

# Anuradha Gupta

IBBI Registered Valuer

302A III<sup>rd</sup> Floor, Plot no. D-223,  
Vikas Marg, Laxmi Nagar,  
Delhi-110092  
anuradhaguptafcs@gmail.com

June 7, 2021

To,

<b>The Board of Directors Dhampur Sugar Mills Limited Dhampur District – Bijnor U.P. -246761</b>	<b>The Board of Directors Dhampur Bio Organics Limited Sugar Mill Compound, Village Asmoli District - Sambhal U.P. - 244304</b>
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**Re: Share Entitlement Ratio Report for proposed demerger of "Demerged Undertaking" of Dhampur Sugar Mills Limited into Dhampur Bio Organics Limited ('the Companies')**

Dear Sir/Madam,

We have been requested by **Dhampur Sugar Mills Limited** (the "**Demerged Company**") hereinafter referred as **DSM** and **Dhampur Bio Organics Limited** (the "**Resulting Company**") hereinafter referred as **DBOL** to issue share entitlement ratio report for issue of equity shares of Dhampur Bio Organics Limited, in connection with proposed demerger of "Demerged Undertaking" on a going concern basis (as defined in the **Scheme**) of Dhampur Sugar Mills Limited into Dhampur Bio Organics Limited w.e.f Appointed Date , i.e. April 01, 2021, or such other date as may be approved by the Hon'ble National Company Law Tribunal ('NCLT').

Share entitlement ratio is the number of shares of Resulting Company, that a shareholder of the Demerged Company would be entitled to in proportion to the existing shareholding in the Demerged Company. The definitions of the 'Demerged Undertaking' and 'Demerged Units' as per the draft Scheme provided to us is placed in Annexure I.

## **SCOPE AND PURPOSE OF ENGAGEMENT**

This transaction is proposed under a Scheme of Arrangement under Section 230-232 and other applicable provisions of the Companies Act, 2013 (the "**Scheme**"). As per the Scheme, the Resulting Company will issue its shares to the shareholders of the Demerged Company as a consideration for the demerger and the shares held by the Demerged Company and its nominees in the Resulting Company would stand cancelled.

This report recommends the share entitlement ratio for the proposed Demerger, and is subject to the scope, limitations, exclusions and disclaimers detailed hereinafter. As such the report is to be



read in totality and not in parts, in conjunction with the relevant documents referred to therein.

## DISCLOSURE OF VALUER INTEREST OR CONFLICT

I hereby declare that I am independent of the subject Companies for valuation and have not been under any direct or indirect influence, which may affect the valuation exercise. I also state that I have no financial interest in the subject Companies for valuation. I also confirm that this engagement shall be in compliance with the model Code of Conduct issued by IBBI vide Valuation Rules.

## IDENTITY OF THE VALUER AND ANY OTHER EXPERTS INVOLVED IN THE VALUATION

There were no other valuers, apart from me, and experts involved in carrying out the process of valuation.

## DATE OF APPOINTMENT, VALUATION DATE AND DATE OF REPORT

For the purpose of this assignment of valuation, following shall be the key dates:

- a) **Valuation Date** - It refers to the date of this report.
- b) **Date of Appointment**- It refers to a date on which the engagement is provided to a Valuer i.e., April 26, 2021.
- c) **Date of Report**- It refers to a date on which the Report is signed by a Valuer. i.e., June 7, 2021

## 1. BACKGROUND

### 1.1 DHAMPUR SUGAR MILLS LIMITED

DSM is a public Company, limited by shares, incorporated under the provisions of the Companies Act, 1913, under Corporate Identity No. L15249UP1933PLC000511 and having its registered office at District Bijnor, Dhampur - 246761 ("**Demerged Company**") and has Five units situated at Dhampur district Bijnor, Mansurpur district Muzaffarnagar, Rajpura district Sambhal, Asmoli district Sambhal and Meerganj district Bareilly all in the State of Uttar Pradesh having manufacturing facilities of sugar, power, industrial alcohol, ethanol, chemicals and potable alcohol with different capacities.

The equity shares of the Demerged Company are listed on BSE Limited and the National Stock Exchange of India Limited.

### 1.2 DHAMPUR BIO ORGANICS LIMITED

DBOL is a public company, limited by shares incorporated under the provisions of the Companies Act, 2013 under Corporate Identity No. U15100UP2020PLC136939 having its



registered office at Sugar Mill Compound, Village Asmoli Sambhal, Moradabad – 244304 (**“Resulting Company”**). At present all the shares of DBOL are held by DSM i.e. Demerged Company. The objects of DBOL are to carry on and dealing in and manufacturing of sugar, chemicals and co-generation of power. The equity shares of DBOL are not listed at present.

- 1.3 DSM is considering demerger of Demerged Undertaking and transfer the same to DBOL with effect from Appointed Date of April 1, 2021.
- 1.4 We have been informed that the Demerged Undertaking of DSM will be transferred to DBOL and in consideration, equity shares of DBOL would be issued to the equity shareholders of DSM.

## 2. SOURCES OF INFORMATION

For the purposes of this exercise, I have relied upon the following sources of information:

- a) Consideration of Audited Financial Statements of DSM for the financial year ended 31.03.2021
- b) Considered the Draft Scheme of Arrangement.
- c) Management Certified provisional position of assets and liabilities of the “ Demerged Undertaking” of DSM as on March 31, 2021 prepared in compliance with section 2(19AA) of the Income Tax Act, 1961.
- d) Current and proposed shareholding pattern of DBOL as per draft scheme provided to us.
- e) Such other Information and explanation as we required and which have been provided by the DSM and DBOL on which I have relied.

The Management of the Companies have been provided opportunity to review factual information in our draft Report as part of our standard practice to make sure that factual inaccuracies/ omissions/ etc. are avoided in our final Report.

## 3. LIMITATIONS AND EXCLUSIONS

- 3.1 In the context of the proposed demerger of the Demerged undertaking of DSM and transfer of the same to DBOL, DSM and DBOL have approached us to assist in arriving at Share Entitlement Ratio for the purposes of issuing equity shares in DBOL to the shareholders of DSM.
- 3.2 My report is subject to the scope and limitations 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.
- 3.3 My report should not be construed as opinion or certifying the compliance of the proposed



demerger of "Demerged Undertaking " of DSM with the provisions of any law including Companies Act, 2013, Income Tax Act, 1961, RBI and Capital Market related laws or as regards any legal implications or issues arising from such proposed demerger.

- 3.4 The information contained herein and in my report is intended only for the sole use and information of the Companies, and only in connection with the proposed demerger as aforesaid including for the purpose of obtaining requisite approvals. It is to be noted that any reproduction, copying or otherwise quoting of this report or any part thereof, other than in connection with the proposed demerger as aforesaid, can be done only with my prior permission in writing.
- 3.5 No investigation or verification on the Companies claims to title of assets has been made for the purpose of this report and their claim to such rights has been assumed to be valid. Therefore, no responsibility is assumed for matters of a legal nature.
- 3.6 We have not carried out an audit of the information provided for the purpose of this engagement. We assume no responsibility for any errors in the above information furnished by the Companies and consequential impact on the present exercise.
- 3.7 My work does not constitute certification of the historical financial statements including the working results of the Companies referred to in this report. Accordingly, I am unable to and do not express an opinion on the fairness or accuracy of any financial information referred to in this report. My analysis and results are specific to the purpose of this report as per agreed terms of my engagement. It may not be valid or used for any other purpose or as at any other date. Also, it may not be valid if done on behalf of any other entity.
- 3.8 Any third person/party intending to provide finance/invest in the shares/businesses of any of the Companies, shall do so, after seeking their own professional advice and after carrying out their own due diligence procedures ensure that they are making an informed decision.
- 3.9 This report is prepared only in connection with the proposed demerger and transfer exclusively for the use of the Companies and for submission to any regulatory/statutory authority as may be required under any law.
- 3.10 Neither VALUER nor it's Associates, make any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information, based on which this report is being issued. All such parties expressly disclaim any and all liability for, or based on or relating to any such information contained in this report.

#### 4. BASIS FOR DETERMINATION OF RATIO

- 4.1 It is proposed that, as consideration for the transfer of the Demerged Undertaking under the Scheme, DBOL shall issue equity shares in the ratio of 1 (One) fully paid-up equity share of face value INR 10 (Rupees Ten) each of DBOL for every 1 (One) fully paid-up equity share of INR 10 (Rupees Ten) each held in DSM.
- 4.2 Simultaneously with the issue and allotment of the said equity shares by DBOL, the existing



paid-up share capital of DBOL, held by DSM and its nominees, will stand cancelled, extinguished and annulled.

- 4.3 Thus, effectively the shareholding of DBOL would mirror the shareholding of DSML.
- 4.4 The new shares of DBOL allotted post demerger shall be listed at BSE and National Stock Exchange of India Ltd., as per provisions of the Scheme.
- 4.5 I understand that for the proposed demerger of the "Demerged Undertaking" of DSM into DBOL, the ratio of allotment of equity shares in DBOL has been decided based on the desired capital structure of DBOL and avoiding fractional entitlement in the hands of the shareholders.
- 4.6 The share entitlement ratio and the number of shares to be allotted pursuant to demerger, under the draft scheme, is of no material relevance since there will be no loss of economic interest in the hands of shareholders of DSM. Accordingly, for the purpose of recommending a share entitlement ratio I am not attempting to arrive at the absolute value of Shares of each company.
5. This report is being issued in accordance with SEBI Circular number SEBI/HO/CFD/DIL1/CIR/P/2020/215 dated November 3, 2020 for scheme of arrangement by listed entities. This report is in accordance with generally accepted professional standards including Indian Valuation Standards, 2020 issued by the Institute of Chartered Accountants of India (ICAI).
6. In order to comply with the regulatory provisions certain departures have been made from the same, detailed herein below. In accordance with BSE Circular no. LIST/COMP/02/2017-18 dated May 29, 2017, I also hereby display below the workings, relative fair value per share and fair share exchange ratio.

#### Computation of Fair Share Exchange Ratio

VALUATION APPROACH	DHAMPUR SUGAR MILLS LIMITED (DSM)		DHAMPUR BIO ORGANICS LIMITED (DBOL)		
	Value per Share	Weight	Value per Share	Weight	Weight
Asset Approach	NA (Refer Note 1-3)				
Income Approach					
Market Approach					
Relative Value per Share	NA		NA		
Exchange Ratio (rounded off)	NA				

NA: Not Adopted



**Note:**

1. Asset Approach – Not Adopted

As per the proposed Scheme of Arrangement, Demerged Undertaking will be demerged into DBOL, a wholly owned subsidiary of DSML and upon cancellation of the outstanding issued and paid-up shares held by the Demerged Company in the Resulting Company, fresh issue of shares would be made to the existing shareholders of the Demerged Company on a proportionate basis such that their shareholding in the Resulting Company would mirror their existing shareholding in Demerged Company.

In light of above, we have not carried out any independent valuation of the Demerged Company and Demerged Undertaking using the Asset Approach method.

2. Income Approach – Not Adopted

In view of the explanation given above, we have not carried out any independent valuation of the Demerged Company and Demerged Undertaking using the Income Approach method.

3. Market Approach – Not Adopted

In view of the explanation given above, we have not carried out any independent valuation of the Demerged Company and Demerged Undertaking using the Market Approach method.

**7. RATIO:**

1(One) fully paid up equity share of Dhampur Bio Organics Limited of INR 10 each shall be issued to the shareholders of Dhampur Sugar Mills Limited for every 1(One) fully paid up equity share of Dhampur Sugar Mills Limited having face value of INR 10 each held by them.

**8. CONCLUSION**

Based on the above, a ratio of 1 (One) fully paid up equity share of face value INR 10 each of DBOL for every 1 (One) fully paid up equity share of INR 10 (Rupees Ten ) each held in DSM in consideration for the demerger of "Demerged Undertaking" is recommended.

Yours faithfully,



Anuradha Gupta  
Registered Valuer - Securities of Financial Assets  
IBBI Registration No. IBBI / RV /02/2020/12790  
VRN 2021-2022/174

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## **Addendum Statement of limiting conditions and Caveats( forming part of report )**

### **This valuation report relies upon the following contingent and limiting conditions:**

- a. We assume no responsibility for the legal matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed good and marketable.
- b. The business interest and subject business assets have been appraised free and clear of any liens or encumbrances unless stated otherwise. It is assumed that, no hidden or apparent conditions regarding the subject business assets or their ownership are assumed to exist. Hence no consequential impact of the same is considered in the valuation.
- c. All information provided by the client is considered to be accurate. However, I offer no assurance as to its accuracy.
- d. Absent of statement to the contrary, I have assumed that no hazardous conditions or materials exist which could affect the subject business or its assets. However, I am not qualified to establish the absence of such conditions or materials, nor do I assume the responsibility for discovering the same.
- e. The valuation analysis and conclusion of value presented in the report are for the purpose of this engagement only and are not to be used for any other reason, any other context or by any other person except the client to whom the report is addressed and to the requirement for which the report is issued.
- f. The opinion of value expressed in this report does not obligate me to render a comprehensive business appraisal report, to give testimony before any authorities, or attend court proceedings with regard to the subject business assets, properties or business interests.
- g. Possession of this report does not imply a permission to publish the same or any part thereof. No part of this report is to be communicated to the public by means of advertising, news releases, sales and promotions or any other media without a prior written consent and approval by me.



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- h. We have no responsibility to update this report for events and circumstances occurring after the date of this report.
- i. The Valuation Analysis should not be construed as investment advice; specifically, We do not express any opinion on the suitability or otherwise of entering into an investment or business transaction.

## ANNEXURE I

**"Demerged Undertaking"** means all the business, undertakings, properties, activities, operations, investments and liabilities of whatsoever nature and kind and wheresoever situated, of the Demerged Company, in relation to and pertaining to the Demerged Units on a going concern basis, together with all assets and liabilities pertaining to the Demerged Units and shall include (without limitation):

- (a) all the movable and immovable properties, tangible or intangible, including all computers and accessories, software, applications, digital properties and related data, related investments, plant and machinery, equipment, furniture, fixtures, vehicles, stocks and inventory, leasehold assets and other properties in possession or reversion, present and contingent assets (whether tangible or intangible) of whatsoever nature, assets including cash in hand, amounts lying in the banks, investments including shareholding in DIPL, escrow accounts, claims tax credits, input credits, prorata minimum alternate tax credits, tax refunds and claims of any kind, allotments, approvals, consents, letters or intent, registrations, contracts, engagements, arrangements, rights, credits, titles, interests, benefits, advantages, freehold, brands, goodwill, other intangibles, industrial and other licenses, approvals, permits, authorizations, Intellectual Property, assignments and grants in respect thereof, import and export quotas and other quota rights, right to use and avail of telephones, facsimile, email, internet and other communication facilities, connections, installations and equipment, utilities, electricity and electronic and all other services of every kind, nature and description whatsoever, provisions, funds and benefits (including all work in progress), of all agreements, arrangements, deposits, advances, recoverable and receivables, whether from government, local authorities or any other person including customers, contractors or other counter parties, etc., all earnest monies and/or deposits, privileges, liberties, easements, advantages, benefits, exemptions, privileges and approvals of whatsoever nature and where so ever situated, belonging to or in the ownership, power or possession or control of or vested in or granted in favour of or enjoyed by the Demerged Company in relation to the Demerged Units as stated above as on the Appointed Date, including those listed in Schedule I attached to the draft Scheme;
- (b) all receivables, loans and advances, including accrued interest thereon, all advance payments, earnest monies and/or security deposits, payment against warrants, if any, or





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other entitlements of the Demerged Company pertaining to the Demerged Units as on the Appointed Date;

- (c) all employees of the Demerged Company engaged in or in relation to the Demerged Units, along with all benefits under employment including gratuity, superannuation, pension benefits and the provident fund or other compensation or benefits of such employees;
- (d) all the Transferred Liabilities (*as defined in the draft Scheme*);
- (e) all books, records, files, papers, engineering and process information, records of standard operating procedures, computer programs and software along with their licenses and registrations, drawings, manuals, data, catalogues, quotations, sales and advertising materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records whether in physical or electronic form, in connection with or relating to the Demerged Units as stated above of the Demerged Company;
- (f) all legal proceedings (past, present or future) of whatsoever nature by or against the Demerged Company relating to the Demerged Undertaking;
- (g) any assets, liabilities, agreements, undertakings, activities, operations or properties that are determined by the Boards of the Companies relating to or forming part of the Demerged Units or which are necessary for conduct of, or the activities or operations of, the Demerged Units.

**“Demerged Units”** means the following sugar, industrial alcohol, ethanol, chemicals and potable alcohol and power manufacturing units of the Demerged Company, each of which is referred to as a going concern:

- (i) Asmoli unit situated at Asmoli, district Sambhal (Uttar Pradesh), including the sugar manufacturing plant having capacity of 9,000 tonnes crushing per day of sugarcane, 1,50,000 litres of distillery/chemicals per day including ethanol etc. and 43.5 megawatts co-generation of power;
- (ii) Mansur pur unit situated at Mansur pur, district Muzaffarnagar (Uttar Pradesh), including the sugar manufacturing plant having capacity of 8,000 tonnes crushing per day of sugarcane and 33 megawatts co-generation of power; and
- (iii) Meerganj unit situated at Meerganj, district Bareilly (Uttar Pradesh) including the sugar manufacturing plant having capacity of 5,000 tonnes crushing per day of sugarcane and 19 megawatts co-generation of power.

