

**STRICTLY PRIVATE & CONFIDENTIAL**

April 16, 2016

<b>The Board of Directors, Bannari Amman Sugars Limited 1212 Race Course Road Coimbatore 614018</b>	<b>The Board of Directors, Madras Sugars Limited 1212 Race Course Road Coimbatore 614018</b>
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**Subject: Fairness Opinion for the proposed amalgamation of Madras Sugars Limited (MSL - Transferor company) with Bannari Amman Sugars Limited (BASL - Transferee company) pursuant to Scheme of Amalgamation in terms of sub-Para 8(b) of Para I(A) of Annexure I ('said Para 8(b)') of the SEBI Circular No CIR/CFD/CMD/16/2015 dated 30 November 2015 read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'Circular') issued by the Securities and Exchange Board of India ('SEBI').**

Dear Sirs,

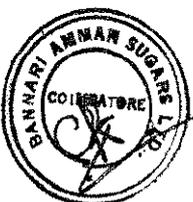
This has reference to the engagement letter dated April 9, 2016, and further discussions we had with your officials regarding the Fairness Opinion Report in terms of above referred SEBI Circular, for the proposed amalgamation of Madras Sugars Limited with Bannari Amman Sugars Limited (BASL) pursuant to Scheme of Amalgamation in terms of provisions of Section 391 to 394 of the Companies Act, 1956 ('The Act') along with other applicable provisions of the Act and/or Rules/Regulations made there under.

**1. Background**

**(A) Bannari Amman Sugars Limited:**

BASL is public limited company incorporated under the provisions of the Companies Act, 1956 on 1.12.1983 and having its Registered Office at 1212, Race Course Road, Coimbatore 641018.

BASL is engaged in manufacture of sugar, alcohol and generation of power through co-generation and wind mills. Presently it has four sugar mills (two each in Tamil Nadu and Karnataka) with aggregate crushing capacity of 20,100 tcd. BASL also has installed co-generation power plants at its 4 sugar mills aggregating 104.8 MW of capacity and wind mills



having aggregate capacity of 8.75 MW. It has two distilleries one each in Tamil Nadu and Karnataka with aggregate capacity to produce 127.50 kl/day of Industrial alcohol and Extra Neutral Spirit. The shares of BASL are listed on BSE and NSE. The shareholding pattern of BASL as at March 31,2016 (as filed with NSE & BSE) is under:

Particulars of shareholders	% of holding
Promoters and Promoter Group (Sri SVBalasubramaniam and his family and the companies controlled by them)	54.72
Public	45.28

Key operational and financial parameters for the years ended March 31,2014, March 31, 2015 and for 9 months ended December 31,2015 are as under:

	2014	2015	INR Cr Dec 31.2015
Revenue	653.39	946.16	1027.68
EBIDTA	146.02	128.15	88.47
Depreciation	51.95	51.26	43.59
Interest	61.91	92.84	82.31
PBT	32.14	0.34	(37.43)
PAT	28.68	1.03	(22.85)

**(B) Madras Sugars Limited: (MSL)**

MSL, is a wholly owned subsidiary of M/s SVB Holdings Private Limited which is controlled by Sri S V Balasubramniam and his family members. MSL was incorporated under the provisions of the Companies Act, 1956 on 30<sup>th</sup> April, 2009 and having its Registered Office at 1212, Race Course Road, Coimbatore 641018. MSL has an operating sugar mill of 3600 tcd capacity, in Vengur Village, ThirukoilurTaluk, Villuppuram District. The cane area allotted under the Sugarcane (Control) Order, 1966 is contiguous to BASL's one of the sugar factories situate at Kolundampattu Village in Tiruvannamalai District. MSL also owns and operates a 25 MW co-generation power plant.



The brief on financials and operational parameters of MSL for the years ended March 31,2014 and 2015, as also for 9 months ended December 31,2015 is as under:

	2014	2015	INR Cr	
			Dec 31,2015	
Revenue	173.84	137.05	137.05	229.00
EBIDTA	40.80	55.49	55.49	(36.97)
Depreciation	24.90	13.99	13.99	11.85
Interest	38.41	43.44	43.44	23.69
PBT	(22.51)	(1.94)	(1.94)	(72.52)
PAT	(15.54)	0.55	0.55	(53.66)

The net worth of MSL is negative as at December 31,2015. The shares of MSL are not listed on any of the bourses. As on January 1, 2016 (the appointed date), the entire share capital comprising 1.5 crore shares of Face value Rs.10/each is held by SVB Holdings Private Limited.

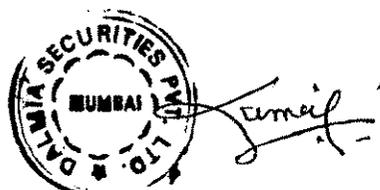
As both companies have common promoters having controlling interest, MSL and BASL are companies under the same management.

## 2. Scheme of Amalgamation

2.1 We have been informed that it is proposed to amalgamate MSL with BASL with effect from January1,2016. (hereinafter referred to as 'Appointed Date') pursuant to the Draft Scheme under sections 391 to 394 of the Companies Act, 1956 and other relevant and applicable provisions of the Companies Act 2013. The Draft Scheme would need the approval from the Madras High Court and other regulatory authorities, etc, as applicable.

2.2 The Salient features of the Draft Scheme are as under:

- a) The Draft Scheme provides for amalgamation of MSL with BASL.
- b) The proposed scheme will provide a stronger and consolidated operational structure to the businesses of the companies.
- c) The draft scheme provides that the proposed amalgamation would enable the companies to optimize the key resources such as command area, expansion of crushing capacity, optimum use of molasses by setting up a distillery unit in the surplus land available with MSL, cost reduction due to scales of economy and better capital structure leading to reduction in the cost of capital of merged entity



- d) The draft scheme provides that the proposed amalgamation would be beneficial for both the companies considering the present industry scenario and the incentives provided by the Government of the sugar industry.
- e) The present scheme of amalgamation has been proposed to facilitate management, administration, financial efficiencies, co-ordination and streamlining day-to-day operations of both Transferor and Transferee companies.
- f) The draft scheme provides that upon the amalgamation and the scheme becoming effective the equity shareholders of MSL will be allotted the shares of BASL based on the exchange ratio arrived at through fair valuations of both entities.

### 3. Scope of Engagement

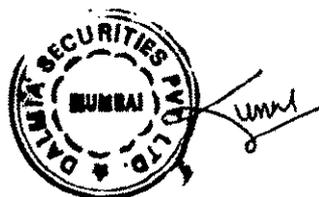
It may be noted that both units covered under the scheme are having common promoters and are hence under the same management. Accordingly the proposed transaction is a related party transaction requiring compliance under SEBI circular dated November 30, 2015.

For the aforesaid purpose, the Board of BASL has appointed Dalmia Securities Private Limited to issue a fairness opinion for the intended Scheme in terms of the requirement of SEBI Circular and Stock Exchange(s). This report is intended only for the sole use of BASL and MSL and in connection with the proposed Scheme including for the purpose of obtaining judicial and regulatory approvals for the amalgamation.

### 4. Sources of Information:

We have relied on the following information in issuing this fairness opinion for the purpose of the amalgamation:

- 1) Draft Scheme of Amalgamation under Section 391 to 394 of the Companies Act, 1956 with regard to the proposed amalgamation;
- 2) Copy of Memorandum of Association and Articles of Association of BASL and MSL ;
- 3) Audited financial statement of BASL for the years ended March 31, 2014 and March 31, 2015 and unaudited results as at December 31, 2015.
- 4) Audited financial statements of MSL for the year ended March 31, 2014, and March 31, 2015 and unaudited results as at December 31, 2015 .
- 5) Valuation Report dated 12/04/2016 issued by M/sKumbhat & Co., Chartered Accountants, Coimbatore ; and



- 6) Such other information, documents, data, reports, discussions and verbal & written explanations from BASL and MSL as well as advisors for merger/amalgamation to BASL/MSL, public domain websites, as were considered relevant for the purpose of the Fairness Opinion.

#### 5. Basis of Valuation:

The valuer appointed for the valuation, have relied on the "going concern" concept and have valued each of the companies. The valuation report of the appointed valuer viz. M/s Kumbhat & Co., Chartered Accountant, Coimbatore is based on the accepted principles of valuation, a brief of which for MSL and BASL is furnished below:

Methodology	Valuation (INR cr)		Weight	
	MSL	BASL	MSL	BASL
DCF	60.43	1886.30	0.75	0.75
Comparable Companies Valuation Method	591.24	3123.88	0.25	0.125
Market Capitalisation (CMP)	---	1609.67	---	0.125
Fair value based on weighted average	193.13	2006.42		
Fair value /share	128.76	1753.91		
Fair value/ share (rounded off)	128.80	1753.90		

#### Suggested Exchange ratio:

Considering the above valuation, the valuer has recommended allotment of 11 (Eleven) equity shares of face value of Rs.10 each of Bannari Amman Sugars Limited for every 150 (One Hundred and Fifty) equity shares of face value of Rs.10 each of Madras Sugars Limited held by the shareholders of Madras Sugars Limited.

#### 6. Exclusions and Limitations

Our report is subject to the scope limitations detailed hereinafter.

- This report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to therein.
- In the course of the present exercise, we were provided with both written and verbal information, including financial data. Our report is based on the information furnished to us being complete and accurate in all material respects. We have relied upon the historical financials and the information and representations furnished to us



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without carrying out any audit or other tests to verify its accuracy with limited independent appraisal. Also, we have been given to understand by the managements of the companies that they have not omitted any relevant and material factors. Accordingly, we do not express any opinion or offer any form of assurance regarding its accuracy and completeness. We assume no responsibility whatsoever for any errors in the above information furnished by the companies and their impact on the present exercise.

- c) We have not conducted any independent valuation or appraisal of any of the assets or liabilities of the companies.
- d) Our work does not constitute an audit, due diligence or verification of historical financials including the working results of the Companies or their business referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report.
- e) We express no opinion whatsoever and make no recommendation at all to the companies underlying decision to effect the proposed Scheme or as to how the holders of equity shares or secured or unsecured creditors of the Companies should vote at their respective meetings held in connection with the proposed Scheme. We do not express and should not be deemed to have expressed any views on any other term of the proposed Scheme. We also express no opinion and accordingly accept no responsibility or as to the prices at which the equity shares of EPL will trade following the announcement of the proposed Scheme or as to the financial performance of EPL following the consummation of the proposed Scheme
- f) Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed amalgamation with the provisions of any law including companies, taxation and capital market related laws or as regards any legal implications or issues arising thereon.
- g) Our analysis and results are also specific to the date of this report. An exercise of this nature involves consideration of various factors. This report is issued on the understanding that the companies have drawn our attention to all the matters, which they are aware of concerning the financial position of the Companies, their businesses, and any other matter, which may have an impact on our opinion for the proposed merger, including any significant changes that have taken place or are likely to take place in the financial position of the Companies or their businesses subsequent to the proposed Appointed Date for the proposed Scheme. We have no responsibility to update this report for events and circumstances occurring after the



date of this report. We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof.

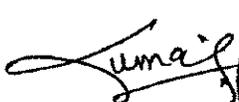
- h) This report has been issued for the sole purpose to facilitate the Company to comply with the SEBI circular and it shall not be valid for any other purpose.

## 7. Opinion & Conclusions

With reference to above and based on information provided by the management of the entities forming part of the amalgamation and after analysing the Draft Scheme, we understand that the present Scheme has been intended to merge MSL into BASL and the appointed valuer M/s Kumbhat & Co., Chartered Accountants, Coimbatore has recommended the exchange ratio of 11 (eleven) fully paid up equity shares of face value of Rs.10/each of Bannari Amman Sugars Limited to be issued and allotted to the shareholders of Madras Sugars Limited for every 150 shares held by them in Madras Sugars Limited in the proportion of the number of equity shares held by them in Madras Sugars Limited.

In light of the forgoing and subject to the caveats as detailed hereinbefore, we as a Merchant Banker hereby certify that, in our opinion the proposed Scheme of Amalgamation with the recommended exchange ratio is fair and reasonable

For *Dalmia Securities Private Limited*

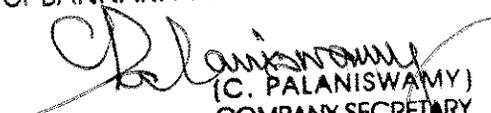
  
Jeyakumar S  
COO-Investment Banking

Place: Mumbai  
SEBI Reg. No.: INM000011476



**CERTIFIED TRUE COPY**

For BANNARI AMMAN SUGARS LTD

  
(C. PALANISWAMY)  
COMPANY SECRETARY  
ACS No : 12580