

**N. D. Kapur & Co.**  
Chartered Accountants

Private & Confidential

**EQUITY VALUATION REPORT**  
**TO DETERMINE THE SHARE EXCHANGE RATIO IN RELATION TO THE**  
**AMALGAMATION OF**  
**SBEC BIOENERGY LIMITED AND SBEC SUGAR LIMITED**

Date : 27<sup>th</sup> July, 2017

To,

The Board of Directors,  
SBEC Sugar Limited,  
District Baghpat, Uttar Pradesh

To,

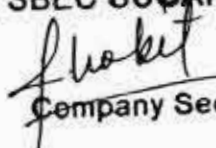
The Board of Directors,  
SBEC Bioenergy Limited,  
District Baghpat, Uttar Pradesh

Dear Sir/Madam,

Sub: Recommendation of Equity share Exchange ratio for the proposed amalgamation of SBEC Bioenergy Limited (SBL) into SBEC Sugar Limited (SBEC) (together hereinafter referred to as the "Companies")

We refer to our engagement letter issued to us by SBEC Sugar Limited and on behalf of SBEC Bioenergy Limited. Companies have requested us to recommend equity share exchange ratio/ swap ratio of equity shares for the purpose of purposed amalgamation of SBEC Bioenergy Limited into SBEC Sugar Limited.

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**For SBEC SUGAR LTD.**

  
Company Secretary

Head Office : 1<sup>st</sup> Floor, The Great Eastern Center,  
(Behind IFCI Tower), Nehru Place New Delhi - 110019.  
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Floor, Mumbai Sarnagar Marg (Opp. Stock  
Exchange Building), Fort, Mumbai - 400001.

**BRIEF ABOUT THE COMPANIES UNDER MERGER / AMAGALMATION**

1. SBEC Bioenergy Limited ("SBL") was originally incorporated on 18<sup>th</sup> April, 1996 under the Companies Act, 1956 bearing Registration no. 037250 having registered office at Village Loyan Malakpur, Tehsil Baraut-250611, District Baghpat, Uttar Pradesh. SBEC Sugar Limited holds 55% shares of SBEC Bioenergy Limited (SBL), therefore SBL is a subsidiary company of SBEC. The Corporate Identification of company is U40105UP1996PLC037250.
2. SBL is engaged in the business of Power generation and apart from captive consumption of power it is also supplying power to Uttar Pradesh Corporation Power Limited.

The Shareholding Pattern of SBL as on 31<sup>st</sup> March 2017

| Sr. No. | Category  | No. Of Shares held | % of Shareholding |
|---------|---|--------------------|-------------------|
| 1.      | SBEC Sugar Limited, along with its Nominees (Promoter & Promoter Group) | 1,26,50,000        | 55%               |
| 2.      | Moderate Leasing and Capital Services Limited (Public Shareholder)      | 1,03,50,000        | 45%               |
|         | <b>TOTAL</b>  | <b>2,30,00,000</b> | <b>100%</b>       |

3. SBEC Sugar Limited ("SBEC") was originally incorporated on 03<sup>rd</sup> May, 1991 under the Companies Act, 1956 bearing Registration no. 019160 having its registered office at Village Loyan Malakpur, Tehsil Baraut- 250611, District Baghpat, Uttar Pradesh. The equity shares of SBEC Sugar Limited are listed on Bombay Stock Exchange (BSE) and the Calcutta Stock Exchange (CSE). SBEC has moved an application with CSE for delisting of shares. The Corporate Identification of company is L15421UP1991PLC019160.

SBEC is presently engaged in the business of producing sugarcane, preparing, selling and generally in dealing in sugar of all grades and related products from sugarcane such as Jaggery, molasses, bagasse and all sugar related products.

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For SBEC SUGAR LTD.

*[Handwritten Signature]*

Company Secretary



The shareholding pattern of SBEC as on 31<sup>st</sup> March 2017:

| Sr. No. | Category                  | No. Of Shares Held | % of Shareholding |
|---------|---------------------------|--------------------|-------------------|
| 1       | Promoter & Promoter Group | 31055462           | 65.17 %           |
| 2       | Public                    | 16598418           | 34.83 %           |
|         | <b>TOTAL</b>              | <b>47653880</b>    | <b>100%</b>       |

SBEC Stockholding and Investments Limited ("SSIL") is a wholly owned subsidiary company of M/s SBEC Sugar Limited. The Company namely M/s. SBEC Stockholding & Investment Limited was incorporated with a view to engage in the activities of investment, acquisition and hold either in the name of the Company or in that or any nominees of the Company, shares, stocks, debentures, debentures stocks, bonds, notes, obligations, and securities. The Company was incorporated as a Limited Company under the provisions of the Companies Act, 1956 on 14<sup>th</sup> day of September, 2001 with the Registrar of Companies, Delhi at NCT of Delhi in the name and style of SBEC STOCKHOLDING AND INVESTMENT LIMITED (NBFC) under the CIN No. U67120DL2001PLC112424 having registered Office at 613, Modi Tower, 98 Nehru Place, New Delhi-110019

The Shareholding Pattern of SSIL as on 31<sup>st</sup> March 2017

| Sr. No. | Name   | No. Of Shares held | % of Shareholding |
|---------|--|--------------------|-------------------|
| 1.      | SBEC Sugar Limited ( along with its nominee) | 45,50,000          | 45,50,000         |
|         | <b>TOTAL</b>                                 | <b>45,50,000</b>   | <b>100%</b>       |

#### Scope and Purpose of this Report

We understand that the Board of Directors of companies (hereinafter referred to as boards) are considering to amalgamate SBEC Bioenergy Limited (SBL) into SBEC Sugar Limited (SBEC) by implementing a scheme of amalgamation under the provisions of 230-232 of the companies act, 2013. As a part of this proposed merger SBL would be merged with SBEC and would cease to exist. The public shareholders of SBL will be issued shares of SBEC as a consideration for the proposed merger.

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For **SBEC SUGAR LTD.**

*Shobhit*  
Company Secretary



The scope of our service is to conduct relative valuation for recommending a fair equity exchange ratio for the proposed merger in accordance with generally accepted professional standards.

This report is our deliverable in respect of our recommendation of fair equity exchange ratio for the purpose of proposed merger of SBL into SBEC.

This report is subject to the scope, assumptions, exclusions, limitations and disclaimers detailed hereunder. As such, the report is to be read in totality and not in parts, in conjunction with the relevant documents referred to therein.

#### SOURCES OF INFORMATION

In connection with this exercise, we have used the following information provided by the Management of the Transferor companies and Transferee Company:

1. The projected income statement and balance sheet for the year 2017-18 to 2021-22 of SBEC Sugar Limited
2. The projected income statement and the balance sheet for the year 2017-18 to 2021-22 of SBEC Bioenergy Limited.
3. Audited Consolidated Financial Statement of SBEC Sugar Limited for F.Y. 2016-17, 2015-16 and FY 2014-15.
4. Interviews and discussion with the management of SBEC Sugar Limited and SBEC Bioenergy Limited about operation of the respective companies, past trends, non-recurring/ abnormal item, future plans and prospects etc

We have obtained information, explanations which are considered relevant, reasonable and necessary for our engagement from the managerial persons and other reasonable person of the entities. The companies have been provided with the opportunity to review the draft report (excluding the recommended exchange ratio) for this engagement to make sure that factual inaccuracies are avoided in our final report.

#### PUPOSE OF VALUATION

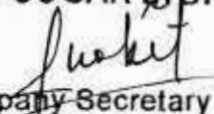
The purpose of this report is to provide the Board/ Management of SBL and SBEC with the points and elements that will aid in determination of the exchange ratio to be proposed in the merger of all these companies.

The recommendation value has been arrived taking into consideration current and future prospectus of the entities on an independent and standalone basis, without taking into account benefits and synergies that will accrue taking merger into consideration.

#### METHOD OF VALUATION

It should be understood that the valuation of any company or its assets inherently subjective and is subject to certain uncertainties and contingencies, all of which

For SBEC SUGAR LTD.

  
Company Secretary

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are difficult to predict and are beyond our control. In performing our analysis, we made assumptions with respect to industry performance and general business and economic condition many of which are beyond the control of companies. In addition, this valuation will fluctuate with change in prevailing market condition, the condition and prospects, financial and otherwise, of the companies, and other factor which generally influence the valuation of companies and their assets.

The application of any particular method of valuation depends on the purpose for which the valuation is done. Although different values may exist for different purpose, it cannot be too strongly emphasized that a valuer can arrive at one value for one purpose. Our choice of methodology of valuation has been arrived at using usual and conventional methodologies adopted for transactions of a similar nature and our reasonable judgment, in an independent and bona fide manner.

It is globally recognized that the valuation is not as exact science and that estimated values necessarily involved selecting a method or an approach that is suitable for the purpose. Courts in India have, over a period of time, evolve certain guiding principles, that most leading case being the decision of the Supreme Court in **Hindustan Lever Employees, Union vs. Hindustan Lever Limited and others [(1995)83 Company Cases 30]**.

The aforesaid decision endorses that a fair and appropriate approach for valuing the companies would be to use a combination of various method which in that case were:

- Market Price ("MP") Method
- Net Assets Value ("NAV") Method
- Income Approach ( "Discounted Free Cash Flow Method")

In arriving at the exchange ratio of the equity share for the merger of – SBL into SBEC, we have determined the values independently but on a relative basis. We have considered the method relevant and applicable.

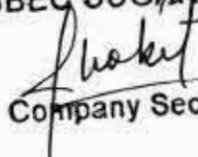
We have used combination of Market Value, Net Assets Value Method and Discounted Cash Flow Method for the valuation of SBL and SBEC.

The valuation methodology used to arrive at the value attributable to the Equity Shareholders of SBL and SBEC are discussed hereunder:

1. Market Value Approach:

- i) Current Market Price Method.  
The market price of equity as quoted on stock exchange is normally considered as the value of the equity share of that company where

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For SBEC SUGAR LTD.

  
Company Secretary



such quotation are arising from the share being regularly and freely traded

In the present case, the share of SBEC are listed on BSE and weighted average price of SBEC over last three years prior to the relevant date has been considered for determining fair market value.

This method is not appropriate for SBL as this is unlisted Company.

## 2. Income Approach

### i) Discounted Cash Flow Method

Another classical approach of valuation is to look at future cash flows, so as to arrive at a valuation would, primarily, be based on the present value of such future cash flows by discounting such future cash flows using an appropriate rate of discounting. This method of valuation is popularly known as the Discounted Cash Flow ("DCF") Method.

The discounted cash flow (DCF) method values Company by discounting its free cash flows for the explicit forecast period and the perpetuity value thereafter. The free cash flow represent the cash available for distribution to both the owners and creditors of the company. The free cash flows are discounted by Weighted Average Cost of Capital (WACC). The WACC represents the return expected by the investors of both debt and equity, weighted for their relative funding in the entity. The present value of the free cash flows during the explicit period and the perpetuity value indicate the value of the company.

The discounted cash flow method is modern valuation method which relates the value of an asset to the present value of the expected future cash flows on that asset. Under this method the value of the business has been determined by the formula

$$\text{Value of Business} = \sum \text{CF in period } t / (1 + \text{WACC})^t$$

Where  $t = 1$  to  $n$

CF = Expected cash flows in period  $n$ .

WACC = Weighted Average cost of Capital

The WACC of the companies have been circulated horizontally up to the year end 2022. The terminal value has been estimated in the last

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year of the forecast period and the present value of the same is added to present value of all cash flows.

$$\text{Terminal Value/Perpetuity} = \frac{\text{Final Projected Year Cash Flows} (1 + \text{Growth rate})}{\text{WACC} - \text{Growth rate}}$$

DCF model is predominated used to value the business of unlisted companies

### 3. Asset Approach:

#### i) Book Value/ Net Assets Method

Under this approach, we have considered the value of the underlying assets of the business at book value. Net Assets Value represent net equity of the business after assets and liabilities have been adjusted to their fair value

Net Asset Value Methodology is used to measure the value of the company based on the tangible assets of the company. We have considered this methodology while undertaking valuation of both the transferor and transferee companies i.e. SBL and SBEC. While valuing SBEC, we have considered fair value of the investment made by the SBEC in its subsidiaries like SSIL, SBL. Increase/ decrease in value of investment made by SBEC in SSIL and SBL has been considered as it is showing significant change in value. We have observed that its subsidiary SSIL does not possess any real estate or other material assets. We have been explained that SBEC, SBL are going concerns and will carry on its business operations. It has been represented by the management that there is not any appreciation or diminution in the value of fixed assets.

Calculations as per Net Asset Value Methodology has been carried for SBEC and SBL, however we do not found it suitable for valuation of SBEC and hence same has been ignored.

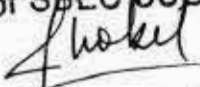
### LIMITATION/ DISCLAIMERS

Our report is subject to the scope limitation detailed hereinafter. As such the report is to be read in totality, and not in parts, in conjunction with the relevant documents referred to herein and in the context of the purpose for which it is made.

Valuation is not a precise science and the conclusions arrived at in many cases will, of necessity be subjective and dependent on the exercise of individual judgment. There is therefore, no indisputable single value. While we have provided an

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assessment of the value based on the information available, applicable of certain formula and within the scope and constraints of our engagement, other may place a different value to the same.

Our scope of the work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. We have, therefore, not performed any audit, review, due diligence or express any of the historical or prospective information used and therefore, does not express any opinion with regards to the same.

The draft of the present report was circulated to the management for confirmation the facts stated in the report and to confirm that information or facts stated are not erroneous and the assumptions used are reasonable.

No investigation on the company's claim to title of assets has been made for the purpose of this valuation and their claim to such rights has been assumed to be valid. No consideration has been given to liens or encumbrances against the assets beyond the liabilities in the books. Therefore, no responsibility is assumed for the matters of a legal nature.

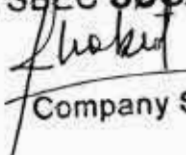
Our work does not constitute an audit or certification of the historical financial statements/ prospective results including the working results of the company referred to in this report. Accordingly, we are unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. Valuation analysis and results are specific to the purpose of valuation mentioned in the report is as per agreed terms of our engagement it may not be valid for any other purpose or as any other date. Also, it may not be valid if done on behalf of any other entity.

In the course of the valuation, we were provided with both written and verbal information we have however, evaluation, the information provided to us by the company though broad inquiry, analysis, and review but have not carried out a due diligence or audit of the information provided for the purpose of this engagement. Our conclusions are based on the assumptions, forecasts and other information given by/ on behalf of the company. We assume no responsibility for any errors in the above information furnished by the company and consequential impact on the present exercise.

Our recommendation is based on the estimates of future financial performance as projected by the management which represent their view of reasonable expectation at the point of time when they were prepared, but such information and estimated are not offered as assurances that the particular level of income or profit will be achieved or events will occurs as predicted. Actual result achieved during the period covered by the prospective financial statements may vary from those contained in the statement and the variation may be material. The facts that we have considered the projections in this exercise of valuation should not be construed or taken as our being associated with or a party to such projections.

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For SBEC SUGAR LTD.

  
Company Secretary





A valuation of this mature involves consideration of various factors including those impacted by prevailing market trends in general and industry trends in particular. This report is issued on the understanding that the Management has drawn our attention to all the matters, which they are aware of concerning the financial position of the company and any other matter, which may have an impact on opinion on the fair value of the shares of the Company including any significant changes that have taken place or are likely to take place in the financial position of the company. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Any Person/ party intending to provide finance/ invest in the shares/ business of the company shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

The decision to carry out the transaction (including consideration thereof) lies entirely with the Management / the company and our work and our finding shall not constitute a recommendation as to whether or not the Management/ the Company should carry out the transaction.

Our Report is meant for the purpose mentioned in our scope of work and should not be used for the purpose other than the purpose mentioned therein. The report should not be copied or reproduced without obtaining our prior written approval for any purpose other than purpose for which it is prepared.

N.D. Kapur & Co., nor its partners, managers, employee makes any representation or warranty express or implied, as to the accuracy, reasonableness or completeness of the information based on which the valuation is carried out. All such parties expressly disclaim any all liability for or based on or relating to any such information contained in the valuation.

#### **VALUATION CONCLUSION**

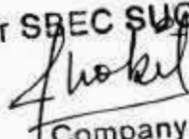
As presented in this valuation report, our objective was to recommend the equity value of SBEC and SBL.

In arriving at our recommendation for equity exchange ratio, we have considered Market Approach, Income Approach and Asset Approach. Detailed notes for equity valuation report are attached with this report.

Based on the foregoing data and the result of these different types of approaches and considering the other source of information that we have derived during the process of this engagement, we hereby recommend:

- a. Exchange ratio of 1.30. Accordingly, 13 shares of SBEC Sugar Limited for every 10 shares held in SBEC Bioenergy Limited.

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**For SBEC SUGAR LTD.**

  
Company Secretary



Shareholding pattern of SBL is mentioned below:

| Sr. No. | Category                                     | No. Of Shares held | % of Shareholding |
|---------|--|--------------------|-------------------|
| 1       | SBEC Sugar Limited                           | 1,26,50,000        | 55%               |
| 2       | Moderate leasing of capital services limited | 1,03,50,000        | 45%               |
|         | <b>TOTAL</b>                                 | <b>2,30,00,000</b> | <b>100%</b>       |

We recommend fresh issue of 1,34,55,000 equity shares in total to be given to the shareholders of Transferor company as under:

| S. No. | Name of Company                              | No. of shares of SBEC to be issued |
|--------|--|------------------------------------|
| 1      | Moderate leasing of capital services limited | 1,34,55,000                        |

The shares held by SBEC in SBL shall stand cancelled. We hereby want to bring to your notice that this estimate is subject to the assumptions and limiting conditions set out in the valuation report.

Thanking You

For N.D. Kapur & Co.  
Chartered Accountants  
FRN. 001196N

CA. Sunny Jain  
Partner  
M.no. 513216

Date : 27<sup>th</sup> July 2017  
Place : New Delhi

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For SBEC SUGAR LTD.  
*[Signature]*  
Company Secretary

## NOTES FOR EQUITY VALUATION REPORT

(To determine the Equity Share Exchange Ratio for the proposed amalgamation of SBEC Sugar Limited and SBEC Bioenergy Limited)

### SBEC SUGAR LIMITED (SBEC)

#### Market Price Method

Average of High-Low of Volume Weighted Average Price for 26 weeks of listed company as per SEBI circular CFD/DIL3/CIR/2017/21 dated March 10, 2017 for the valuation of SBEC is to be considered. However, since the share is not frequently traded in the market, an average of data for last three years has been considered while calculating market price. The value as per Market Price Method calculated at Rs 9.27

#### Net Asset Value Methodology

Calculations as per Net Asset Value Methodology has been carried for SBEC, however we do not found it suitable for valuation of SBEC and hence same has been ignored.

#### Discounted Cash Flow Method

Calculations as per Discounted Cash Flow Method has been carried for SBEC. The value as per DCF method calculated at Rs 8.74

We have assigned equal weights for both the methods while arriving at fair Value.

### SBEC BIO ENERGY LIMITED (SBL)

#### Market Price Method

SBEC is an unlisted company, hence this method is not suitable for SBL.

#### Net Asset Value Methodology

Calculations as per Net Asset Value Methodology has been carried for SBL. The value as per DCF method calculated at Rs 16.87.

#### Discounted Cash Flow Method

Calculations as per Discounted Cash Flow Method has been carried for SBL. The value as per DCF method calculated at Rs 6.46.

We have assigned equal weights have been assigned to different methods used in valuation of transferor and transferee companies considering regulatory requirement as well as nature business of respective companies.

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Company Secretary



| Method-SBEC Sugar Limited                 | Values (Rs.) | Weights  |
|---|--------------|----------|
| Market Price Method                       | 9.27         | 1        |
| DCF Method                                | 8.74         | 1        |
| <b>Total</b>                              | <b>18.01</b> | <b>2</b> |
| Weighted average Value per share SBEC (A) | 9.00         |          |

| Method- SBEC Bioenergy Limited                  | Values       | Weights  |
|---|--------------|----------|
| DCF Method                                      | 6.46         | 1        |
| Book Value Method                               | 16.87        | 1        |
| <b>Total</b>                                    | <b>23.33</b> | <b>2</b> |
| <b>Weighted average Value per share SBL (B)</b> | <b>11.67</b> |          |
| Exchange Ratio (C)=B/A                          | 1.30         |          |

On the basis of above analysis, the Equity Swap Ratio has been arrived at and accordingly equity share of "SBEC" (Transferee Company) shall be issued to the shareholders of "SBL" (Transferor Company) in the ratio mentioned below:

"SBEC" shall issue and allot 13 Equity shares of Face Value of Rs. 10 (Rupees Ten) for every 1 Equity shares of face value of Rs. 10 (Rupees Ten) each held by the Equity shareholders of "SBL".



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