareholders in the Resulting Company leading to a mirror image shareholding of the two companies.

Therefore, there is no change in shareholding as given in Para 4.5.2 and hence I have not



carried out a valuation of these entities under the generally accepted principles of valuation. The disclosure required under SEBI Master Circular is given hereunder:

Valuation Approach	Demerged Company		Resulting Company	
	Value per Share (Rs.)	Weight	Value per Share (Rs.)	Weight
Market Price method	NA	NA	NA	NA
Earnings based Method	NA	NA	NA	NA
Cost based approach	NA	NA	NA	NA
Relative Value per Share	NA		NA	
Share Entitlement Ratio (A/B) (Rounded)			NA	



Appendix D:. Audited Balance Sheet of THPL as at January 31, 2022

(Rs in Cr.)

	Particulars	As at 31 st January 2022	As at 31 st March 2021
I.	EQUITY AND LIABILITIES		
	Shareholders Funds		
	(a) Share Capital	20.00	1.16
	(b) Reserves and surplus	(4.86)	(0.3)
	Total Equity and Liabilities	15.14	1.13
	Non-Current Liabilities	-	-
	Current Liabilities		
	(a) Trade payables	0.15	0.00
	(b) Other current liabilities	0.00	-
	(c) Short-term provisions	4.70	-
	Total Liabilities	4.85	0.00
	TOTAL	19.99	1.13
II.	ASSETS		
	Non-current assets		
	(a) Property, Plant & Equipment	-	-
	(b) Long-term loans and advances	-	-
	(c) Deferred Tax Assets(net)	-	-
	Total Non-Current Assets	-	-
	Current assets		
	(a) Trade Receivables	0.17	-
	(b) Cash and cash equivalents	19.82	1.13
	Total Assets	19.99	1.13
	TOTAL	19.99	1.13



Appendix E: Provisional Balance Sheet of VIPL as at February 8, 2022

(Rs in Cr.)

Particulars	As at 8 th February 2022
ASSETS	
Current assets	
Inventories	
Financial assets	
i. Trade receivables	
ii. Cash and cash equivalents	74.76
iii. Bank balances other than (ii) above	
iv. Investments	
v. Other financial assets	1,649.00
Current tax assets (Net)	
Other current assets	23.83
Total current assets	1,747.59
Total Assets	1,747.59
EQUITY AND LIABILITIES	
Equity	
Equity share capital	0.01
Fresh issue of Equity shares	3.76
Redeemable Preference Shares	
General reserve	
Securities Premium Reserve	
Retained earnings – Operational	-3.76
Other equity	-3.76
Total equity	0.01
Liabilities	
Current liabilities	
Financial liabilities	
i. Borrowings	1,720.00
ii. Lease liability	
iii. Trade payables	
iv. Other financial liabilities	27.59
Other current liabilities	
Provisions	
Total Liabilities	1,747.59
Total equity and liabilities	1,747.59





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Sundaram-Clayton Limited

24th February 2022

National Stock Exchange of India Ltd.,
Exchange Plaza, 5th Floor,
Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051.
Scrip code: SUNCLAYLTD

Dear Sir(s)/Madam,

Reg : Confirmation by Listed entity

We hereby confirm that no material event impacting the valuation has occurred during the intervening period of filing the scheme documents with Stock Exchange and period under consideration for valuation

Kindly take the same on record.

Thanking you,

For Sundaram-Clayton Limited


R Raja Prakash
Company Secretary

