

**QUINTESSENCE ENTERPRISES PRIVATE LIMITED**

Adm. Off.: 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills,  
Hyderabad - 500 034. Tele/Fax: +91-40-65528262

**FAIRNESS OPINION ON THE  
SCHEME OF AMALGAMATION**

**BETWEEN**

**ACE TC RENTAL PRIVATE LIMITED (ATRPL)**

**(Transferor Company)**

**AND**

**ACTION CONSTRUCTION EQUIPMENT LIMITED (ACEL)**

**(Transferee Company)**

**AND**

**THEIR RESPECTIVE SHAREHOLDERS**

**UNDER SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956**

- 1. The Board of Directors**  
**ACTION CONSTRUCTION EQUIPMENT LIMITED,**  
5<sup>th</sup> Floor, TDI Tower,  
Jassola, Delhi.
- 2. The Board of Directors**  
**ACE TC RENTAL PRIVATE LIMITED**  
5<sup>th</sup> Floor, TDI Tower,  
Jassola, Delhi.

Dear Sirs,

We, **Quintessence Enterprises Pvt. Ltd., (QEPL)**, refer to our offer letter dated 23rd April, 2014 which has been duly accepted by you, whereby you have appointed us as an Independent Merchant Banker for furnishing a 'Fairness Opinion' on the valuation carried out by the Valuer, M/s. VGR & Co., Chartered Accountants vide report dated 30<sup>th</sup> May, 2014, pursuant to Clause 24 (f) of listing Agreement.

**CERTIFIED TRUE COPY**

For Action Construction Equipment Ltd.

Fairness Opinion on valuation of ACEL and ATRPL

  
Company Secretary



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Reg: office: 'NANDANAM' 8-2-603/1/VP, Plot No. 8A, Road No. 10, Banjara Hills,  
Hyderabad - 500034

The methodology used and the valuation arrived at based on the Valuation Report furnished by M/s. VGR & Co., Chartered Accountants, having their office at 3/31, 2nd floor, west Patel Nagar, near West Patel metro station, Delhi, for the proposed Amalgamation of **ACE TC RENTAL PRIVATE LIMITED (ATRPL)** with **ACTION CONSTRUCTION EQUIPMENT LIMITED (ACEL)** and that the share allotment ratio of issuing 1168 shares in **ACEL** for every 100 shares of **ATRPL** is **FAIR**.

We enclose herewith a Valuation Report by M/s. VGR & Co., Chartered Accountants. We hereby give our consent to present and disclose the Fairness Opinion in the general meeting of the shareholders of **ACEL** and **ATRPL** pursuant to Clause 24 (f) of Listing Agreement to the BSE Limited ('BSE'), National Stock Exchange of India Limited (NSE) and such other authorities in connection with the proposed purpose.

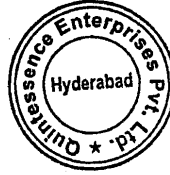
We highly appreciate the co-operation and support received by us from your representatives during preparation of the said Fairness Opinion Report

Thanking you,

Yours faithfully,

For and on behalf of  
**Quintessence Enterprises Private Limited**

  
Lavanya Chandra  
Executive Director



06/06/2014  
Hyderabad

Encl.: (1) Valuation Report by M/s. VGR & Co., Chartered Accountants.

# **QUINTESSENCE ENTERPRISES PRIVATE LIMITED**

Adm. Off.: 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills,  
Hyderabad - 500 034. Tele/Fax: +91-40-65528262

## **FAIRNESS OPINION ON THE**

### **SCHEME OF AMALGAMATION**

#### **BETWEEN**

**ACE TC RENTAL PRIVATE LIMITED (ATRPL)**

**(Transferor Company)**

**AND**

**ACTION CONSTRUCTION EQUIPMENT LIMITED (ACEL)**

**(Transferee Company)**

**AND**

**THEIR RESPECTIVE SHAREHOLDERS**

**UNDER SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956**

#### **1. PURPOSE:**

This Scheme of Amalgamation is presented under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 and provides for Amalgamation of "ACE TC RENTAL PRIVATE LIMITED (ATRPL) with 'ACTION CONSTRUCTION EQUIPMENT LIMITED (ACEL)

The consequent issue of equity shares by the Transferee Company ACEL to the shareholders of the Transferor Company ATRPL pursuant to the provisions of sections 391 to 394 and other relevant provisions of the Companies Act, 1956.

The purpose of the Fairness Opinion on the Valuation is to determine whether value at which and the number of shares to be allotted by ACEL to the shareholders of ATRPL in the event of proposed Amalgamation is Fair.

The company has to submit this Fairness Opinion to the BSE Limited (BSE) in accordance with clause 24 (f) of the listing agreement and National Stock Exchange of India Limited (NSE) to obtain the no-objection certificate to go ahead with the scheme.

Fairness Opinion on valuation of ACEL and ATRPL



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## 2. RATIONALE OF THE SCHEME

In order to economize the administrative cost and to optimally utilize the available resources and services and to realize the benefit of combined entity, the Board of Directors of the Transferor Company and the Transferee Company have decided to amalgamate the Transferor Company into the Transferee Company. The amalgamation will result in better, efficient and economical management, achieve cost savings, pooling of resources, rationalization of administrative expenses/services and greater control. Without prejudice to the generality of the above, the proposed amalgamation is expected to achieve the following objectives in particular:

- a. To consolidate the shareholding of both the Transferor and Transferee Companies;
- b. To improve the administrative control;
- c. To economize on administrative and other expenses; and
- d. To increase in efficiency by pooling of resources and their optimum utilization, thereby availing synergies from combined resources;
- e. To jointly develop business and profession in the field of designing, developing, fabrication, processing, repairing, assembling, manufacturing, buying and selling etc. in all kinds of construction machinery, plants, equipments, instruments and appliances etc.

## 3. MERCHANT BANKER – QUINTESSENCE ENTERPRISE PVT LTD (QEPL)

QEPL formed in 1999, is a Category - I, Merchant Banking company, based in Hyderabad, Andhra Pradesh, having its registered office at 'NANDANAM' 8-2-603/1/VP, Plot No. 8A, Road No. 10, Banjara Hills, Hyderabad - 500034, and Administrative office at 8-2-603/B/33/A/9, B - 201, Zahera Nagar, Road No. 10, Banjara Hills, Hyderabad - 500034. It is SEBI registered with Registration Code INM000011997 valid till 31/07/2017, as Category I Merchant Banker.

ACTION CONSTRUCTION EQUIPMENT LIMITED (ACEL) has appointed us to give a Fairness Opinion on the Valuation arrived at for determining the share allotment ratio for the proposed amalgamation carried out by M/s. VGR & Co., Chartered Accountants, Delhi.

## 4. BACKGROUND OF COMPANIES

### Action Construction Equipment Limited

ACE is a 19 years old enterprise with its full-fledged state of the art production facilities based at industrial townships of Faridabad (Haryana) and Kashipur (Uttaranchal). These Plants are fully equipped to produce around 12000 P.A. Construction Equipment and 6000 P.A. Tractors It has its office at 5<sup>th</sup>, Floor, TDI Tower, Jassola, Delhi.



ACTION CONSTRUCTION EQUIPMENT LIMITED (ACE) is India's leading material handling and construction equipment manufacturing company with major market share in mobile cranes segment. In addition to Mobile Cranes, ACE also offers Mobile / Fixed Tower Cranes, Loaders, Vibratory Rollers, Truck Mounted Cranes, Crawler Cranes, Forklifts, Tractor and other Construction Equipment. ACE has a consolidated presence in all major Infrastructure, Construction, Heavy Engineering and Industrial Projects across the country.

The company is listed on the BSE Limited and The National Stock Exchange of India Limited

The Capital Structure of "ACTION CONSTRUCTION EQUIPMENT LIMITED" ("Transferee Company") as on the Valuation date i.e. 1st April, 2014 is as under:

<b>ACTION CONSTRUCTION EQUIPMENT LIMITED (ACE)</b>	
<b>Particulars</b>	<b>(Amount in Rs.)</b>
<b>Authorized Share Capital</b> 12,25,00,000 Equity Shares of Rs.2/-each	24,50,00,000
<b>Issued, Subscribed and Paid Up Share Capital</b> 9,89,40,000 Equity Shares of Rs.2/- each	19,78,80,000

#### **ACE TC RENTALS PRIVATE LIMITED (ATRPL)**

Ace Tc Rentals Private Limited is a private Limited company incorporated on 11<sup>th</sup> December 2006 having its office at 5<sup>th</sup> Floor, TDI Tower, Jassola, Delhi. Its authorized share capital is Rs. 5 Crs and its paid up capital is Rs.3 Crs.

It is held by the promoters of ACEL in their individual capacity. ATRPL is in the business of rental of Mobile Tower cranes on long term basis. It procures Mobile Tower Cranes manufactured by ACEL and gives it on lease to its customers generally for a period of three years

#### **Capital Structure**

The Capital Structure of **ACE TC RENTALS PRIVATE LIMITED (ATRPL)** (Transferor Company) as on the Valuation Date i.e.01.04.2014 is as under:



<b>ACE TC RENTALS PRIVATE LIMITED (ATRPL)</b>	
<b>Particulars</b>	<b>(Amount in Rs.)</b>
<b>Authorized Share Capital</b> 50,00,000 Equity Shares of Re.10/- each	5,00,00,000
<b>Issued, Subscribed and Paid Up Share Capital</b> 30,00,000 Equity Shares of Re.10/- each	3,00,00,000

**5. SOURCES OF INFORMATION**

- A copy of the Memorandum and Articles of Association of both the companies
- Balance Sheets of both for the last two years as at March 31<sup>st</sup> 2014, March 31<sup>st</sup> 2013.
- Shareholding pattern before and after the Scheme
- A certified copy of the Scheme
- A certified copy of the Board Resolution of ACEL and ATRPL.
- A Valuation Report by M/s. VGR & Co., Chartered Accountants, Delhi.

**6. VALUATION METHODOLOGY APPLIED**

We have received a Valuation certificate from the Valuers, M/s. VGR & Co., Chartered Accountants.

**Valuation methods**

The following are the generally available valuation methods:

- Net Assets Value
- Price Earning Capacity Value Method
- Market Value Method; and
- Comparable Company Market (CCM) Multiple
- Discounted Free Cash Flow Method

Since the nature of business and market conditions vary from company to company and from business to business, different methods of valuation are evaluated and which is relevant to the context of the company and its business is chosen for valuation. Sometimes a combination of the above method is also adopted.



Though the valuation exercise are normally performed on the basis of widely accepted valuation methods described above, taking into account information available and constraints on the information availability, market data and comparability the Valuers have considered to value the equity shares of transferor and transferee companies as per the following methods.

**Action Construction Equipment Limited (ACEL)  
refer Valuation report**

- A. Net Assets Value Method
- B. Market Value Method
- C. Discounted Cash Flow (DCF) Method
- D. Price Earnings Capacity Value Method.

**ACE TC RENTALS PRIVATE LIMITED (ATRPL)  
refer Valuation Report**

- A. Net Assets Value Method
- B. Comparable Company Market (CCM) Multiple
- C. Discounted Cash Flow (DCF) Method
- D. Price Earnings Capacity Value Method.

	ACE Equipments Values	ACE Rentals Values	ACE Equipments Weight	ACE Rentals Weight	ACE Equipment Weighted Average	ACE Rentals
Net Assets Value	27,159	1,161	10%	10%	2,716	116
Market Price Method	15,761		40%	0%	6,304	-
CCM		6,094	0%	10%	-	609
Discounted Cash Flow Method	23,147	8,488	40%	70%	9,259	5,942
Price Earning Capacity Value	9,612	1,469	10%	10%	961	147
Weighted Average Value			100%	100%	19,240	6,814
Number of Shares					989	30
Share Price Value					19.45	227.14
Share Allotment Ratio					11.68	1.00
Share Allotment Ratio (Rounded)					1,168	100



### SHARE ALLOTMENT RATIO

On the basis of the aforesaid computations in the valuation report the Share allotment Ratio has been arrived at and equity shares of **Action Construction Equipment Limited** (Transferee Company) would be issued to the shareholders of **ACE TC RENTALS PRIVATE LIMITED (ATRPL)** (Transferor Company) in the ratio mentioned below:

Particulars	ACE TC RENTALS PRIVATE LIMITED (ATRPL) (Transferor Company)	Action Construction Equipment Limited (Transferee Company)
Fair Value per share as per the Valuation methods adopted in Rs.	227.14	19.45
Ratio of Exchange	1	11.68
Face Value Per Share (in Rs)	10/-	2/-

On the basis of the above discussions and computations and based on the values of equity shares of **Action Construction Equipment Limited** (Transferee Company) and **ACE TC RENTALS PRIVATE LIMITED (ATRPL)** (Transferor Company), the Valuer is of the opinion that:

The Share allotment Ratio for the proposed amalgamation shall be 1168 Equity Shares of Rs.2/- (Rupees Two Only) each of Action Construction Equipment Limited (Transferee Company) for every 100 Equity Shares of Re.10/- (Rupee ten Only) each held in ACE TC RENTALS PRIVATE LIMITED (ATRPL) (Transferor Company) is fair and equitable.

In view of the above Share allotment ratio, the consideration on the basis of their valuation for the Amalgamation of ACE TC RENTALS PRIVATE LIMITED (ATRPL) (Transferor Company) into Action Construction Equipment Limited (Transferee Company) can be compensated by issuing 1168 Shares in Action Construction Equipment Limited (Transferee Company) for every 100 shares of ACE TC RENTALS PRIVATE LIMITED (ATRPL) (Transferor Company) to the shareholders of ACE TC RENTALS PRIVATE LIMITED (ATRPL) in proportion to their share holding





## 7. OPINION ON VALUATION REPORT

As Merchant Bankers furnishing an opinion about the fairness of the valuation done by the valuer, based on the information, material, data made available to us including valuation report and workings to the best of our knowledge and belief, the methodology applied and the valuation arrived at by M/s. VGR & Co., Chartered Accountants, Delhi, that the Share allotment ratio of issuing 1168 shares in ACEL for every 100 shares of ATRPL is **FAIR**.

## 8. LIMITATIONS OF THE FAIRNESS OPINION ON THE VALUATION

The assignment did not include the following:

- An audit of the financial statements of the company
- Carrying out a market survey / financial feasibility for the amalgamation.
- Financial and Legal due diligence
- Our fairness opinion is based on the information made available to us by the management of ACEL. Any subsequent changes to the financial and other information provided to us, may affect the result of value analysis set out in this report.
- This report forms a fairness opinion on the valuation done by the valuer, M/s VGR & Co., Chartered Accountants, to arrive at the valuation for the proposed Scheme of Amalgamation, and thus constitutes a limited Fairness Opinion report from QEPL.
- Our fairness opinion includes limited review of audited financial statements of ACEL and ATRPL, based on the information as mentioned by us in our report giving sources of information.
- We have reviewed the information made available to us for overall consistency and have not carried out any detailed tests in the nature of audit to establish the accuracy of such statements and information. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the company.
- Our Fairness Opinion should not be construed as investment advice, specifically, we do not express any opinion on the suitability or otherwise of entering into the proposed transaction.



- The information contained in this report is selective and is subject to updates, expansions, revisions and amendment, it does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent
- In rendering this Opinion, QEPL has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly QEPL does not assume any responsibility in respect thereof. Further QEPL has assumed that the Scheme of Amalgamation will be implemented on the terms and conditions as set out in the draft Scheme of Amalgamation, without any material changes to or waiver of its terms and conditions.
- We hereby declare that we do not have any direct or indirect interest in the Company / assets valued.

**This report is issued on the understanding that it is solely for the use of the persons to whom it is addressed and for the purpose described above. We will not accept any liability or responsibility to any person other than those to whom it is addressed. The report must not be made available or copied in whole or in part to any other person without our express written permission.**

It may further be noted that in no circumstances shall the liability of Quintessence Enterprises Private Limited (QEPL), its directors or employees related to the service provided in connection with this value analysis, exceed the amount paid to us as our fees for this opinion.

For, **Quintessence Enterprises Private Limited,**

*Lavanya Chandra*  
Lavanya Chandra  
Executive Director



06/06/2014  
Hyderabad

Encl.: (1) Valuation Report by M/s. VGR & Co., Chartered Accountants.

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Fairness Opinion on valuation of ACEL and ATRPL

For Action Construction Equipment Ltd.

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*[Signature]*  
Company Secretary