



To

The Board of Directors,  
Taneja Aerospace and Aviation Limited,  
Belagondapalli Village, Thally Road,  
Denkanikotta, Belagondapalli,  
Tamil Nadu - 635114

The Board of Directors,  
TAAL Enterprises Limited,  
2<sup>nd</sup> Floor, MMPDA Towers,  
184, Royapettah High Road,  
Chennai - 600014

Dear Sirs,

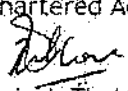
**Ref: Recommendation of the swap ratio of equity shares for the purpose of proposed demerger of Air Charter Business carried out by Taneja Aerospace and Aviation Limited and Investments in First Airways Inc. and TAAL Tech India Private Limited, into TAAL Enterprises Limited**

M/s MZSK & Associates ('MZSK' or 'We' or 'Us'), has been requested by the management of the companies to recommend the ratio for issue of equity shares for the purpose set out in para 1.3 below.

Our recommendation is based on the independent review, specific facts of the case and the information furnished to us, as set out in the enclosed Report and is subject to the scope and limitations contained herein.

Should you require any further clarification, we shall be pleased to furnish the same on hearing from you.

Yours faithfully,  
For MZSK & Associates  
Chartered Accountants

  
Rajesh Thakkar  
Partner  
Mumbai  
October 8, 2014



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Taneja Aerospace and Aviation Limited

  
Company Secretary

1. Background & Objective

1.1. Taneja Aerospace and Aviation Limited ('TAAL')

Taneja Aerospace and Aviation Limited ('TAAL') is engaged in the business of aircraft manufacturing and maintenance, airfield services, engineering design services (through its subsidiary TAAL Tech India Private Limited) and air charter services. The Company is listed on BSE Limited. The registered office of the Company is in Tamil Nadu, India.

The Authorised, Issued, Subscribed and Paid-up Share Capital of TAAL as on October 1, 2014 is as under:

Particulars	INR in Lakhs
<b>Authorised Capital</b>	
4,00,00,000 Equity Shares of Rs.5/- each	2,000.00
10,00,000, 15% Redeemable Cumulative Preference Shares of Rs.50/- each	500.00
<b>Total</b>	<b>2,500.00</b>
<b>Issued, Subscribed and Paid Up Capital</b>	
2,49,30,736 Equity Shares of Rs.5/- each fully paid up	1,246.54
<b>Total</b>	<b>1,246.54</b>

Subsequent to the abovementioned date, there has been no change in the Issued, Subscribed and Paid-up Share Capital of TAAL.

1.2. TAAL Enterprises Limited ('TEL')

TEL is a newly incorporated public limited Company having its registered office in Tamil Nadu, India. TEL is a wholly owned subsidiary of TAAL. TEL was incorporated on July 1, 2014. TEL is in process of obtaining the Certificate of Commencement of Business from the concerned Registrar of Companies. Its main object would be to provide Air Charter services by operating Charter Plane for the purpose of transporting or carrying passengers.

The Authorised, Issued, Subscribed and Paid-up Share Capital of TEL as on October 1, 2014 is as under:

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Page 2 of 5

(28)

Particulars	INR in Lakhs
<b>Authorised Capital</b>	
50,000 Equity Shares of Rs.10/- each	5.00
<b>Total</b>	<b>5.00</b>
<b>Issued, Subscribed and Paid Up Capital</b>	
50,000 Equity Shares of Rs.10/- each fully paid up	5.00
<b>Total</b>	<b>5.00</b>

### 1.3. Valuation Objective

We understand that the management of TAAL is contemplating to demerge its Air Charter Business carried out by TAAL and Investments in First Airways Inc. and TAAL Tech India Private Limited ('Demerged Business') vide a Scheme of Arrangement proposed between TAAL and TEL under sections 391 to 394 read with sections 100 to 103 and other applicable provision of the Companies Act, 1956, and Section 52 and other applicable provisions of the Companies Act, 2013 (hereinafter referred to as 'Draft Scheme').

In this context, we have determined the Share Exchange ratio that may be considered for the 'proposed demerger'.

For the purpose of our study, we have relied on the information and explanations provided to us by the management of TAAL and TEL. We have not carried out any independent tests to establish the accuracy of such statements and information.

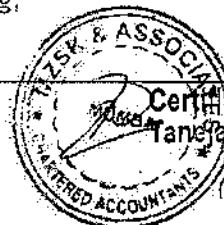
As per the Draft Scheme provided to us, the Appointed Date for the demerger is October 1, 2014.

### 2. Sources of Information

For the purpose of this valuation exercise, we have relied upon the following information / documents made available to us by the management of both the companies and information available in the public domain:

- 2.1. Draft Scheme of Arrangement between TAAL and TEL and their respective shareholders to be adopted at the Board meeting;

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Page 3 of 5

Tanveer Aerospace and Aviation Limited

Company Secretary

(29)

- 2.2. Shareholding pattern of TAAL and TEL; and
- 2.3. Our discussions from time to time and representations provided by the Management of the companies.

3. Share Swap Ratio - Basis and Determination

3.1. Considering the following aspects:

- i. TEL is the wholly owned subsidiary ('WOS') of TAAL;
- ii. Upon the Draft Scheme becoming effective, existing shareholding of TAAL in TEL shall stand cancelled without any payment; and
- iii. Upon the Draft Scheme becoming effective, the shareholders of TAAL would be entitled to the same proportion of shares of TEL which they currently own directly in TAAL.

the swap ratio would not have any impact on the ultimate value of the shareholders of TAAL and the proposed demerger of Demerged Business of TAAL into TEL will be value-neutral to TAAL's shareholders.

Hence, the determination of swap ratio of the companies is at best an internal arrangement between the Companies and its shareholders and a detailed valuation of the company to determine the swap ratio would not be relevant in the present case.

- 3.2. The swap ratio and the number of shares to be allotted pursuant to demerger is of no relevance since there will be no loss of economic interest in the hands of shareholders of TAAL. Accordingly, for the purpose of recommending a swap ratio we are not attempting to arrive at the absolute values of shares of each company. Our exercise is to work out relative values of shares of both the Companies.
- 3.3. Thus, in determining the share swap ratio, we have chosen the methodology, which would fairly state the "relative values" of the shares of the Companies rather than the absolute value of the Companies.
- 3.4. We have been informed by the management of TEL that upon the effective date (as defined in the Draft Scheme), the Authorized Equity Share Capital of the Company would be increased to INR 320 lakhs.

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Jareja Aerospace and Aviation Limited Page 4 of 5

Company Secretary

(30)

3.5. We have been informed by the management of TAAL that the turnover of Aviation business for the year ended 31st March 2014 was about INR 33.94 crore whereas the turnover from the Charter business was INR 8.02 crore. Based on the above and considering the need for higher capital to fund growth of the Demerged Business, the share swap ratio in the event of demerger of Demerged Business of TAAL into TEL as suggested by the management of both the companies as under is fair:

*"1 (One) fully paid equity shares of Face Value INR 10 (Rupees Ten) each of TEL for every 8 (Eight) fully paid equity shares of INR 5 (Rupees Five) each held in TAAL."*

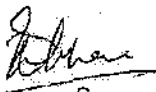
4. Scope Limitations

4.1. We have relied on the information provided and representations made to us by the management and in light of our remark in para 3.1 above that the demerger does not impact the shareholders, we have not carried out any due diligence, investigation or test on the data provided by the Company. This Report is to be read in totality and not in parts, in conjunction with the relevant documents referred to therein.

4.2. This report has been prepared exclusively for the use of TAAL and TEL and solely for the purpose of recommending a share swap ratio for the proposed demerger. Hence, this report should not be used for any purpose, whether in whole or in part without the prior written consent of MZSK, to any other person and for any other purpose other than mentioned earlier in this report. However, we understand that you may share this report with your advisors supporting the proposed transaction as well as statutory authorities. Please note that we do not owe any duty of care or accept no responsibility to your advisors or any third party with regard to this report. We have no obligation to update or revise this report because of events or transactions occurring subsequent to the date of this report.

Thank You.  
Yours faithfully,

For MZSK & Associates  
Chartered Accountants



Rajesh Thakkar

M. No. 103085

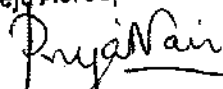
Mumbai

Date: October 8, 2014

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Page 5 of 5

  
Company Secretary

(31)