



COMFORT SECURITIES LIMITED

A-301, Hetal Arch, Opp. Natraj Market, S.V. Road, Malad (West), Mumbai - 400 064
Tel. No. : 91-22-2844 97 65 / 2881 1259 / 2882 5509 • Fax: 022-2889 2527
Email: info@comfortsecurities.co.in • URL: www.comfortsecurities.co.in

FAIRNESS OPINION REPORT ON VALUATION FOR THE PROPOSED

AMALGAMATION OF RENUKA COMMODITIES DMCC

(Transferor Company)

INTO

SHREE RENUKA SUGARS LIMITED

(Transferee Company)

By

COMFORT SECURITIES LIMITED

29TH MAY, 2013

SEBI Registered Category I Merchant Banker

SEBI Registration No: INM000011328



TRADE WITH COMFORT

EQUITY | DERIVATIVES | COMMODITY | DP | CURRENCY | MERCHANT BANKING | NBFC

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 Shree Renuka Sugars Limited to prepare an Independent Fairness Opinion Report ("Report") with respect to providing an independent opinion and assessment as to fairness of Valuation Report determined by M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants for the purpose of intended proposed amalgamation of Renuka Commodities DMCC (herein after referred as "RCD") into Shree Renuka Sugars Limited (herein after referred as "SRSL").

The Fairness Opinion Report ("Report") has been prepared on the basis of the review of information provided to Comfort (hereinafter referred as Valuation Report) prepared by M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants. The report does not give any valuation. However this report is limited to provide its fairness opinion on the Valuation Report.

The information contained in this Report is selective and is subject to updations, 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.

This Report is based on data and explanations provided by the management and certain other data culled out from various websites believed to be reliable. Comfort has not independently verified any of the information contained herein. Neither the Company nor Comfort, nor affiliated bodies corporate, nor the directors, shareholders, managers, employees or agents or any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the Report. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained in, or errors in or omissions from, this Report or based on or relating to the Recipients' use of this Report.



This Report is confidential being for use only by the persons concerned. This Report, or any part of it, may not be copied or distributed by the Recipient to third parties (other than in confidence to the Recipients' professional advisors).

EXECUTIVE SUMMARY:

Purpose:

Express an Independent Fairness Opinion and assessment with respect to fairness of Valuation Report determined by M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants for the proposed Amalgamation.

Name of the Companies: - Renuka Commodities DMCC
 - Shree Renuka Sugars Limited

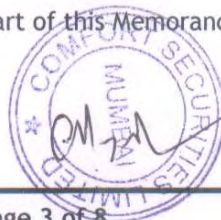
BACKGROUND OF THE COMPANIES

RENUKA COMMODITIES DMCC:

Renuka Commodities DMCC (hereinafter referred to as "RCD") was incorporated as Free Zone Company on 28th November, 2004 in United Arab Emirates having its registered office at Unit No. 24 J, AU Gold Tower, Plot No. 13, Jumeirah Lakes Towers, Dubai. It is wholly owned subsidiary of Shree Renuka Sugars Limited.

The main object of Renuka Commodities DMCC as embodied in its Memorandum of Association and Articles of Association is as follows:

- a) To carry on all such business as the Dubai Metals & Commodities Centre Authority ("the Authority") may permit under the terms of the license to be issued to it by the Authority ("the License"). For this purpose the License shall be an integral part of this Memorandum of Association.



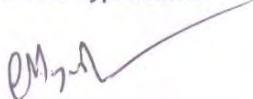
- b) To carry on any other trade or business which can, in the opinion of its Board of Directors and subject to the Authority's approval, be advantageously carried on in connection with or as ancillary to any of the business or activity set out in the License.
- c) Notwithstanding the generality of the foregoing, the Company may not:
- (i) carry on any banking business or any business of financial brokerage or financial advisory services unless it is duly licensed by the competent UAE Authorities;
 - (ii) Carry on business as an insurance or reinsurance agent or insurance broker unless it is duly licensed to do so by the competent UAE Authorities.

SHREE RENUKA SUGARS LIMITED:

Shree Renuka Sugars Limited (hereinafter referred to as "SRSL" was incorporated as a public limited company under the Companies Act, 1956 on 25th October, 1995 in Bangalore, in the State of Karnataka. The Certificate for Commencement of Business was given on 5th January, 1996. The Registered Office of SRSL is situated at BC 105, Havelock Road, Cantonment, Belgaum - 590 001, Karnataka, India.

The main objects of SRSL as set out in its Memorandum of Association are as follows:

1. To purchase, manufacture, produce, boil, refine, prepare, brew, import, export, buy, sell and generally to deal in all varieties of sugar, sugar candy, jaggery, khandsari sugar, sugar beet, sugar cane, molasses, syrups, melada, alcohol, spirits and all products and by-products, thereof such as confectionery, glucose, bagasses, bagasse boards, paper, paper pulp, butyl alcohol, acetone, carbon-dioxide, hydrogen, potash, cane wax, fertilizers, cattle feed and food products generally.
2. To plant, cultivate, produce and raise and/or get cultivated through others or purchase sugar cane, sorghum, sugar beet, sago, palmyra juice and other crops or raw materials used in the production of sugar and its products and byproducts.



3. To generate power by traditional and/or using, any latest technology for the captive consumption and also to distribute, sell such surplus generation if necessary to outsiders.

The shareholding pattern of Shree Renuka Sugars Limited as on March 31, 2013 is as follows:

Sr. No.	Particulars	No. of shares held	% of Holding
1.	Promoter and Promoter Group	25,73,91,592	38.34
2.	<u>Public</u>		
	Institutional investors	16,97,33,118	25.28
	Non-Institutional investors	24,41,94,940	36.38
	TOTAL	67,13,19,650	100.00

TRANSACTION OVERVIEW AND RATIONAL:

The Scheme envisages the amalgamation of Renuka Commodities DMCC into SRSL, resulting in consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of both the companies. Accordingly, it would be in the best interests of the Transferor Company and the Transferee Company. The proposed amalgamation of the Transferor Company into the Transferee Company is in line with the global trends to achieve size, scale, integration and greater financial strength and flexibility and in the interests of maximizing shareholder value. The merged entity is likely to achieve higher long-term financial returns than could be achieved by the companies individually. The Transferor Company and the Transferee Company believe that the financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the Transferor Company and the Transferee Company pooled in the merged entity, will lead to increased competitive strength, cost reduction and efficiencies, productivity gains, and logistic advantages, thereby significantly contributing to future growth. Therefore, the management of the Transferor Company and the Transferee Company believe that the Scheme of Amalgamation would benefit the respective companies and other stake holders of respective companies, inter-alia, on account of the following reasons:



- (i) Enable the Transferee Company to use the resources of the Transferor Company and generate synergy in operations;
- (ii) Increase in net worth of the Transferee Company, which will facilitate effective and fast mobilization of financial resources for meeting increased capital expenditure;
- (iii) Reduction of overheads and other expenses, facilitate administrative convenience and ensure optimum utilization of available services and resources.

VALUATION METHODOLOGY & EXPLANATION ADOPTED BY M/S. ASHOK KUMAR, PRABHASHANKAR & CO.

On the valuation report provided by M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants, on 29th May, 2013, M/s. Ashok Kumar, Prabhashankar & Co., has given valuation of Assets and liabilities of Renuka Commodities DMCC as on 31st March, 2013 based on Net Asset Value methodology (NAV) as per details given below:

(Rs. in Million)				
	Premise of Value : Going Concern Standard of Value: FMV	Amount as at 31.03.2013 (Audited Book Value)	Amount Valuation Adjustments	Amount as Adjusted (FMV)
A.	Fixed Assets (At Book Value)	74.39	-	74.39
B.	Non Current Investments	4,419.29	-	4,419.29
C.	Current Assets, loans and Advances	17,762.96	-	17,762.96
D.	Total Assets (A+B+C)	22,256.64	-	22,256.64
E.	Current liabilities & Provisions	14,667.41	-	14,667.41
F.	Secured Borrowings (Short Term & long Term)	29.21	-	29.21
G.	Unsecured Borrowings	-	-	-
H.	Net Assets (D-E-F-G)	7,560.02	-	7,560.02

	Represented by:			
I.	Share Capital	4.97	-	4.97
J.	Fully Convertible Debentures	-	-	-
K.	Foreign Exchange Translation Reserve	97.75	-	97.75
L.	Surplus / (Deficit) in the Statement of Profit and Loss	7,457.30	-	7,457.30
M.	Total (I+J+K+L)	7,560.02	-	7,560.02

CONCLUSION:

M/s. Ashok Kumar, Prabhashankar & Co., Chartered Accountants, is of opinion that since, the Company is a Wholly Owned Subsidiary of Shree Renuka Sugars Limited and has been approved to be amalgamated with its holding Company in terms of "Pooling of interest Method" as specified in AS 14, no valuation of shares has been carried out and accordingly, number of outstanding Equity Shares of the Company has not been considered.

OUR FAIRNESS OPINION:

On the basis of valuation report received by us from M/s. Ashok Kumar, Prabhashankar & Co., we are of the opinion that the purpose of the proposed Amalgamation is fair, from a financial point of view.

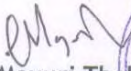
The fairness of the Proposed Amalgamation is tested by:

- (1) Considering whether the Valuation methods adopted by M/s. Ashok Kumar, Prabhashankar & Co., depict a correct picture on the Assets and Liabilities of Transferor Company.
- (2) Calculating the fair market value of Transferor Company.
- (3) Considering qualitative factors such as economies of scale of operations, synergy benefits that may result from the proposed Amalgamation.

Since, the Company is a Wholly Owned Subsidiary of Shree Renuka Sugars Limited and has been approved to be amalgamated with its holding Company in terms of "Pooling of interest Method" as specified in AS 14, no valuation of Shares has been carried out and accordingly, number of outstanding Equity Shares of the Company has not been considered.

This being of our best of professional understanding, we hereby sign the Fairness Opinion report on valuation for the proposed Amalgamation as under.

For Comfort Securities Ltd.


Mayuri Thakkar

Asst. Vice President - MBD

