

7/11/2014

FAIRNESS OPINION

SIMBHAOLI SUGARS LIMITED



14th March, 2014.



Strictly Private & Confidential



Strictly Private & Confidential

Ref. No: CPC/MB/063/2013-14

Dated 14.03.2014

SEBI Reg. No: INM000011435

To,

The Board of Directors

SIMBHAOLI SUGARS LIMITED

AND

SIMBHAOLI SPIRITS LIMITED

Subject: Fairness Opinion on the Valuation Report issued by M/s. Rahul Bansal & Co, Chartered Accountants for the Proposed Merger of M/s. Simbhaoli Sugars Limited with its wholly owned subsidiary M/s Simbhaoli Spirits Limited

Dear Sir,

This Fairness Opinion is in furtherance to the discussion held with the key management personnel of M/s Simbhaoli Sugars Limited for the purpose of arriving at an opinion on the Valuation Report issued by M/s Rahul Bansal & Co, Chartered Accountants in respect of the proposed merger of M/s Simbhaoli Sugars Limited with its wholly owned subsidiary M/s Simbhaoli Spirits Limited.

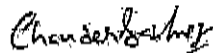
In reference to the Scheme of Arrangement, it is proposed to amalgamate M/s Simbhaoli Sugars Limited (herein after referred as "SSL" or "Transferor Company") into its wholly owned subsidiary Simbhaoli Spirits Limited, (herein after called as "SISPL" or "Transferee Company"), on a going concern basis, pursuant to the provisions of Section 391-394 and other applicable provisions of the Companies Act, 1956 and/or Rules/Regulations made there under.

In terms of our discussions held, we are enclosing our opinion along with this letter. Please note that this is just an opinion on the captioned subject on the basis of the documents submitted to us and does not constitute our independent analysis. All comments as contained herein must be read in conjunction with the Caveats to this opinion.

The opinion is confidential and has been prepared exclusively for the management of Simbhaoli Sugars Limited, and the Transferee Company. It should not be used, reproduced or circulated to any other person, in whole or in part, without the prior consent of Corporate Professionals Capital Private Limited, such consent will only be given after full consideration of the circumstance at the time. We are however aware that the conclusion in this report may be used for the purpose of certain statutory disclosures and we provide consent for the same. Please feel free to contact us in case you require any additional information or clarifications.

Yours Faithfully,

For Corporate Professionals Capital Private Limited



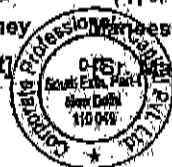
Chander Sawhney

[Vice President]



Maneesh Srivastava

[Manager]



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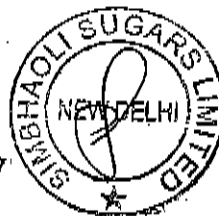
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CONTEXT AND BACKGROUND

1. We understand that equity shares of Simbhaoli Sugars Limited (Transferor Company) are listed at the Bombay Stock Exchange (BSE), and National Stock Exchange (NSE) in India. The proposed scheme of arrangement provides for merger of Simbhaoli Sugars Limited (SSL) with its wholly owned subsidiary Simbhaoli Spirits Limited (SISPL) on a going concern basis pursuant to the provisions of Section 391-394 and other applicable provisions of the Companies Act, 1956 and/or Rules/Regulations made there under.

In accordance with Clause 24(h) of the Listing Agreement and SEBI Circular No CIR/CFD/DIL/5/2013, dated February 04, 2013 as modified by its subsequent Circular No CIR/CFD/DIL/8/2013 dated 21st May 2013 as applicable to the Listed Companies, the listed Company as well as the Unlisted Company required to obtain a "Fairness Opinion" on the Valuation of assets / Equity shares done by the Valuers for the Company and Unlisted Company from an independent Merchant Banker.

Clause 24(h) of the Listing Agreement reads as below-

The company agrees that in the explanatory statement forwarded by it to the shareholders u/s 393 or accompanying a proposed resolution to be passed u/s 100 of the Companies Act, it shall disclose the pre and post-arrangement or amalgamation (expected) capital structure and shareholding pattern, and the "fairness opinion" obtained from an Independent merchant bankers on Valuation of assets / Equity shares done by the Valuers for the company and unlisted company."

2. With reference to the above, we, Corporate Professionals Capital Private Limited, a SEBI Registered Merchant Banker, have been appointed by Simbhaoli Sugars Limited and Simbhaoli Spirits Limited, to provide the "Fairness Opinion" in accordance with the clause 24 of the Listing Agreement and SEBI Circular No. CIR/CFD/DIL/5/2013, as modified by its subsequent Circular No. CIR/CFD/DIL/8/2013 dated 21st May 2013 stated above.



BRIEF ABOUT COMPANIES

(i) Simbhaoli Sugars Limited ('SSL'), or the (Transferor Company)

SIMBHAOLI SUGARS LIMITED is a company incorporated on 29th June, 1936, under the provisions of Companies Act, 1956. The registered office of the Company is situated at Simbhaoli Hapur, Uttar Pradesh 245207. SSL is amongst top 10 integrated sugar companies in India and is listed on Bombay Stock Exchange (BSE) India Limited and National Stock Exchange Limited. "SSL" is engaged in the business of Sugar and Ethanol and has three manufacturing facilities in Simbhaoli (Western UP), Chilwana (Western UP) and Brijnathpur (Eastern UP). SSL has subsidiaries named as Simbhaoli Power Private Limited, Integrated Casotech Consultants Private Limited, and Simbhaoli Global Commodities DMCC, Dubai and Uniworld Sugars Private Limited (50:50 Joint Venture Company)

(ii) Simbhaoli Spirits Limited ('SISPL') or the (Transferee Company)

SIMBHAOLI SPIRITS LIMITED is a company incorporated on 4th April, 2011, under the provisions of Companies Act, 1956. The registered office of the Company is situated at Kothi No. 1, Distillery Division Compound Simbhaoli Uttar Pradesh - 245207. It is engaged in the business of manufacturing, marketing and branding of Ethanol, Extra Neutral Alcohol, Ractified spirits, Potable alcohol including India Made Foreign Liquor (IMFL), and other alcoholic and non alcoholic beverages and also processing of by-products for India as well as overseas markets. SISPL is a 100% wholly owned subsidiary of Simbhaoli Sugars Ltd.



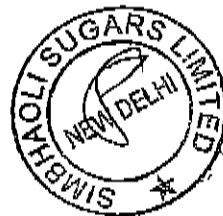
KEY FACTS AND CERTAIN EXTRACT OF THE VALUERS REPORT

- The Valuation report issued by M/s Rahul Bansal & Co, Chartered Accountants has considered all the three approaches to valuation namely Asset Approach, Income Approach and Market Value Approach to value the Transferor and the Transferee Company.
- While applying the valuation methodologies we have observed that the valuer has assigned weight of 2 to Income approach, weight of 1 to Asset approach and weight of 1 to Market approach as Income approach is the most prominent approach and majorly factors in the cash flow generation ability of the company which is the key driver of any business.

The following is the exchange ratio computed by the valuer

On the basis of the value computation of the equity shares of "SISPL" and "SSL", "SISPL" shall issue and allot 117 (One hundred and Seventeen) Equity Shares of Face Value of Rupees 10 (Rupees Ten) at a premium of Rs. 62 (Rupees Sixty Two) each in "SISPL" for every 100 (One Hundred) Equity shares of face value of Rs. 10/- (Rupees Ten) each held by the Equity shareholders of "SSL".

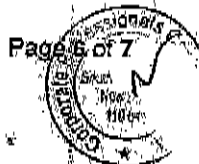
"SISPL" shall issue and allot 139 (One Hundred and Thirty Nine) fully paid-up Equity Share of Face Value of Rs 10 (Rupees Ten) each at a premium of Rs 62 (Rupees Sixty Two) each in SISPL for every 100 (One Hundred) fully paid-up Redeemable Preference Shares of face value of Rs 100 (One Hundred) each held in SSL"



CONCLUSION & OPINION

- SISPL is a wholly owned subsidiary of SSL.
- With reference to above and based on information provided by the management of the Companies involved we are of the view that the present amalgamation has been structured to consolidate the business and operations of aforesaid Group Companies;
- Further, as reported by the valuer in its Valuation Report, the value of certain assets of SSL are substantially higher than its book value, hence for the purpose of valuation, the Independent valuer M/s. Rahul Bansal & Company has considered the fair valuation of all such assets, which in our opinion is fair and equitable to the rights of the equity shareholders of the Company;

Subject to above, we as a Merchant Banker hereby certify that pursuant to Clause 24 of the listing agreement and SEBI circular dated February 04, 2013 we have reviewed the valuation report of M/s. Rahul Bansal and Company, Chartered Accountants and are of the opinion that these may be taken as fair and reasonable from a financial and commercial perspective of Equity Shareholders of the Companies.



CAVEATS

- We wish to emphasize that, we have relied on explanations and information provided by the respective key managements, and other public available information while verifying the valuation report of the valuer. Although, we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided.
- We have not made an appraisal or independent valuation of any of the assets or liabilities of the companies and have not conducted an audit or due diligence or reviewed/validated the financial data except what is provided to us by the Company.
- We express no view as to, and our Fairness Opinion Report does not address, the underlying business decision of any company to effect the proposed Transactions or the Merits of the Proposed Transaction.
- We are not expressing any suggestion or opinion herein as to the price at which the shares of SSL will trade following the announcement of consummation of the proposed transactions as to the price at which the shares of SSL may be transacted.
- The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this scheme of arrangement, which might be relevant in the context of the transaction and which a wider scope might uncover.
- In the past corporate professionals may have provided, and may currently or in the future provide consulting service to the company or any of its associate companies and has/ shall be receiving professional fee in return.
- Our Fairness Opinion should not be construed as investment advice and the opinion on the valuation report should not be construed as an advice which has a correlation with the capital market.
- The Opinion contained herein is not intended to represent at any time other than the date that is specifically stated in this Report. This opinion is issued on the understanding that the Management of Simbhaoli Sugars Limited and Simbhaoli Spirits Limited under the scheme has drawn our attention to all matters of which they are aware, which may have an impact on our opinion up to the date of signature. We have no responsibility to update this report for events and circumstances occurring after the date of this Opinion.

CERTIFIED TRUE COPY

For SIMBHAOLI SUGARS LTD.

Sandeep Joshi
SANDEEP JOSHI
Asst. Company Secretary

